



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

**ACCOUNTING
EXEMPLAR 2013**

MARKS: 300

TIME: 3 hours

This question paper consists of 17 pages and a 16-page answer book.

INSTRUCTIONS AND INFORMATION

Read the instructions below carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Workings must be shown in order to achieve part-marks.
4. Non-programmable calculators may be used.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	CATEGORY	MARKS	MINUTES
1	VAT, Membership Fees and Creditors' Reconciliation	Financial accounting	40	24
2	Manufacturing and Ethics	Managerial accounting	50	30
3	Balance Sheet, Fixed Assets and Notes	Financial accounting Managing resources	80	48
4	Analysis and Interpretation of Information	Financial accounting	55	33
5	Budget, Ethics and Internal Control	Managerial accounting	40	24
6	Periodic Stock System, Internal Control and Problem-solving	Managing resources	35	21
TOTALS			300	180

QUESTION 1: VAT, MEMBERSHIP FEES AND CREDITORS' RECONCILIATION
(40 marks; 24 minutes)

This question consists of three separate subquestions on different topics.

1.1 VAT

You are provided with information of Quick Buy, a registered VAT vendor. All goods are subject to 14% VAT.

REQUIRED:

Calculate the VAT amount owing to SARS at the end of June 2013. (13)

INFORMATION:**EXTRACT FROM THE JOURNALS OF QUICK BUY**

	EXCLUDING VAT	VAT	INCLUDING VAT
Cash Receipts Journal	1 413 000	?	
Cash Payments Journal		173 880	
Debtors' Journal		?	596 790
Debtors' Allowances Journal		10 395	
Creditors' Journal		87 255	
Creditors' Allowance Journal		10 815	
Bad debts written off		?	6 840
Drawings by owner	13 500	?	

1.2 SPORT CLUBS

You are provided with information of the Durban Darts Club.

REQUIRED:

Prepare a Membership Fees Account for the year ended 31 December 2012. (12)

INFORMATION:**Extract from the Post Adjustment Trial Balance on 31 December 2011**

Income receivable (Membership fees)	R3 150
Income received in advance (Membership fees)	1 750

Extract from Receipts and Payments Statement for the year ending 31 December 2012

Membership fees received	R31 500
2011	2 100
2012	28 000
2013	1 400

ADDITIONAL INFORMATION:

- On 1 January 2012 the club had 84 registered members and the membership fees were set at R350 per year.
- Eight new members joined the club during 2012. Their membership fees have been paid in full.
- Any outstanding membership fees for 2011 must be written off. These members were de-registered from the club.
- A number of members are in arrears with their 2012 membership fees.

1.3 CREDITOR'S RECONCILIATION

You are provided with the account for Boo Wholesalers in the Creditors' Ledger of Max Traders and the statement received from Boo Wholesalers. The statement reflects transactions up to 25 May 2013.

REQUIRED:

- 1.3.1 List the changes that Max Traders will make in the Creditors' Ledger Account of Boo Wholesalers to arrive at the correct balance. (5)
- 1.3.2 Prepare a Creditors' Reconciliation Statement on 31 May 2013. (10)

INFORMATION:**Creditors' Ledger of Max Traders****C 15. Boo Wholesalers**

DATE	DETAILS	DEBIT	CREDIT	BALANCE
May 1	Balance			Credit 28 600
7	Invoice 151		4 100	32 700
10	Debit Note 40	420		32 280
14	Cheque 271	14 400		17 880
	Discount	300		17 580
20	Invoice 164		2 800	20 380
22	Debit Note 48	600		19 780
28	Invoice 182		5 100	24 880

Statement received from Boo Wholesalers

BOO WHOLESALERS STATEMENT					
21 Funny Street Pretoria 0001			Account No. 789 Transactions to 25 May 2013		
Max Traders 12 Lonely Street, Edenvale					
Date		Details	Debit	Credit	Balance
May	1	Balance			Debit 28 600
	7	Invoice 151	4 100		32 700
	10	Credit Note 35		240	32 460
	14	Payment		14 400	18 060
		Discount		300	17 760
	20	Invoice 164		2 800	14 960
	23	Invoice 175	10 400		25 360

Refer to additional information.

