

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2015

ACCOUNTING

MARKS: 300

TIME: 3 hours



This question paper consists of 16 pages.

INSTRUCTIONS AND INFORMATION

1. This question paper comprises SIX compulsory questions.
2. Answer ALL the questions in the ANSWER BOOK provided.
3. Where applicable, 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 black/blue ink to answer the questions.
6. A breakdown of the questions is provided below. You must attempt to comply with the suggested time allocation for each question. To exercise good time management, try NOT to deviate from it.

QUESTION	TOPIC	SECTION/CONTENT	MARKS	TIME (minutes)
1	Budgeting	<ul style="list-style-type: none"> • Managerial accounting Projected Income Statement and Cash Budget • Managing Resources Internal Control of budget 	55	33
2	Reconciliation and internal controls	<ul style="list-style-type: none"> • Financial Accounting Debtors and Bank Reconciliation • Managing resources Internal controls 	45	27
3	Partnerships – Financial statements	<ul style="list-style-type: none"> • Financial accounting Partnerships – financial statements • Managing Resources Fixed Assets 	75	45
4	Partnerships – Interpretation	<ul style="list-style-type: none"> • Financial accounting Analysis and interpretation of financial information. 	35	21
5	Cost accounting – Manufacturing	<ul style="list-style-type: none"> • Managerial accounting Cost accounting and Break-even analysis 	50	30
6	Clubs and Inventory Systems	<ul style="list-style-type: none"> • Financial accounting Membership fees and refreshments • Managing resources. Stock recording systems 	40	24
			300	180

QUESTION 1: BUDGETING**(55 marks; 33 minutes)****1.1 CASH BUDGET AND PROJECTED INCOME STATEMENT.**

The following transactions were taken from the records of AV Stores for the period ended 30 June 2015.

Complete the table in the answer book by filling in the amounts only in the relevant column(s). (10)

Example: The telephone account for June 2015, R2 130 was paid by cheque.

No.	Amount in the Cash Budget for June 2015		Amount in the Projected Income Statement for June 2015	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example		R2 130		R2 130

Transactions:

- 1.1.1 The expected cash sales for June 2015 were estimated to be R35 200. The profit mark-up is 60% on cost.
- 1.1.2 Total depreciation on fixed assets for the financial year ended 30 June 2015 amounted to R17 040.
- 1.1.3 Cash receipts from debtors for June 2015 are expected to be R62 200. Discounts of R2 150 will be allowed for early payments received.
- 1.1.4 An instalment of R8 460 on the loan is expected to be paid on 25 June 2015. R460 of this amount is the interest on loan.

1.2 CASH BUDGET

RCN Transport owned by Sonny Mkize is a small business that offers a delivery service. Their financial year ends on 30 September each year.

REQUIRED:

- 1.2.1 Complete the Debtors Collection schedule for October 2015 and November 2015. (10)
- 1.2.2 On 31 October 2015, the following figures were extracted from the records of the business. Explain what you would mention to Sonny about each of the items listed. Give ONE point of advice in each case. (6)

	OCTOBER 2015	
	BUDGETED (R)	ACTUAL (R)
Maintenance of vehicles	24 500	21 380
Collection from debtors	147 171	115 620
Telephone	2 300	4 860

1.2.3 Complete the Cash Budget for October and November 2015. (29)

INFORMATION:

A. **A partially completed Cash Budget for October and November 2015.**

	October 2015	November 2015
CASH RECEIPTS		
Collection from debtors		
Fee income for services rendered	62 000	
Rent income	8 200	
Commission income	4 650	
Fixed deposit		10 000
Interest on fixed deposit	375	
TOTAL RECEIPTS		
CASH PAYMENTS		
Fuel and oil	32 600	
Maintenance of vehicles	24 500	
Salaries		
Drawings		
Telephone	2 300	
Sundry expenses	3 120	
Interest on loan		
Purchase of additional vehicle	-	
TOTAL PAYMENTS		
SUPLUS/SHORTFALL	131 126	
Opening Balance	22 104	
Balance at the end of the month		

B. Services rendered to customers on credit is as follows:

September 2015	142 500
October 2015	176 400
November 2015	174 800

C. Debtors normally pay according to the following pattern:

40%	pay their accounts during the transaction month to take advantage of the 2,5% discount.
55%	pay in the month following the transaction month.
	The balance is usually written off as bad debts after the second month.

- D. The rent income will be increased by 9%, and fuel and oil is expected to go up by 15 cents to the Rand, with effect from 1 November 2015.
- E. A fixed deposit is expected to mature on 1 November 2015. Interest on investment is earned at 9% p.a.
- F. Interest on the loan at 11% p.a. is payable monthly. The loan balance on 1 October 2015 was R300 000.
- G. Salaries are paid to the five drivers employed by the firm. All drivers are expected to get a 6% inflationary increase during November 2015.
- H. The business plans to buy an additional vehicle during November 2015. The total cost of the vehicle is R256 000 inclusive of finance charges. A deposit of 10% is payable. The balance will be settled over 60 months. The deposit and the first monthly instalment will be paid during November 2015.
- I. Commission income is a fixed percentage of the cash fee income for services rendered.
- J. The owner draws R500 cash and takes R150 worth of consumable stores per month for his personal use.
- K. Sundry expenses is expected to increase by 2,5% each month.
- L. All other items on the budget are expected to remain the same over the budget period.

QUESTION 2: RECONCILIATIONS AND INTERNAL CONTROLS**(45 marks; 27 minutes)****2.1 DEBTORS**

You are presented with information from the records of Mafusa Dealers.

REQUIRED:

- 2.1.1 Provide the missing information denoted by **(a)** to **(d)** in the Debtors Control account given below. (4)
- 2.1.2 Provide the source documents that will support the entries for R32 000 and R15 000 on the credit side of the Debtors Control account. (2)
- 2.1.3 Give ONE reason (example) for the following entries: Do not give the same reason for both entries.
- The entry of R12 500 on the credit side of the control account. (2)
 - The entry of R4 760 on the debit side of the control account. (2)
- 2.1.4 Explain why the balance on the Debtors Control Account in the General Ledger should be the same as the total on the Debtors List. (2)
- 2.1.5 Refer to **Information B**.
Show how each entry would affect the Debtors Control account and/or the Debtors List. Indicate the change by showing the increase (+) or decrease (-) and the amounts, in the table provided. (8)

INFORMATION:

A.

**GENERAL LEDGER OF MAFUSA DEALERS
DEBTORS CONTROL**

2014 May	1	Balance	b/d	35 000	2014 May	31	(c)	DAJ	32 000
	31	Sales	(b)	80 000			Bank	(d)	15 000
		(a)	CPJ	8 000			Discount allowed	CRJ	280
		Sundry accounts	GJ	4 760			Sundry accounts	GJ	12 500
							Balance	c/d	?
June	1	Balance	b/d	?					

