



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**SEPTEMBER 2011**

**ACCOUNTING**

**MARKS: 300**

**TIME: 3 hours**



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This question paper consists of 19 pages.

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**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer all questions.
3. Show all workings/calculations in order for part marks to be allocated.
4. Non-programmable calculators may be used.
5. You may use a dark pencil or black/blue ink to answer the questions.

1. Use the information given in the table below as a guide when answering the question paper. Try NOT to deviate from it.

<b>QUESTION 1: (45 marks ; 27 minutes)</b>	
<b>Topic of the question</b>	<b>Learning outcomes covered:</b>
<b>Bank and Creditors Reconciliation</b>	<b>LO1</b> Financial Accounting - <b>AS4</b> Analyse and interpret reconciliation <b>LO3</b> Managing Resources - <b>AS6</b> Apply internal control processes

<b>QUESTION 2: (65 marks ; 39 minutes)</b>	
<b>Topic of the question</b>	<b>Learning outcomes covered:</b>
<b>Manufacturing</b>	<b>LO1</b> Financial Accounting - <b>AS1</b> Define and explain concepts <b>LO2</b> Managerial Accounting - <b>AS2</b> Prepare, analyse and report cost information

<b>QUESTION 3: (90 marks ; 54 minutes)</b>	
<b>Topic of the question</b>	<b>Learning outcomes covered:</b>
<b>Companies</b>	<b>LO1</b> Financial Accounting - <b>AS1</b> Define and explain concepts - <b>AS5</b> Financial Statements, Final Accounts, Analyse and interpret financial information

<b>QUESTION 4: (40 marks ; 24 minutes)</b>	
<b>Topic of the question</b>	<b>Learning outcomes covered:</b>
<b>Inventory Valuation and Internal Controls</b>	<b>LO3</b> Managing Resources - <b>AS4</b> Inventory valuation - <b>AS5</b> Code of ethics - <b>AS6</b> Applying internal controls

<b>QUESTION 5: (25 marks ; 15 minutes)</b>	
<b>Topic of the question</b>	<b>Learning outcomes covered:</b>
<b>Tangible assets and VAT</b>	<b>LO1</b> Financial Accounting - <b>AS5</b> Financial Statements and interpretation - <b>AS7</b> VAT and VAT principles <b>LO3</b> Managing Resources - <b>AS3</b> Asset Disposal

<b>QUESTION 6: (35 marks ; 21 minutes)</b>	
<b>Topic of the question</b>	<b>Learning outcomes covered:</b>
<b>Cash Budgets</b>	<b>LO2</b> Managerial Accounting - <b>AS3</b> Analyse and interpret a cash budget

**QUESTION 1****BANK AND CREDITORS RECONCILIATION****(45 marks ; 27 minutes)****1.1 Bank Reconciliation and Internal Control****INSTRUCTIONS:**

- 1.1.1 Analyse the transactions listed below according to the headings on the table provided. Fill in the amounts only (on the table where stated) and place a tick in the "NO ENTRY" column where applicable. (12)
- 1.1.2 The owner is concerned about large outstanding deposits. He feels that this could lead to mismanagement and fraud. Suggest one way in which this situation can be improved. (2)
- 1.1.3 The clerk in charge of cash management feels that doing a bank reconciliation every month wastes time. Explain why reconciling the bank account with the bank statement is an excellent tool for internal control. (4)

**INFORMATION:**

The following transactions were identified from the records of BeeGee Traders on 31 July 2011.

1. A deposit of R4 680 on 29 July 2011 did not appear on the bank statement.
2. The bank statement showed a credit entry of R2 400 in favour of the business. This was for the monthly rent from S. Sleazy.
3. Service fees and cash handling fees for the month amounted to R126.
4. A cheque issued to YU Traders (a creditor), for R1 120 was not on the bank statement.
5. Cheque No. 111 for R200 from the June Reconciliation was not presented for payment. An investigation revealed that the cheque dated, 20 December 2010, was issued to the local sports club as a donation.
6. An incorrect debit entry for R450 on the June Bank Statement was rectified by the bank.
7. The bank statement shows a cheque for R3 920 but the cash journal has the same cheque entered as R3 290. This cheque was issued to NHY Wholesalers for trading inventory purchased. The amount on the statement is correct.