ADDITIONAL INFORMATION:

When the statement received from Boo Wholesalers was compared with the account in the Creditors' Ledger of Max Traders, the following errors were discovered:

- The Debit Note of 10 May 2013 was entered correctly in the statement received from Boo Wholesalers as Credit Note 35.
- Max Traders queried Invoice 175 for R10 400 on the statement received from Boo Wholesalers. It seems to be for goods sold to Maxie Stores. Boo Wholesalers will correct this entry during June.
- Debit Note 48 issued by Max Traders has not been acknowledged by Boo Wholesalers. They say the goods returned are valued at R670 and that they will record this next month.

QUESTION 2: MANUFACTURING AND ETHICS (50 marks; 30 minutes)**2.1 COST CONCEPTS**

From the list of costs below, select only the THREE FIXED COSTS.

Raw material costs	Direct labour costs
Salary: Factory foreman	Commission on sales: Sales staff
Factory rental cost	Salary: Accountant

(3)

2.2 LEDGER ACCOUNTS

You are provided with information relating to Kitty Delights Manufacturers for the financial year ended 28 February 2013. The business manufactures 1 kg packets of cat food.

The perpetual inventory system is used for all stocks, except in the case of indirect materials where the periodic system is used.

REQUIRED:

Prepare the following Ledger Accounts:

- 2.2.1 Raw Materials Stock (8)
 2.2.2 Work-in-process Stock (11)
 2.2.3 Factory Overhead Cost (16)

INFORMATION:**Stocks on hand at the beginning and end of the financial year**

	1 MARCH 2012	28 FEBRUARY 2013
Raw materials stock	R80 000	R55 000
Work-in-process stock	25 000	40 000
Finished goods stock	62 500	10 600
Indirect materials (Consumable stores on hand)	7 500	5 300

TRANSACTIONS DURING THE YEAR:

- (a) RAW MATERIALS:
Bought for cash, R120 000. An additional R10 500 was paid for transporting raw materials to the factory.
- (b) The following costs are to be split between the three departments according to floor area: Factory (200 square metres); Sales Department (50 square metres) and the Administration Department (50 square metres):
- Water and electricity paid during the year amounted to R25 200. The February 2013 account of R1 800 has not been paid yet.
 - Rent: Total for the year, R69 600.
- (c) INDIRECT MATERIALS:
Bought on credit during the year, R22 300. An additional R700 was paid out of petty cash to have these materials delivered to the factory. 75% of all indirect materials are used in the factory.

- (d) **WAGES AND SALARIES FOR THE YEAR:**
- | | |
|---|----------|
| Salary of factory foreman | R120 000 |
| Production wages | 550 000 |
| Administration salaries | 151 200 |
| Commission paid to salesman | 72 000 |
| Wages of the cleaner ($\frac{3}{4}$ of the cleaner's time is spent in the factory) | 37 800 |
- (e) **OTHER SUNDRY EXPENSES (INCLUDING DEPRECIATION):**
- | | |
|---------------------------|----------|
| Factory | R110 000 |
| Administration Department | 322 000 |
| Sales Department | 175 000 |
- (f) 50 000 packets of cat food (dry pellets) were produced during the current financial year.

2.3 ANALYSIS OF COSTS:

The owners of Kitty Delights Manufacturers are not happy with the production costs incurred during the current financial year. The managerial accountant has presented the following figures after taking all costs into account:

	TOTAL FOR THE YEAR	UNITS PRODUCED	UNIT COST
Variable costs	R958 550	50 000 packets	R19,17
Fixed costs	R841 200	50 000 packets	R16,82

The owners have tabled the following proposal for the next management meeting:

PROPOSAL:

- (1) The content of each packet of cat food is to be reduced from 1 kg to 900 grams immediately.
- (2) The size of packaging is to remain the same in order to save costs of having to adjust machinery.
- (3) The selling price per packet of cat food is to be increased to R45,50 as from next year. The current selling price is R41,28.