- B
- i The total credit sales were undercast by R2 400.
 - ii A cash discount of R410 granted to B. Gumede (a debtor) was not recorded in the respective journal.
 - iii Goods valued at R670 returned by B. Gumede was posted in error to the Debtor's Ledger account of L. Ngema.
 - iv Goods sold to L. Ngema for R3 210 was recorded as R2 310 in the correct journal, and posted as such to the ledger accounts.

2.2 BANK RECONCILIATION

The information below is from the records of Freedom Stationers for August 2015.

REQUIRED:

- 2.2.1 Show the entries that must be recorded in the cash journals by completing the table provided in the ANSWER BOOK. (13)
- 2.2.2 Prepare the Bank Reconciliation Statement on 31 August 2015. (8)
- 2.2.3 All cash transactions are handled by Innocent Johnson. She has been responsible for this job for the past five years.

It is clear that the business is not controlling its cash resources effectively. Explain ONE problem you have identified. Provide relevant figures to support your answer and also provide a solution for this problem. (4)

INFORMATION:

- A. Items from the Bank Reconciliation Statement on 31 July 2015.

Favourable balance on the Bank Statement	6 800
Outstanding deposits Dated 12 July 2015	22 000
Dated 28 July 2015	27 500
Outstanding cheques No. 987 (dated 10 January 2014)	1 200
No. 1239 (dated 28 July 2015)	5 400
No. 1465 (dated 18 August 2015)	13 800
Favourable balance as per Bank Account	35 900

- B. A comparison of the bank statement received on 28 August 2015 with the records of the business revealed the following:
- Bank charges of R715 appeared on the bank statement but not in the relevant journal.
 - A dishonoured cheque for R7 600 was noted on the bank statement. This cheque was originally received from a debtor, N. Lately, in settlement of her account of R7 750.
 - Interest of R320 was credited on the bank statement. This was not recorded in the relevant journal.
 - Cheque No. 1 654 issued to Beebro Dealers, a creditor, appeared correctly on the bank statement as R5 780. It was recorded incorrectly in the journal as R8 750.
 - A debit order of R345 for the monthly insurance appeared twice on the bank statement. Freedom Stationers was informed by the bank that this mistake will be reversed on the next bank statement.

- Of the outstanding cheques on the July 2015 bank reconciliation statement, only cheque No. 1239 appeared on the bank statement for August 2015. Cheque No. 987 was taken by the owner for his tennis club membership fees. The club no longer exists.
- The outstanding deposit of R27 500 appeared on the bank statement.
- The deposit of R22 000 for commission received was still outstanding. When investigated, Innocent stated that she was robbed on her way to the bank. The owner authorised that this amount be cancelled as it was not certain if any of this money will ever be recovered.
- The August CRJ also showed two outstanding deposits;
R18 200 on 17 August 2015,
R21 400 on 29 August 2015.
- The following cheques from the August CPJ were still outstanding.
No. 1960, for R4 280 (dated 27 August 2015),
No. 1996, for R5 730 (dated 23 September 2015).
- The bank statement closed off with a favourable balance of R5 055.

QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS**(75 marks; 45 minutes)**

The following information was taken from the records of Star Traders, with partners Sanjay and Sam. The financial year ended on 28 February 2015.

REQUIRED:

3.1 Complete the following notes to the Financial Statements:

3.1.1 Fixed assets (Motor Vehicles and Equipment only). (20)

3.1.2 Partners' Current accounts (25)

3.1.3 Trade and other receivables (6)

3.1.4 Trade and other payables. (4)

3.2 Complete the Statement of Financial Position (Balance Sheet) on 28 February 2015. Where notes are not required, show all workings. (20)

INFORMATION:

A. List of balances on 28 February 2015 (amongst others):

Capital: Sanjay	850 000
Capital: Sam	550 000
Current Account: Sanjay (1 March 2014)	23 000
Current Account: Sam (1 March 2014)	7 500 (Dr)
Drawings: Sanjay	45 250
Drawings: Sam	56 250
Land and buildings	1 103 550
Vehicles	700 000
Equipment	430 000
Accumulated depreciation on vehicles (1/3/2014)	280 000
Accumulated depreciation on equipment (1/3/2014)	193 500
Fixed deposit: BASSA Bank (8%p.a)	85 000
Trading stock	248 910
Debtors control	127 300
Creditors control	77 360
Bank (favourable balance)	95 635
Cash float	1 200
Loan: Unity Bank (9,5%p.a.)	320 000

- B. The partnership agreement made provision for the following:
- Both partners are entitled to a salary allowance. Sam's salary is R1 000 per month more than Sanjay's salary allowance. Sanjay's salary allowance for the current financial year was R118 750.
 - Both partners receive interest on their capital balance at 12% p.a. Note that Sanjay decreased his capital balance by R50 000 on 1 December 2014.
 - It was agreed that Sam receive an incentive bonus of R15 000 for the extra hours spent finalising an advertising campaign.
 - Remaining profits (or losses) are shared in the ratio 3 : 2 between Sanjay and Sam respectively.
- C. The net profit (after taking into account all the adjustments) was R462 000.
- D. The total primary distribution for the financial year amounted to R437 000.
- E. The following adjustments were taken into account in determining the net profit amount of R462 000:
- Unused consumable stores amounted to R3 290.
 - The business makes allowance for a provision for bad debts equal to 5% of the debtors control balance.
 - An insurance policy for R4 260 was entered into on 1 May 2014. The annual premium was paid in full.
 - The telephone account for February 2015, R1 840 was only settled on 5 March 2015.
 - The rent for March 2015 was received and deposited. The rent amount of R69 600 was closed off to the profit and loss account.
 - A commission fee of R3 225 was still receivable on 28 February 2015.
 - Depreciation on vehicles at 20% p.a. on carrying value and on equipment at 15% on cost. A new vehicle, costing R145 000 was purchased on 1 June 2014.
 - The profit of R320 on sale of an old office desk sold on 31 December 2014. The cost of the desk was R5 400. It was sold for R1 750 cash.
- F. R25 000 of the Fixed Deposit amount will mature on 30 July 2016.
- G. Interest on loan is capitalised. A fixed monthly instalment of R8 600 inclusive of interest was paid from the time the loan was received. This instalment is expected to remain constant for the next financial year.

QUESTION 4: PARTNERSHIPS – INTERPRETATION**(35 marks; 21 minutes)**

Golden Traders is a partnership business owned by partners N. Yong and G. Sung.
The financial year ended on 28 February 2015.