## 1.2 Creditors

### INSTRUCTIONS:

*Use the following information extracted from the books of Lex Outfitters to prepare the following:*

1.2.1 The Creditors Control Account for September 2010. (14)

1.2.2 The reconciliation of the totals of the list of creditors' balances with the final balance of the Creditors Control Account as calculated above. (13)

### INFORMATION:

1. **Balance of Creditors Control Account on 31 August 2010, R16 884.**

2. **Transactions for the month of September 2010:**

Cash purchases of Trading Stock	17 500
Cash Sales	16 400
Credit Purchases	20 750
Credit Sales	25 000
Debtors Allowances	500
Creditors Control Column in the Creditors Allowances Journal	1 000
Payments to Creditors (excluding discounts)	15 200
Discount Allowed	300
Discount Received	400
Provisional totals in the General Journal:	
Creditors Control: Debit	540
Creditors Control: Credit	160

3. **Creditors List on 30 September 2010:**

AA Traders	6 227
ABC Traders	4 160
Rama Carriers	940
RR Services	3 480
A. Dhamoo	5 530
R. Vee	1 113
<b>TOTAL</b>	<b>21 450</b>

**4. Differences identified:**

- 4.1 AA Traders' credit balance of R123 in the Debtors Ledger must be transferred to their account in the Creditors Ledger.
- 4.2 Returns to ABC Traders of R250 were posted to the wrong side of their account. The transaction was correctly entered in the Allowances Journal.
- 4.3 An account for freight on sales, R590, was received from Rama Carriers. No entry was made for this transaction.
- 4.4 A cheque for R450 issued on 2 February 2010 in full settlement of RR Services' account of R480, is still outstanding according to the bank reconciliation statement. This cheque must be cancelled.
- 4.5 The Creditors Journal was undercast by R100.
- 4.6 Credit purchases amounting to R345 were incorrectly posted as R435 to creditor A. Dhamoo's account.
- 4.7 The debit balance of R53 on R. Vee's account in the Creditors Ledger was treated as a credit balance in the list of balances.

**[45]**

**QUESTION 2****MANUFACTURING****(65 marks ; 39 minutes)****2.1 INSTRUCTIONS:**

*Plasco CC manufactures plastic key rings. They have been in operation for 6 months and wish to assess their progress. You are required to do the following:*

2.1.1 Draw up a Production Cost Statement with notes for the 6 months ended 31 August 2010. (32)

2.1.2 *Answer the following questions.*

(a) Calculate the number of units sold. (3)

(b) Calculate the selling price per unit sold  
(Note that all units were sold at the same price.) (3)

(c) Calculate the unit cost of production, per completed item. (2)

**INFORMATION:**

1. Stock balances:

Balance of stocks	1 March 2010	31 August 2010
Raw Materials	5 660	3 400
Work in Progress	3 300	3 800
Finished Goods	8 840 2 110 units	10 280 2 570 units
Factory Indirect Materials	650	430

2. Transactions for the period under review:

Advertising	5 000
Delivery costs on sales	2 670
Factory Indirect Materials purchased on credit	3 280
Maintenance of factory equipment	2 600
Pension fund contribution: Admin staff	1 300
Factory wage earners	3 200
Railage on raw materials purchased	2 240
Raw materials purchased for cash	48 750
Raw materials purchased on credit	62 550
Raw materials returned to suppliers	3 300
Salaries and wages: Administrative Staff	12 400
Factory wages (Direct labour)	36 800
Indirect Labour (75% is for the factory)	8 000
Sales of finished goods	315 510
Water and Electricity (80% relates to the factory)	18 300
Rent Expense (in the ratio 4:2:1 between the factory, sales department and administration)	24 640
Advertising	5 000

2. Depreciation has been calculated as follows:

Factory equipment	R3 180
Sales vehicles	R6 100
Administrative equipment	R1 920

3. **49 000** units were manufactured during the period under review.



- 2.2. You are presented with the following information from the records of Jacob Manufacturers for 2010 (the current financial year) and the unit cost information for 2009.

Study the information and answer the questions below.

### INSTRUCTIONS:

- 2.2.1 Calculate the following:
- (a) Cost of Sales (2)
  - (b) Direct Labour Costs (2)
  - (c) Direct Material Cost per unit (2)
- 2.2.2 Give a possible reason for the change in the Direct Material Cost per unit between the two years. (2)
- 2.2.3 Calculate the breakeven number of units for 2010. (Show detailed workings for part marks.) (9)
- 2.2.4 Should the business be satisfied with the production levels achieved? Substantiate. (4)
- 2.2.5 The business made a net loss for the year. Using relevant information from that provided, make TWO suggestions on how the business can improve profitability. (4)