REQUIRED:

- 2.3.1 Use the figures you calculated in QUESTION 2.2.3 to calculate the unit cost of production of a 1 kg packet of cat food. Show your workings. (3)
- 2.3.2 Calculate the break-even point for the financial year ended 28 February 2013. Show your workings. (5)
- 2.3.3 Explain the advice you would give to the owners about the proposal that will be discussed at the management meeting. Explain TWO points. (4)

QUESTION 3: PARTNERSHIPS, FINANCIAL STATEMENTS AND FIXED ASSETS
(80 marks; 48 minutes)

You are provided with information relating to Kaydee Stores, a partnership owned by Kay and Dean.

REQUIRED:

- 3.1 Prepare the following notes to the financial statements on 28 February 2013. Note that total columns are not required. No other notes are required.
- 3.1.1 Fixed assets (13)
- 3.1.2 Current accounts (22)
- 3.2 Prepare the Balance Sheet on 28 February 2013. Show your workings in brackets as notes are NOT required. (45)

INFORMATION:

1. The figures below were extracted from the accounting records at the end of the financial year on 28 February 2013.

Capital: Kay	R1 800 000
Capital: Dean	1 200 000
Current account: Kay (debit)	55 000
Current account: Dean (credit)	160 000
Drawings: Kay	270 000
Drawings: Dean	320 000
Fixed deposit: Queens Bank	850 000
Cash float	2 000
Bank overdraft	9 800
Mortgage loan from Goodwill Bank	430 000
Land and buildings (cost price)	2 465 920
Equipment (cost price)	620 000
Accumulated depreciation on equipment	280 000
Debtors' control	128 000
Provision for bad debts	12 500
Creditors' control	244 375
Trading stock	695 130
SARS (PAYE)	12 200
Income received in advance	6 600

2. **ADJUSTMENTS AND ADDITIONAL INFORMATION:**

- (a) The business made a net profit of R1 020 000 for the year ended 28 February 2013 (after all adjustments below were taken into account).
- (b) **DEBTORS' CONTROL:**
- An additional amount of R6 000 must be written off as irrecoverable.
 - The provision for bad debtors must be adjusted to 6% of debtors.

- (c) A temporary employee, B Burns, was left out of the Salaries Journal in error. His net salary was R6 290 and his PAYE deduction was 15% of his gross salary. He has no other deductions or benefits.
- (d) An insurance policy with an annual premium of R46 680 expires on 31 May 2013.
- (e) Kay took goods at cost price for personal use. The marked selling price was R57 600. The mark-up was 80% on cost.
- (f) The interest on the loan from Goodwill Bank has not been entered yet. The loan statement reflects the following:

Balance on 1 March 2012	R625 000
Interest capitalised	?
Monthly payments (R16 250 x 12 months)	R195 000
Balance on 28 February 2013	R508 125

According to the loan agreement, the loan will be reduced by R120 000 over the next financial year.

- (g) There are two fixed deposits at Queens Bank. A fixed deposit of R60 000 matures on 30 September 2013. The rest matures on 31 December 2015.
- (h) **FIXED ASSETS:**
- During the year, an amount of R169 000 was debited to the Land and Buildings Account. This was for an additional storeroom (R140 000) and repairs to the ceiling (R29 000). The error must be corrected.
 - Equipment is depreciated at 20% p.a. on cost price.
 - On 31 December 2012 equipment was sold for cash at a loss of R3 500. This has not been recorded. The purchaser transferred the amount electronically. No entry has been made in the books of the business. The details of the asset sold from the Fixed Asset Register were as follows:
 - Cost price, R18 000
 - Accumulated depreciation at the beginning of the financial year, R9 000.
- (i) The partnership agreement allows for the following:
- Salaries to each partner, R20 000 per month.
 - Interest on capital at 10% p.a. Note that Dean increased his capital by R200 000 on 1 December 2012. This has been properly recorded.
 - Dean received a bonus of R175 000 for the year.
 - The remaining profits or losses are shared in the ratio 3 : 1 between Kay and Dean.