REQUIRED:

4.1 Calculate the following:

4.1.1 The total current liabilities. (4)

4.1.2 Percentage return earned by N. Yong. (5)

4.1.3 Debt/equity ratio. (4)

4.1.4 Acid-test ratio. (4)

4.2 Comment on the liquidity of the business.
Quote TWO financial indicators (with figures) in your answer. (6)

4.3 Do you think that N. Yong is satisfied with his return on investment? Explain.
Quote TWO relevant financial indicators (with figures) to support your answer. (6)

4.4 The partners want to expand the existing business and are considering increasing the loan. What advice would you offer them? Support your answer by making reference to TWO financial indicators (with figures). (6)

INFORMATION:

A.

**GENERAL LEDGER OF GOLDEN TRADERS
APPROPRIATION ACCOUNT**

2015 Feb	28	Salary: Yong		150 000	2015 Feb	28	Profit and Loss		446 400
		Salary: Sung		182 400					
		Interest on Capital: Yong		42 000					
		Interest on Capital: Sung		28 000					
		Bonus: Sung		12 000					
		Current account: Yong		19 200					
		Current account: Sung		12 800					

B. **Balances and other information:**

	28 FEBRUARY 2015	28 FEBRUARY 2014
Capital: Yong	525 000	400 000
Capital: Sung	350 000	400 000
Current account: Yong	9 100 (Dr)	15 400
Current account: Sung	10 600	12 200
Loan: Mia Bank (11%p.a.)	400 000	400 000
Trade debtors	273 200	142 000
Cash and cash equivalents	36 800	36 600
Trading stock	177 000	50 000
Current liabilities	?	127 000
Current ratio	2,5 : 1	1,8 : 1
Acid test ratio	?	1,2 : 1
Debt equity ratio	?	0,5 : 1
Return on total capital employed	43%	37%
Return earned by Yong	?	48%
Return earned by Sung	61%	57%

QUESTION 5: COST ACCOUNTING – MANUFACTURING (50 marks; 30 minutes)

5.1 You are provided with information taken from the records of Fluzzie Cleaners for the financial year ended 28 February 2015. The business manufactures and sells a single type of cleaning broom.

REQUIRED:

5.1.1 Calculate:

- Direct material cost (6)
- Direct labour cost (6)
- Factory overhead costs. (15)

5.1.2 Post to the Work-In-Process Stock account in the General Ledger. Show all workings in brackets. (10)

INFORMATION:

A. Stock balances:	28 February 2015	1 March 2014
Raw material stock	33 650	27 500
Work-in-process stock	19 950	17 600
Factory indirect material stock	2 170	3 330

B. **Transactions for the financial year ended 28 February 2015:**

Raw material purchased (cash and credit)	826 500
Damaged raw materials returned to suppliers	5 200
Carriage on purchases of raw materials	7 840
Salaries: Factory foreman	62 500
Office workers	32 200
Wages: Production wages (refer to information C)	?
Office workers	7 900
UIF contributions	?
Factory workers in production	
1% of basic salaries or wages	625
Factory foreman	
Office workers	322
Factory indirect material purchased	85 180
Advertising	7 500
Factory maintenance	24 285
Rent expense	108 000
Bad debts	9 200
Brooms stolen	3 720
Water and electricity	67 100
Depreciation of factory plant	16 660
Sundry expenses	45 700

C. **Factory workers in the production process:**

Number of workers in production	6 employees
Normal hours worked by each factory worker above	1 680 hours
Overtime hours worked by each worker above.	240 hours
Normal time wage rate	R75 per hour
Overtime wage rate	R120 per hour

D. **Rent is apportioned according to the floor space occupied by each department. Floor space occupied is as follows:**

	Factory	Sales	Office
Square metres	2 100 m ²	1 100 m ²	800 m ²

E. **Water and Electricity:**

10% of this amount is allocated to the office and 25% to the sales department. The balance applies to the factory.

F. Sundry expenses must be divided between the factory and the sales department in the ratio 3 : 1.

5.2 **TRENDY MANUFACTURERS**

Trendy Manufacturers is a small business that manufactures plastic helmets that are used at local cricket matches as part of an advertising campaign.

REQUIRED:

- 5.2.1 Give ONE example of a fixed cost and ONE example of a variable cost. (2)
- 5.2.2 Calculate the break-even point for Trendy Manufacturers for the year ended 30 June 2015. (6)
- 5.2.3 Comment on your calculations in QUESTION 5.2.2. What advice would you offer Trendy Manufacturers? Quote figures to support the advice you offer. (5)

INFORMATION:

Information for the financial year ended 30 June 2015

A.	Number of helmets produced and sold	23 500 units
	Sales for the year	R1 057 500
	Total fixed costs	R291 200
	Total variable costs	R752 000

- B. The business does not carry any work-in-process balance into the next financial year.

QUESTION 6: NON-PROFIT ORGANISATIONS AND INVENTORY SYSTEMS
(40 marks; 24 minutes)

You are presented with information from the records of Striding Athletic Club. The club closes its books on 31 December each year.

REQUIRED:

- 6.1 Draw up the MEMBERSHIP FEES account on 31 December 2014. (21)
- 6.2 Calculate the profit made on the sale of refreshments. You may construct ledger accounts to show your calculations. (9)
- 6.3 The chairperson is not happy using the periodic inventory system to control the stock of refreshments, and wants to change to the perpetual system.
- Explain the difference between the two systems. (4)
 - Explain to the chairperson why you think that the periodic system is suited for the club. (2)
 - Provide ONE advantage and ONE disadvantage of each stock system. (4)

INFORMATION:

- A. Information from the post-closing trial balance on 31 December 2013.

Sundry creditors	21 110
Refreshments on hand	11 420
Income received in advance (membership fees)	1 080
Accrued income (membership fees)	2 700

- B. Information from the analysis cash book for the year ended 31 December 2014.

Membership fees received	28 620
Refreshment sales	78 360
Refreshments purchased	45 200
Membership fees refunded	180

- C. Membership information:

- Membership fees are R180 per member per year. Entrance fee is R300.
- The fees of members who join during the year are calculated on a pro-rata basis (for the period of unexpired months they belonged to the club).
- New members must pay all fees due in the year they join the club.
- On 1 January 2014, the club had 125 members.
- During March 2014, 22 new members joined the club while a further 8 new members joined during November 2014. These members paid all fees due.