### INFORMATION:

	TYPE OF COST	2010	
<b>Extracted from the Income Statement</b>			
Sales		280 800	
Cost of Sales		?	
<b>GROSS PROFIT</b>		<b>93 600</b>	
Administration Costs	Fixed	(85 050)	
Selling and Distribution Costs	Variable	(29 700)	
<b>NET PROFIT (LOSS)</b>		<b>(21 150)</b>	
<b>Extracted from the Production Cost Statement</b>		<b>2010</b>	<b>2009 Unit Costs</b>
Direct Material Cost	Variable	57 750	21
Direct Labour Cost	Variable	?	27
<b>PRIME COST</b>		<b>130 350</b>	
Factory Overhead Cost	90% Fixed	49 500	22
<b>TOTAL COST OF PRODUCTION</b>		<b>179 950</b>	62
<b>NUMBER OF UNITS PRODUCED</b>		<b>3 300</b>	2 710

- Assume that there is no Work in Progress.
- 180 units were unsold at the end of the year.
- The selling price of similar products produced by competitors is R72 each.

**QUESTION 3****COMPANIES FINANCIAL STATEMENTS****(90 marks ; 54 minutes)****3.1 Balance Sheet and Cash Flow**

*The following are extracts from the financial statements of Ashna Traders LTD on 31 August 2010, the financial year end.*

**INSTRUCTIONS:**

- 3.1.1 Calculate the missing figures labelled **A** to **E** on the Balance Sheet and the Notes presented. (*Show workings to earn part marks.*) (16)
- 3.1.2 Interim dividends were declared and paid during December 2009. Calculate the **interim dividends paid**. (6)
- 3.1.3 Calculate the **total amount paid to SARS** in respect of income tax that would appear in the Cash Flow Statement. (5)
- 3.1.4 Complete Note 1 (Reconciliation between Profit before Tax and Cash Generated from Operations) of the Cash Flow Statement. (17)
- 3.1.5 During the year, a new vehicle was purchased on credit for **R970 000**. Old equipment was sold for cash at carrying value. Calculate the **proceeds** from the disposal of the equipment. (6)
- 3.1.6 On 31 January 2010, additional shares were sold. Calculate the selling price (per share) of the additional shares. (6)

**INFORMATION:****1. Extracts from the Income Statement on 31 August 2010**

Depreciation	453 000
Interest on Loan	252 000
Income Tax	394 000
Net Profit after Tax	555 500

**2. Extracts from the Balance Sheet as at 31 August 2010**

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>NON CURRENT ASSETS</b>	<b>2 731 000</b>	<b>2 374 000</b>
Fixed/Tangible Assets	2 731 000	2 374 000
<b>CURRENT ASSETS</b>	<b>2 548 000</b>	<b>1 088 000</b>
Inventories	254 000	272 000
Trade and Other Receivables	1 638 000	770 000
Cash and Cash equivalents	656 000	46 000
<b>TOTAL ASSETS</b>	<b>5 279 000</b>	<b>3 462 000</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>		
<b>Shareholders' Equity</b>	<b>D</b>	<b>1 652 000</b>
Ordinary Share Capital (par value R2)	2 100 000	1 350 000
Share Premium	170 000	20 000
Retained Income	<b>E</b>	282 000
<b>NON CURRENT LIABILITIES</b>	<b>1 800 000</b>	<b>1 000 000</b>
Loan: NY Bank (18% interest)	1 800 000	1 000 000
<b>CURRENT LIABILITIES</b>		<b>810 000</b>
Trade and Other Payables	<b>B</b>	810 000
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>A</b>	<b>3 462 000</b>

**3. Extracts from the Notes to the Financial Statements – 31 August 2010**

<b>Trade and Other Receivables</b>	<b>2010</b>	<b>2009</b>
Trade Debtors	1 592 000	770 000
SARS (Income Tax)	46 000	----
	<b>1 638 000</b>	<b>770 000</b>
<b>Trade and Other Payables</b>		
Trade Creditors	<b>C</b>	692 500
SARS (Income Tax)	-----	95 000
Shareholders for Dividends	157 500	22 500
	<b>?</b>	<b>810 000</b>

**4. The Current Ratio on 31 August 2010 was 4:1.**

### 3.2 Ratio Analysis and Interpretation

*Gladys's Boutique is a dress fashion shop. Study the information below and answer the questions that follow.*

#### INFORMATION:

1. **Information from the Income Statement for the year ended 28 February 2010:**

Turnover	161 840
Cost of Sales	68 000
Net Income for the year	14 400

2. **Abridged Balance Sheet on 28 February 2010**

	2010	2009
Shareholders' Equity	180 000	160 000
Non-Current Liabilities	120 000	130 000
Current Liabilities (Trade Creditors)	30 000	25 000
Tangible Assets	240 000	227 000
Investments	40 000	40 000
Current Assets	50 000	48 000
Inventories	25 000	23 000
Trade Debtors	17 000	13 000
Cash	8 000	12 000