QUESTION 4: INTERPRETATION OF FINANCIAL INFORMATION**(55 marks; 33 minutes)**

- 4.1 Choose a term from COLUMN B that matches the description in COLUMN A. Write only the letter (A–E) next to the question number (4.1.1–4.1.5) in the ANSWER BOOK.

COLUMN A DESCRIPTION		COLUMN B TERM
4.1.1	The ability of a business to settle its current debts	A gearing B return on equity C solvency D liquidity E operating efficiency
4.1.2	The ability of a business to settle all its debts	
4.1.3	The extent to which a business uses external loans to fund its operations	
4.1.4	The ability of a business to control its income and running expenses	
4.1.5	The extent to which the owners have been rewarded for their investment in a business	

(5)

- 4.2 You are provided with information relating to Temjo Clothing for the year ended 28 February 2013, together with comparative figures for 2012. The business is owned by two partners, Temba and Jolene.

INFORMATION:**Extract from the financial statements**

	2013	2012
Sales (60% on credit)	R3 900 000	R3 200 000
Cost of sales	(2 500 000)	(2 000 000)
Gross profit	1 400 000	1 200 000
Operating expenses	(680 000)	(660 000)
Operating profit	720 000	540 000
Interest on loans (13% p.a.)	(117 000)	(26 000)
Net profit	603 000	514 000
Partners' equity at year-end	2 110 000	1 940 000
Non-current liabilities (loans)	900 000	200 000
Current liabilities	440 000	320 000
Trade creditors	400 000	270 000
Non-current assets	2 130 000	1 930 000
Current assets	1 320 000	510 000
Inventories (all trading stock)	920 000	230 000
Trade debtors	280 000	130 000

	2013		2012	
	Temba	Jolene	Temba	Jolene
Capital	1 000 000	1 000 000	1 000 000	800 000
Current accounts at year-end	(165 000)	275 000	(35 000)	175 000
Partners' salaries	170 000	170 000	110 000	170 000
Interest on capital (5% p.a)	50 000	50 000	50 000	40 000
Partners' bonuses	83 000	0	0	0
Share of remaining profit	40 000	40 000	72 000	72 000
Drawings	(473 000)	(160 000)	(287 000)	(167 000)

Financial indicators

	2013	2012
Solvency ratio	2,2 : 1	3,7 : 1
Current ratio	2,9 : 1	1,6 : 1
Acid-test ratio	(a)	0,9 : 1
Stock turnover rate	4 times	9 times
Stock holding period	84 days	44 days
Debtors' collection period	(b)	30,4 days
Creditors' payment period	32,0 days	22,0 days
Debt-equity ratio	(c)	0,1 : 1
Interest rate on loans	13%	13%
% mark-up on cost of sales	56,0%	60,0%
% operating expenses on sales	(d)	20,6%
% operating profit on sales	18,5%	16,9%
% net profit on sales	15,5%	16,1%
% return on average partners' equity	(e)	26,4%
% return earned by Temba	38,1%	24,0%
% return earned by Jolene	23,1%	28,9%

REQUIRED:

4.2.1 Calculate the following financial indicators for 2013. Show ALL workings.

- (a) Acid-test ratio (4)
- (b) Average debtors' collection period (5)
- (c) Debt-equity ratio (3)
- (d) Operating expenses on sales (3)
- (e) % return on average partners' equity (4)

4.2.2 The partners are satisfied with the manner in which they controlled the operating expenses in 2013. Quote TWO financial indicators (actual figures or percentages) to support their opinion. (4)