- The total amount received in respect of membership fees includes the entrance fees of the 8 new members. This must be corrected.
- During the year 12 of the members' fees in arrears for 2013 were received. The committee decided that the defaulting members of 2013 be written off as irrecoverable with effect from 1 January 2014.
- One member who paid his 2014 fees re-located to Pretoria in May 2014. It was decided to refund his fees in full and exclude him from the register.
- The secretary decided that part of her honorarium of R250 be offset against her membership fees.
- On 31 December 2014, 8 members paid their membership fees for 2015. Some members were still outstanding with their 2014 fees.

D. Refreshments:

- Refreshments purchased on credit amounted to R17 400.
- Refreshments to the value of R2 850 were used at an athletics meeting.
- A member donated R1 500 worth of refreshments to the club.
- Refreshments stock on hand on 31 December 2014 was R9 980.

40

TOTAL: 300

Name:

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2015

**ACCOUNTING
ANSWER BOOK**

QUESTION	MAX MARKS	MARKS OBTAINED	MODERATED MARKS
1	55		
2	45		
3	75		
4	35		
5	50		
6	40		
	300		



This answer book consists of 14 pages.

QUESTION 1: CASH BUDGET AND PROJECTED INCOME STATEMENT

1.1

No.	Amount in the Cash Budget for June 2015		Amount in the Projected Income Statement for June 2015	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example		<i>R2 130</i>		<i>R2 130</i>
1.1.1				
1.1.2				
1.1.3				
1.1.4				

10

1.2.1 **DEBTORS COLLECTION SCHEDULE**

MONTHS	CREDIT SALES		OCTOBER	NOVEMBER
September	142 500			
October	176 400			
November	174 800			

10

1.2.2

	COMMENT	ADVICE
Maintenance of vehicles		
Collection from debtors		
Telephone		

6

1.2.3 RCN TRANSPORT
CASH BUDGET FOR OCTOBER 2015 TO NOVEMBER 2015

	October 2015	November 2015
CASH RECEIPTS		
Collection from debtors		
Fee income for services rendered	62 000	65 400
Rent income	8 200	
Commission income	4 650	
Fixed deposit	-	10 000
Interest on fixed deposit	375	
TOTAL RECEIPTS		
CASH PAYMENTS		
Fuel and oil	32 600	
Maintenance of vehicles	24 500	
Salaries	25 500	
Drawings		
Telephone	2 300	
Sundry expenses	3 120	
Interest on loan		
Purchase of additional vehicle	-	
TOTAL PAYMENTS		
SUPLUS/SHORTFALL	131 126	
Opening Balance	22 104	
Balance at the end of the month		

29

Q1	55	
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QUESTION 2: RECONCILIATION AND INTERNAL CONTROLS

2.1 2.1.1

(a)	
(b)	
(c)	
(d)	

4

2.1.2

Provide the source documents that will support the entries for R32 000 and R15 000 on the credit side of the Debtors Control account.

R32 000	
R15 000	

2

2.1.3

- Give ONE reason (example) for the entry of R12 500 on the credit side of the control account.

2

- Give ONE reason (example) for the entry of R4 760 on the debit side of the control account.

2

2.1.4

Explain why the balance on the Debtors Control Account in the General Ledger should be the same as the total on the Debtors' List.

2

2.1.5 Refer to Information B.

Show how each entry would affect the Debtors Control account and/or the Debtors List. Indicate the change by showing the increase (+) or decrease (-) and the amounts, in the table provided.

No.	DEBTORS CONTROL	DEBTORS LIST
i		
ii		
iii		
iv		

8

2.2 2.2.1 Show the entries that must be recorded in the cash journals.

CASH RECEIPTS JOURNAL ENTRIES (BANK ACCOUNT DEBITS)		CASH PAYMENTS JOURNAL ENTRIES (BANK ACCOUNT CREDITS)	
DETAILS OF SUNDRY ACCOUNT	AMOUNT	DETAILS OF SUNDRY ACCOUNT	AMOUNT

13

2.2.2 Bank Reconciliation Statement on 31 August 2015.

DETAILS	DEBITS	CREDITS
Cr balance as per bank statement		5 055

8

2.2.3 It is clear that the business is not controlling its cash resources effectively. Explain ONE problem you have identified. Provide relevant figures to support your answer and also provide a solution for this problem.

PROBLEM (with figures)	SOLUTION

4

Q2	45	
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QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS**3.1 3.1.1 FIXED (TANGIBLE) ASSETS**

	VEHICLES	EQUIPMENT
Accumulated depreciation (1 March 2014)	(280 000)	(193 500)
CARRYING VALUE (1 March 2014)		
Movements:		
CARRYING VALUE (28 February 2015)		

20

3.1.2 CURRENT ACCOUNT NOTE

	SANJAY	SAM	TOTAL
Salaries			
Interest on capital			
Bonus			

25

3.1.3 TRADE AND OTHER RECEIVABLES

Debtors Control	127 300

6

3.1.4 TRADE AND OTHER PAYABLES

Creditors Control	77 360

4

3.2 **STAR TRADERS**
BALANCE SHEET AS AT 28 FEBRUARY 2015

ASSETS	
NON-CURRENT ASSETS	
Tangible Assets (1 103 550 +	
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
PARTNERS' EQUITY	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

20

Q3	75	
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QUESTION 4: PARTNERSHIPS – INTERPRETATION

4.1 Calculate:

4.1.1 **The total value of current liabilities.**

4

4.1.2 **Percentage return earned by N. Yong**

5

4.1.3 **Debt/equity ratio**

4

4.1.4 **Acid-test ratio**

4

4.2

**Comment on the liquidity of the business.
Quote TWO financial indicators (with figures) in your answer.**

6

4.3

**Do you think that N. Yong is satisfied with his return on investment?
Explain. Quote TWO relevant financial indicators (with figures) to
support your answer.**

6

4.4

**The partners want to expand the existing business and are considering
increasing the loan. What advice would you offer them? Support your
answer by making reference to TWO financial indicators (with figures).**

6

Q4	35	
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QUESTION 5: COST ACCOUNTING – MANUFACTURING

5.1.1 Calculate:

<ul style="list-style-type: none"> • Direct material cost 	<table border="1" style="width: 100%; height: 20px;"> <tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr> <tr><td style="text-align: center;">6</td><td></td></tr> </table>			6																					
6																									
<ul style="list-style-type: none"> • Direct labour cost 	<table border="1" style="width: 100%; height: 20px;"> <tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr> <tr><td style="text-align: center;">6</td><td></td></tr> </table>			6																					
6																									
<ul style="list-style-type: none"> • Factory overhead cost <table border="1" style="width: 100%; height: 150px; margin-top: 10px;"> <tr><td style="width: 60%;"></td><td style="width: 40%;"></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> <tr><td></td><td></td></tr> </table>																					<table border="1" style="width: 100%; height: 20px;"> <tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr> <tr><td style="text-align: center;">15</td><td></td></tr> </table>			15	
15																									

5.1.2

**GENERAL LEDGER OF FLUZZIE CLEANERS
WORK-IN-PROCESS STOCK ACCOUNT (B7)**

10

5.2 TRENDY MANUFACTURERS

5.2.1 Give ONE example of a fixed cost and ONE example of a variable cost.

FIXED COST:	VARIABLE COST:

2

5.2.2 Calculate the break-even point for Trendy Manufacturers for the year ended 30 June 2015.

6

5.2.3 Comment on your calculations in QUESTION 5.2.2. What advice would you offer Trendy Manufacturers? Quote figures to support the advice you offer.

5

Q5	50	
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QUESTION 6: NON-PROFIT ORGANISATIONS AND STOCK SYSTEMS

6.1

**GENERAL LEDGER OF STRIDING ATHLETIC CLUB
MEMBERSHIP FEES ACCOUNT**

21

6.2

Calculate the profit on sale of refreshments.

9

6.3 The chairperson is not happy using the periodic inventory system to control the stock of refreshments, and wants to change to the perpetual inventory system.

- Explain the difference between the two systems.

4

- Explain to the chairperson why you think that the periodic system is suited for the club.

2

- Provide ONE advantage and ONE disadvantage of each stock system.

	ADVANTAGE	DISADVANTAGE
PERPETUAL INVENTORY SYSTEM		
PERIODIC INVENTORY SYSTEM		

4

Q6	40	
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TOTAL: 300

NATIONAL SENIOR CERTIFICATE

GRADE 11

NOVEMBER 2015

ACCOUNTING MEMORANDUM

MARKS: 300

GENERAL PRINCIPLES:

1. Where calculations are required, award full marks for the final answer. If the answer is incorrect, mark the workings provided. If the working amount is shown as a final answer, award the relevant marks allocated for workings (Income statement), and not the method mark for the answer.
2. Method marks are denoted by .
 - For calculations and final totals, at least one part of the workings must be correct for the method mark to be earned. For totals – inspect operation and reasonableness of answer before awarding the mark.
 - In cases where answers of previous questions must be used (carried forward answers), check the transfer.
 - Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no sign (+/-) or bracket is provided, assume that the figure is positive.
3. For questions requiring explanations and comments (2 marks or more), award part-marks. A good comment will normally mention and explain a point. Beware of different ways to say the same thing. Note that the marking guideline only offer suggested answers – read and try to make sense of what the learner is attempting to convey, and award marks accordingly.
4. Where penalties are applied (such as foreign items, misplaced items, omitted details, etc.), the marks for that section cannot be a negative. Penalties will be indicated next to the relevant questions where applicable. *Where foreign items are included in any calculation, full marks cannot be awarded.*
5. Educators are advised to work through the question paper and compare with this guideline, *before* marking. If adjustments are necessary, do so within the framework of the mark allocation.

This memorandum consists of 14 pages.

QUESTION 1: CASH BUDGET AND PROJECTED INCOME STATEMENT.

1.1

No.	Amount in the Cash Budget for June 2015		Amount in the Projected Income Statement for June 2015	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example		R2 130		R2 130
1.1.1	35 200 ✓		35 200 ✓	22 000 ✓✓
1.1.2				1 420 ✓✓
1.1.3	62 200 ✓			2 150 ✓
1.1.4		8 460 ✓		460 ✓

10

1.2.1 DEBTORS COLLECTION SCHEDULE

MONTHS	CREDIT SALES		OCTOBER	NOVEMBER
September	142 500		78 375 ✓✓	
October	176 400		68 796 ✓✓	97 020 ✓✓
November	174 800			68 172 ✓✓
			147 171 <input checked="" type="checkbox"/>	165 192 <input checked="" type="checkbox"/>
			Operation – one part correct	

10

1.2.2

	COMMENT One valid point each for ✓ ✓ ✓	ADVICE One relevant advice ✓ ✓ ✓
Maintenance of vehicles	Underspent or over budgeted Not well controlled. Not making adequate use of money allocated.	Important to maintain vehicle regularly to improve performance and productivity. Do not compromise on this.
Collection from debtors	Poor collection policy / over-budgeted Estimates may be unrealistic.	Revise collection policy or be more vigilant in implementing the policy. Offer incentives for early payments or penalties for late payments. Send reminders to debtors.
Telephone	Overspent or under-budgeted. Poor control over telephone use.	Investigate usage – may be wastage or valid use. Monitor calls – set rules for private use. Anticipate extra usage or price increases of tariffs.

6

1.2.3 RCN TRANSPORT
CASH BUDGET FOR OCTOBER 2015 TO NOVEMBER 2015

	October 2015	November 2015
CASH RECEIPTS		
Collection from debtors	147 171 <input checked="" type="checkbox"/>	165 192 <input checked="" type="checkbox"/>
Fee income for services rendered	62 000	65 400
Rent income	8 200	8 938 <input checked="" type="checkbox"/>
Commission income	4 650	4 905 <input checked="" type="checkbox"/>
Fixed deposit	-	10 000
Interest on fixed deposit	375	300 <input checked="" type="checkbox"/>
TOTAL RECEIPTS	222 396	254 735 <input checked="" type="checkbox"/>
CASH PAYMENTS		
Fuel and oil	32 600	37 490 <input checked="" type="checkbox"/>
Maintenance of vehicles	24 500	24 500 <input checked="" type="checkbox"/>
Salaries	25 500	27 030 <input checked="" type="checkbox"/>
Drawings	500 <input checked="" type="checkbox"/>	500 <input checked="" type="checkbox"/>
Telephone	2 300	2 300 <input checked="" type="checkbox"/>
Sundry expenses	3 120	3 198 <input checked="" type="checkbox"/>
Interest on loan	2 750 <input checked="" type="checkbox"/>	2 750 <input checked="" type="checkbox"/>
Purchase of additional vehicle	-	29 440 <input checked="" type="checkbox"/> <small>(25 600 + 3 840)*</small>
TOTAL PAYMENTS	91 270	127 208 <input checked="" type="checkbox"/>
SUPLUS/SHORTFALL	131 126	127 527 <input checked="" type="checkbox"/>
Opening Balance	22 104	153 230 <input checked="" type="checkbox"/>
Balance at the end of the month 20	153 230 <input checked="" type="checkbox"/>	280 757 <input checked="" type="checkbox"/>

9

29

*Check operation
*One mark each for 25 600 and 3 840

Q1	55	
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QUESTION 2: RECONCILIATION AND INTERNAL CONTROLS

2.1 2.1.1

(a)	Bank	✓
(b)	DJ (Debtors Journal)	✓
(c)	Debtors Allowances	✓
(d)	CRJ (Cash Receipts Journal)	✓

4

2.1.2

Provide the source documents that will support the entries for R32 000 and R15 000 on the credit side of the Debtors Control account.