- 4.2.3 Comment on the liquidity position of the business for 2013. Quote financial indicators (actual figures or percentages) to support your answer. State FIVE points. (10)
- 4.2.4 The partners thought it was a good idea to use more loans in 2013. Quote TWO financial indicators (actual figures or percentages) to support their opinion. What did they do with the money that they borrowed and how did this benefit the business? (9)
- 4.2.5 Comment on the % returns earned by the business. Temba is very satisfied with his returns, but Jolene is disappointed. Explain why they feel this way. Quote financial indicators (actual figures or percentages) to support your answer. (8)

QUESTION 5: BUDGETING**(40 marks; 24 minutes)**

You are provided with information relating to Westway Book Shop. The owner, Wesley West, requests your assistance with his cash budget for the three-month period December 2013 to February 2014.

REQUIRED:

- 5.1 Wesley wants to prepare a Cash Budget and a Projected Income Statement.
- Explain ONE similarity between these two items. (2)
 - Explain ONE difference between these two items. (2)
- 5.2 Give the missing figures in the Debtors' Collection Schedule. (8)
- 5.3 Identify or calculate the following missing figures in the Cash Budget on page 15:
- The figures at the bottom marked **A, B** and **C** (3)
 - The figures under Receipts marked **D** and **E** (5)
 - The figures under Payments marked **F, G** and **H** (7)
- 5.4 The staff members have seen Wesley's budget and they are extremely dissatisfied. All of them are thinking of resigning.
- Why do they feel this way? State TWO points. (4)
 - What could Wesley say to them to resolve the problem? State ONE point. (2)
- 5.5 In your opinion, is Wesley controlling the collection from his debtors well? Explain, quoting figures to support your answer. (3)
- 5.6 In November, Wesley compared his actual figures to his budgeted figures. You are provided with the following information:

DETAILS	BUDGET	ACTUAL
Rent income	R11 000	R5 000
Telephone expense	R1 000	R3 200

- Comment on each item and offer ONE point of advice to Wesley. (4)

INFORMATION:

(a) SALES, MARK-UP AND PURCHASES:

- Total sales are expected to be:

NOV 2013	DEC 2013	JAN 2014	FEB 2014
R60 000	R96 000	R54 000	R54 000

- Credit sales comprise $66\frac{2}{3}\%$ of all sales.
- The mark-up % is 60% on cost.
- Stock is replaced on a monthly basis.
- All stock purchases are for cash.

(b) EXPECTED COLLECTIONS FROM DEBTORS:

- 20% pay in the transaction month, subject to a 5% cash discount.
- 30% pay in the 1st month after the transaction month (30 days).
- 35% pay in the 2nd month after the transaction month (60 days).
- 7% pay in the 3rd month after the transaction month (90 days).
- The rest are written off as bad at the end of the 3rd month.

(c) FIXED DEPOSITS:

On 1 December 2013 the amount invested in fixed deposits was R250 000.

The interest rate on the fixed deposits is 6% p.a.

One of the fixed deposits matures on 1 February 2014.

(d) ELECTRICITY:

Because of the huge Eskom price increases, Wesley decided to increase the electricity budget by 10% each month throughout the budget period.

(e) WAGES:

Wesley employs four part-time staff members who work throughout December. They all earn the same monthly amount. One of the staff members has indicated that he will be resigning on 31 December 2013. He will not be replaced, but Wesley will give the other workers a 3% increase from 1 January 2014.