R32 000	Credit Note	✓
R15 000	Receipt	✓

2

2.1.3

- Give ONE reason (example) for the entry of R12 500 on the credit side of the control account.**
Any one valid explanation ✓✓
Bad debts / transfer of balance from CL to DL / correction of error
- Give ONE reason (example) for the entry of R4 760 on the debit side of the control account.**
Any one valid explanation ✓✓
Interest income / discount allowed cancelled / transfer of balance from CL to DL / correction of error.

2

2

2.1.4

Explain why the balance on the Debtors Control Account in the General Ledger should be the same as the total on the Debtors' List.

Any valid explanation. ✓✓

All amounts involving debtors are posted from the journals to the individual debtor's ledger accounts. The journal totals are posted to the Debtors' Control account in the General Ledger.
The Debtors Control Account is a summary of the Debtors' List.

2

2.1.5

Refer to Information B.
Show how each entry would affect the Debtors Control account and/or the Debtors List. Indicate the change by showing the increase (+) or decrease (-) and the amounts, in the table provided.

No.	DEBTORS CONTROL	DEBTORS LIST
i	+2 400 ✓	
ii	- 410 ✓	- 410 ✓
iii		Or "0" for no change ± 670 ✓✓
iv	+ 900 ✓✓	+ 900 ✓

8

2.2 2.2.1 Show the entries that must be recorded in the cash journals.

CASH RECEIPTS JOURNAL ENTRIES (BANK ACCOUNT DEBITS)		CASH PAYMENTS JOURNAL ENTRIES (BANK ACCOUNT CREDITS)	
DETAILS OF SUNDRY ACCOUNTS	AMOUNT	DETAILS OF SUNDRY ACCOUNTS	AMOUNT
Interest income ✓	320 ✓	Bank charges ✓	715 ✓
Creditors control ✓	2 970 ✓✓	Debtors control ✓	7 600 ✓
Drawings ✓	1 200 ✓	Commission income ✓	22 000 ✓

13

2.2.2 Bank Reconciliation Statement on 31 August 2015.

DETAILS	DEBITS	CREDITS
Cr balance as per bank statement		5 055
Cr Outstanding deposits (one mark) (one mark) (18 200 + 21 400)		39 600 ✓✓
Dr Outstanding Cheques No. 1 465	13 800 ✓	
No. 1 960	4 280 ✓	
No. 1 996	5 730 ✓	
Cr amount wrongly debited		345 ✓
Dr balance as per Bank Account	21 190 ☑	
	45 000	45 000 ☑

8

2.2.3 It is clear that the business is not controlling its cash resources effectively. Explain ONE problem you have identified. Provide relevant figures to support your answer and also provide a solution for this problem.

PROBLEM ✓ (with figures) ✓	SOLUTION ✓✓
<p>Large outstanding deposits – especially R18 200 which was not deposited in good time. Money being held by the business.</p> <p>R22 000 stolen en-route to depositing. Poor security measures or deposits being done by one person (no sharing of duties) No protection.</p>	<p>Ensure that deposits are done on a regular basis to avoid mismanagement.</p> <p>Provide security when going to the bank (at least two people should go).</p> <p>Rotate duties and times of banking to avoid creating a pattern.</p> <p>*Although we trust Innocent, she could be guilty of theft (dishonest practice).</p>

4

Q2	45	
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QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS

3.1 3.1.1 FIXED (TANGIBLE) ASSETS

	VEHICLES	EQUIPMENT
Cost (1 March 2014)	555 000 ✓✓	435 400 ✓✓
Accumulated depreciation (1 March 2014)	(280 000)	(193 500)
CARRYING VALUE (1 March 2014)	275 000 ✓	241 900 ✓
Movements:	68 250	(66 605)
Additions	145 000 ✓	
Disposals (5 400 – 3 970)		(1 430) ✓✓
Depreciation (Equipment : 675 + 64 500)	(76 750) ✓✓	(65 175) ✓✓✓
CARRYING VALUE (28 February 2015)	Operation 343 250 ✓	Operation 175 295 ✓
Cost (28 February 2015)	700 000 ✓	430 000 ✓
Accumulated depreciation (28 February 2015)	(356 750) ✓	(254 705) ✓

20

Depreciation of Equipment: award 1 mark each for the amounts in brackets. The method mark is for one part being correct.

3.1.2 CURRENT ACCOUNT NOTE

	SANJAY	SAM	TOTAL
Salaries	118 750 ✓	130 750 ✓✓	249 500 ✓
Interest on capital	106 500 ✓✓	66 000 ✓✓	172 500
Bonus		15 000 ✓	15 000
Total primary distribution	225 250 ✓	211 750 ✓	437 000 ✓
Final distribution of profits	15 000 ✓✓	10 000 ✓	25 000 ✓
Net profit for the year	240 250	221 750	462 000 ✓
Drawings	(45 250) ✓	(56 250) ✓	(101 500)
Retained income for the year	195 000	165 500	360 500
Balance (1 March 2014)	23 000 ✓	(7 500) ✓	15 500 ✓
Balance (28 February 2015)	218 000 ✓	158 000 ✓	376 000 ✓

25

Accept alternative formats/presentations.
Allocate the marks accordingly.

*Check operation for all totals

3.1.3 TRADE AND OTHER RECEIVABLES

Debtors Control	127 300	
Provision for Bad Debts	(6 365) ✓✓	
Net Trade Debtors	120 935	
Prepaid Expenses	710 ✓✓	
Accrued Income	3 225 ✓	
Operation (one part correct)	124 870 ☑	
		6

3.1.4 TRADE AND OTHER PAYABLES

Creditors Control	77 360	
Accrued Expenses	1 840 ✓	
Income received in advance (69 600/12)	5 800 ✓✓	
Operation (one part correct)	85 000 ☑	
		4

3.2 **STAR TRADERS**
BALANCE SHEET AS AT 28 FEBRUARY 2015

ASSETS			
NON-CURRENT ASSETS		1 682 095	
Tangible Assets (1 103 550 + 343 250 <input checked="" type="checkbox"/> + 175 295 <input "="" checked="" type="checkbox"/>	Refer 3.1.1		
Financial Assets (85 000 – 25 000)		60 000 ✓✓	
CURRENT ASSETS		498 905	
Inventories (248 910 + 3 290)		252 200 ✓✓	
Trade and other receivables	Refer 3.1.3	124 870 <input checked="" type="checkbox"/>	
Cash and cash equivalents (95 635✓ + 1 200✓ + 25 000✓)		121 835	Or 3 marks
TOTAL ASSETS		2 181 000	
EQUITY AND LIABILITIES			
PARTNERS' EQUITY		1 776 000 <input checked="" type="checkbox"/>	Operation
Capital (850 000 + 550 000)		1 400 000 ✓✓	
Current accounts	Refer 3.1.2	376 000 <input checked="" type="checkbox"/>	
NON-CURRENT LIABILITIES		216 800	
Loan (320 000 – 103 200 ✓)		216 800 ✓	
CURRENT LIABILITIES		188 200	
Trade and other payables	Refer 3.1.4	85 000 <input checked="" type="checkbox"/>	
Current portion of loan		103 200 <input checked="" type="checkbox"/>	
TOTAL EQUITY AND LIABILITIES		2 181 000 <input checked="" type="checkbox"/>	

20

Q3

75

QUESTION 4: PARTNERSHIPS – INTERPRETATION

4.1 Calculate:

4.1.1 **The total value of current liabilities.**

$$\text{Current Assets : } (273\,200 + 36\,800 + 177\,000) = 487\,000 \checkmark\checkmark$$

$$487\,000 \div 2,5 \checkmark = 194\,800 \checkmark \text{ (one part correct)}$$

4

4.1.2 **Percentage return earned by N. Yong**

$$\frac{\begin{matrix} 211\,200 \checkmark\checkmark \\ (150\,000 + 42\,000 + 19\,200) \\ 925\,000 \checkmark \end{matrix}}{\begin{matrix} 1\,500 \checkmark \\ \frac{1}{2} (400\,000 + 525\,000 + 15\,400 - 9\,100) \\ 465\,650 \text{ (2 marks)} \end{matrix}} \times \frac{100}{1} = 45\% \quad \checkmark \text{ (one part correct)}$$

5

4.1.3 **Debt/equity ratio**

$$400\,000 \checkmark : \begin{matrix} 875\,000 \checkmark \\ (525\,000 + 350\,000 + 10\,600 - 9\,100) \end{matrix} \quad \begin{matrix} 1\,500 \checkmark \\ 1\,500 \end{matrix}$$

$$0,46 : 1 \text{ or } 0,5 : 1 \checkmark \text{ (one part correct)}$$

4

4.1.4 **Acid-test ratio**

$$\begin{matrix} 310\,000 \checkmark\checkmark \\ (273\,200 + 36\,800) \end{matrix} : 194\,800 \checkmark \text{ (refer 4.1.1)}$$

$$1,6 : 1 \checkmark \text{ (one part correct)}$$

4

4.2

Comment on the liquidity of the business. Quote TWO financial indicators (with figures) in your answer.

Quoting financial indicators with figures ✓✓ ✓✓ comment ✓✓

Current ratio : moved from 1,8 : 1 to 2,5 : 1
 Acid test ratio : moved from 1,2 : 1 to 1,6 : 1

The business appears to be in a good liquidity position. Both ratios showed an improvement. There is however, stock piling and poor collection from debtors. This could lead to liquidity problems in the future.

*Take into consideration the candidate's calculation for acid test ratio.

6

4.3

Do you think that N. Yong is satisfied with his return on investment? Explain. Quote TWO relevant financial indicators (with figures) to support your answer.

Yes/No ✓

Quoting financial indicators with figures ✓✓ ✓✓ comment ✓

Return earned by Yong : decreased from 48% to 45%
 Return earned by Sung : improved from 57% to 61%
 ROTCE: improved from 37% to 43%

Although Yong may be getting a return above the return earned by the business, he may be disappointed with the decrease in his return compared to the increase in Sung's return.

Other factors: He has contributed more capital but he also has debit balance on his current account.

*Take into consideration the candidate's calculation for percentage return earned by Yong.

6

4.4

The partners want to expand the existing business and are considering increasing the loan. What advice would you offer them? Support your answer by making reference to TWO financial indicators (with figures).

Quoting financial indicators with figures ✓✓ ✓✓ comment ✓✓

The debt/equity ratio improved from 0,5 : 1 to 0,46 : 1.
 ROTCE: improved from 37% to 43%

The business can afford to increase the loan as it is lowly geared. It is also receiving a good return on capital employed (higher than Interest rate on loans). There is positive gearing.

*Take into consideration the candidate's calculation for debt/equity ratio.

6

Q4	35	
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QUESTION 5: COST ACCOUNTING – MANUFACTURING

5.1.1 Calculate:

<p>• Direct material cost</p> <p> $27\ 500 + 826\ 500 + 7\ 840 - 5\ 200 - 33\ 650 = 822\ 990$ ✓ ✓ ✓ ✓ ✓ <input checked="" type="checkbox"/> (one part correct) </p> <p>Accept alternative arrangements (such as ledger accounts)</p>	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto; text-align: center;">6</div>																
<p>• Direct labour cost</p> <p> $6 \times 1\ 680 \times R75 = 756\ 000$ ✓✓ $6 \times 240 \times R120 = 172\ 800$ ✓✓ + UIF of 1 % = 7 560 ✓ = 936 360 <input checked="" type="checkbox"/> (One part correct) </p>	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto; text-align: center;">6</div>																
<p>• Factory overhead cost</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Indirect materials (3 330 ✓ + 85 180 ✓ – 2 170 ✓)</td> <td style="text-align: right; padding: 2px;">86 340 <input checked="" type="checkbox"/></td> </tr> <tr> <td style="padding: 2px;">Salary: factory foreman (62 500 + 625)</td> <td style="text-align: right; padding: 2px;">63 125 ✓✓</td> </tr> <tr> <td style="padding: 2px;">Rent expense (108 000 x ²¹/₄₀)</td> <td style="text-align: right; padding: 2px;">56 700 ✓✓</td> </tr> <tr> <td style="padding: 2px;">Maintenance</td> <td style="text-align: right; padding: 2px;">24 285 ✓</td> </tr> <tr> <td style="padding: 2px;">Depreciation of factory plant</td> <td style="text-align: right; padding: 2px;">16 660 ✓</td> </tr> <tr> <td style="padding: 2px;">Sundry expenses (45 700 x ³/₄)</td> <td style="text-align: right; padding: 2px;">34 275 ✓✓</td> </tr> <tr> <td style="padding: 2px;">Water and electricity (67 100 x 65%)</td> <td style="text-align: right; padding: 2px;">43 615 ✓✓</td> </tr> <tr> <td style="padding: 2px;">TOTAL FACTORY OVERHEAD COST</td> <td style="text-align: right; padding: 2px;">325 000 <input checked="" type="checkbox"/></td> </tr> </table>	Indirect materials (3 330 ✓ + 85 180 ✓ – 2 170 ✓)	86 340 <input checked="" type="checkbox"/>	Salary: factory foreman (62 500 + 625)	63 125 ✓✓	Rent expense (108 000 x ²¹ / ₄₀)	56 700 ✓✓	Maintenance	24 285 ✓	Depreciation of factory plant	16 660 ✓	Sundry expenses (45 700 x ³ / ₄)	34 275 ✓✓	Water and electricity (67 100 x 65%)	43 615 ✓✓	TOTAL FACTORY OVERHEAD COST	325 000 <input checked="" type="checkbox"/>	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto; text-align: center;">15</div>
Indirect materials (3 330 ✓ + 85 180 ✓ – 2 170 ✓)	86 340 <input checked="" type="checkbox"/>																
Salary: factory foreman (62 500 + 625)	63 125 ✓✓																
Rent expense (108 000 x ²¹ / ₄₀)	56 700 ✓✓																
Maintenance	24 285 ✓																
Depreciation of factory plant	16 660 ✓																
Sundry expenses (45 700 x ³ / ₄)	34 275 ✓✓																
Water and electricity (67 100 x 65%)	43 615 ✓✓																
TOTAL FACTORY OVERHEAD COST	325 000 <input checked="" type="checkbox"/>																