(f) **CASH BUDGET FOR THE PERIOD DECEMBER 2013 TO FEBRUARY 2014**

	DEC 2013	JAN 2014	FEB 2014
RECEIPTS			
Cash sales	D	18 000	18 000
Collection from debtors	?	?	?
Rent income	11 000	12 320	12 320
Increase in loan		100 000	
Interest on fixed deposit (6% p.a.)	1 250	1 250	550
Fixed deposit matured			E
Sundry income	?	?	?
TOTAL RECEIPTS	85 310	175 210	214 510
PAYMENTS			
Cash purchases	F	33 750	33 750
Wages	19 200	G	?
Electricity	900	?	H
Telephone	1 000	1 200	1 200
Repairs and maintenance	4 000	30 000	4 000
Rates on property		43 200	
Advertising	?	?	?
Equipment			80 000
Interest on loan	4 200	5 200	5 000
Repayment of loan	20 000	20 000	20 000
Drawings	25 000	25 000	25 000
TOTAL PAYMENTS	135 050	174 672	186 246
CASH SURPLUS/DEFICIT FOR MONTH	(49 740)	A	28 339
BALANCE AT BEGINNING OF MONTH	76 000	26 260	C
BALANCE AT END OF MONTH	26 260	B	55 137

QUESTION 6: PERIODIC STOCK SYSTEM AND PROBLEM-SOLVING
(35 marks; 21 minutes)**6.1 ALPHA STATIONERY SHOP**

You are provided with information relating to Alpha Stationery Shop for the year ended 28 February 2013. The business uses the periodic inventory method.

REQUIRED:

- 6.1.1 Prepare the Trading Account. Show workings in brackets. (15)
6.1.2 Calculate cost of sales. Show ALL workings. (6)
6.1.3 Calculate the mark-up % achieved. (3)
6.1.4 The business aims at a mark-up % of 65%. Give TWO possible reasons for the actual mark-up % being different from the intended mark-up %. (2)

INFORMATION:

1. Trading stock was valued as follows:
 - R245 000 on 1 March 2012
 - R302 000 on 28 February 2013
2. Goods purchased during the year on credit, R960 000
3. Goods returned to suppliers, R26 000
4. Carriage paid to KZN Deliveries during the year:
 - On goods delivered to Alpha Stationery Shop, R35 000
 - On goods delivered to customers, R22 000
5. One supplier, Penguin Paper, admitted that an error had been made on an invoice for goods delivered during the year. The invoice stated that a 10% trade discount had been granted. The amount of the invoice, R37 800, is included in the figure mentioned in INFORMATION 2 above. Penguin Paper has agreed that a 25% trade discount should have been granted. They issued a credit note for the appropriate amount.
6. Goods comprising gold-plated pens were imported from Top Notch Pens in the USA. Payment of 6 000 US dollars was made to Top Notch Pens immediately. The exchange rate is R9,00 to a US dollar. Alpha Stationery Shop also paid R4 800 to Fedex to transport the pens. Customs duty on these goods was levied at 40% and this was paid to SARS when the goods arrived in the country.
7. The owner, Alan Alpha, took goods costing R3 200 for personal use.
8. Goods were sold during the year for R1 532 900.

6.2 FREDDY'S FRUIT JUICE

You are provided with information relating to Freddy's Fruit Juice for the week ending 7 June 2013.

Freddy employs three people to manage his three shops in different parts of town: Pete, Jack and Sam. He pays them each a wage of R1 000 per week to run each shop. He performs an internal audit on each shop at the end of each week.

He sells different flavours of fruit juice in 500 ml bottles in all three shops. The cost price of the fruit juice is R5,00 per bottle and he applies a mark-up of 50% on each bottle. The normal selling price is therefore R7,50 per bottle.

REQUIRED:

Study the figures provided and identify ONE problem relating to each shop. Give figures to support your answer. Provide a valid solution in each case.

(9)

INFORMATION:

	Pete's shop	Jack's shop	Sam's shop
Opening stock	200 bottles	600 bottles	100 bottles
Bottles supplied to shops	2 000 bottles	1 600 bottles	1 200 bottles
Closing stock	240 bottles	280 bottles	900 bottles
Sales	1 960 bottles	1 820 bottles	400 bottles
Cash deposited (sales)	R13 700	R13 650	R3 000
Cost of sales	R9 800	R9 600	R2 000

35

TOTAL: 300