5.1.2

**GENERAL LEDGER OF FLUZZIE CLEANERS
WORK-IN-PROCESS STOCK ACCOUNT (B7)**

2014 Mar	1	Balance	b/d	17 600 ✓	2015 Feb	28	Finished Goods Stock ✓		2 082 000 <input checked="" type="checkbox"/>
2015 Feb	28	Direct Material Cost ✓		822 990 <input checked="" type="checkbox"/>			Balance	c/d	19 950 ✓
		Direct Labour Cost ✓		936 360 <input checked="" type="checkbox"/>					
		Factory Overhead Costs ✓		325 000 <input checked="" type="checkbox"/>					
				2 101 950					2 010 950
2015 Mar	1	Balance	b/d	19 950					

10

5.2 TRENDY MANUFACTURERS

5.2.1 **Give ONE example of a fixed cost and ONE example of a variable cost.**

FIXED COST: Any ONE example from the Factory Overhead Cost or the Administration Cost categories. ✓	VARIABLE COST: Any ONE example from the Direct Material, direct labour or selling and distribution cost accounts. ✓
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2

5.2.2 **Calculate the break-even point for Trendy Manufacturers for the year ended 30 June 2015.**

291 200 ✓ / R13 = 22 400 units. (one part correct)

Workings: $(1\ 057\ 500 / 23\ 500) - 752\ 000 / 23\ 500 = R13$

R45 ✓✓ R32 ✓

6

5.2.3 **Comment on your calculations in QUESTION 5.2.2. What advice would you offer Trendy Manufacturers? Quote figures to support the advice you offer.**

Comment ✓ with figures quoted ✓✓ Advice ✓✓

The business produced more than the BEP (produced 23 500 ; BEP, 22 400). This is however only 1 100 units above the BEP meaning that profitability is still very low.

The business needs to increase production and control costs more efficiently in order to improve profitability.
Buy locally or in bulk to save on transport costs and to receive discounts. Improve production techniques and reduce wastage.

*Take into consideration the candidate's calculation for the Break-even point (5.2.2).

5

Q5	50	
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QUESTION 6: NON-PROFIT ORGANISATIONS AND STOCK SYSTEMS

6.1

GENERAL LEDGER OF STRIDING ATHLETIC CLUB
MEMBERSHIP FEES ACCOUNT

2014 Jan	1	Accrued Income ✓		2 700 ✓	2014 Jan	1	Deferred income ✓		1 080 ✓
Dec	31	Bank (refund) ✓		180 ✓	Dec	31	Bank		28 620 ✓
		Entrance Fees ✓ (8 x 300)		2 400 ✓✓			Fees written off ✓ (3 x 180)		540 ✓✓
		Deferred Income (8 x 180)		1 440 ✓✓			Honorarium ✓		180 ✓
		Income and Expenditure ✓		25 320 ✓✓			Accrued income		1 620 ✓
				32 040					32 040
		Income and expenditure 125 – 4 x 180 = 21 780 22 x 150 = 3 300 8 x 30 = 240							

21

6.2

Calculate the profit on sale of refreshments

Sales: 78 360 ✓ – Cost of sales: 62 690 = Gross profit: 15 670 ✓ (one part correct)

Cost of sales calculation:

$$\begin{array}{ccccccc}
 \checkmark & \checkmark & \checkmark & \checkmark & \checkmark & \checkmark & \checkmark \\
 (11\,420 + 17\,400 + 1\,500 + 45\,200) - (2\,850 + 9\,980) = 62\,690
 \end{array}$$

Candidates may draft the Refreshment Account or the Refreshment Trading Account.
Allocate the marks as above.

9

6.3 The chairperson is not happy using the periodic inventory system to control the stock of refreshments, and wants to change to the perpetual inventory system.

• Explain the difference between the two systems.

Perpetual : ✓✓ (one valid explanation)

Cost of sales is determined at the point of sale.

The Trading Stock account is updated with all transactions affecting stock so that the stock balance is always available.

Periodic: ✓✓ (difference making reference to the explanation mentioned above)

Cost of sales has to be calculated, usually done at the end of a financial period. The cost of sale cannot (or is not) determined at the point of sale.

Stock balance is determined by a physical stock take. Losses are not detected.

4

• Explain to the chairperson why you think that the periodic system is suited for the club.

Any valid explanation. ✓✓

It is a sports club and it will be difficult to convert to the perpetual system due to the cost involved as well as the manpower required. The club is depended on voluntary services so it may not be feasible to change.

Rotating duties and working in the interest of the club would contribute to the periodic inventory system being a practical solution.

2

• Provide ONE advantage and ONE disadvantage of each stock system.

	ADVANTAGE ✓ ✓ each	DISADVANTAGE ✓ ✓ each
PERPETUAL INVENTORY SYSTEM	Better control of stock – physical count will detect any losses. Theft can be detected and internal controls can be improved.	Computer system is the most efficient means to operate this system – expensive. Manual would take much time and will result in many errors.
PERIODIC INVENTORY SYSTEM	Cheaper system to maintain. Suitable for a business with a variety of goods and services where it is difficult to determine the cost price.	Theft will not be detected easily – less control. Will require more security measures. Final stock figure is only determined by counting the goods.

4

Q6	40	
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TOTAL: 300