3. **Some financial Indicators for 2010 and 2009:**

	2010	2009
Debt-Equity Ratio	?	0,8:1
Current Ratio	1,66:1	1,92:1
Acid Test Ratio	?	1:1
Period for which enough stock is on hand	?	3,6 months

**QUESTIONS:**

- 3.2.1 Calculate the mark-up percentage achieved for 2010. (4)
- 3.2.2 The business was aiming for a mark-up of 150%. Provide TWO reasons why it is possible that the business did not achieve its aim. (4)
- 3.2.3 Is the business **solvent** on 28 February 2010? Motivate your answer by making use of an appropriate ratio. (6)
- 3.2.4 Calculate the **Debt: Equity Ratio** on 28 February 2010. Comment on the degree of risk experienced by the business, making reference to the trend from one year to the next. (6)
- 3.2.5 Calculate the **Acid-Test Ratio** on 28 February 2010. By looking at the Current Ratio and the Acid-Test Ratios, comment on the liquidity position of the business. (7)
- 3.2.6 How long can the business expect the **stock** on hand, on 28 February 2010, to last? Use the average stock to calculate this financial indicator. (5)
- 3.2.7 Refer to **3.2.5** and **3.2.6**. Comment on your findings above, taking into account that this business is in the fashion industry. (2)

**[90]**

**QUESTION 4****INVENTORY VALUATION, INTERNAL CONTROLS (40 marks ; 24 minutes)****4.1 Inventory Valuation**

*The following information relates to Novo Traders, a retail business selling microwave ovens:*

**INSTRUCTIONS:**

*Use the information provided and answer the following questions:*

- 4.1.1 Calculate the value of the closing stock on 28 February 2010 using the FIFO method. (8)
- 4.1.2 Calculate the value of the closing stock on 28 February 2010, using the weighted average method. (*Round off to the nearest rand.*) (5)
- 4.1.3 Would it be ethical for the owner to change the stock valuation method from year to year? Give a reason for your answer. (3)
- 4.1.4 Complete the **Trading Stock Account** using FIFO. Note that the business uses the perpetual inventory system. All purchases and sales are on credit. (9)
- 4.1.5 Calculate the **Gross Profit** for the year. (3)

**INFORMATION:**

1. Information from the stock register:

	No. of units	Price per unit	Total Rand value
<b>1 March 2009</b> (Opening stock)	20	550	11 000
<b>1 June 2009</b>			
Purchases	90	570	51 300
Carriage on Purchases		10	900
<b>1 October 2009</b>			
Purchases	120	560	67 200
Carriage on Purchases		10	1 200
<b>1 February 2010</b>			
Purchases	30	590	17 700
Carriage on Purchases		15	450
<b>Total available for Sale</b>	260		149 750
<b>Sales</b>	190		152 000

2. A microwave oven was donated by Braelyn Old Age Homes on 1 July 2009. This was from stock purchased on 1 June 2009.
3. A physical inventory count on 30 September 2009 reflected that 3 ovens were missing.

4. The consignment of stock received on 1 February 2010 had 2 ovens that were damaged to such an extent that they could not be sold. The insurance company agreed to pay 80% of the cost of these ovens. The money has not been received as yet.

#### 4.2 Ethics and Internal Controls

*You are provided with an extract from a newspaper article.*

##### INSTRUCTIONS:

- 4.2.1 Identify THREE areas of poor management highlighted by the article. (6)
- 4.2.2 The owner has dealt with the problem by laying criminal charges against the offenders. Explain how internal control mechanisms can be improved so that future problems of this nature can be prevented. (THREE points) (6)

##### INFORMATION:

###### **TWO FACE CHARGES OVER R50 000 THEFT**

A former Gonubie rugby player appeared in the East London Magistrate's court yesterday on charges of stealing goods worth thousands of rands from Seabird Spar in Gonubie. Ty Jackson, who was a supervisor at the store, appeared with another suspect, Rose Lebeman.

It has been alleged Lebeman arrived at the back door of the Spar at 6am on Wednesday and Thursday last week, paid cash for goods supplied by the Supervisor, and did not receive a receipt. Some of the goods that had allegedly been stolen included cheese, margarine and meat.

Noel McCann, operations manager for the Opel Group of Companies, which owns the Spar store, said that the value of the stolen goods amounted to R50 000 ...

Charges against a third suspect, who works for Notsogood Security, were dropped. A woman at a Cambridge house raided said that the goods found were bought from a man, for her family's catering business. Cheese, butter and other perishables were found, along with about 200 empty crates...

[Adapted from the *Daily Dispatch*, 7 January 2010]

**QUESTION 5****TANGIBLE ASSETS and VAT****(25 marks ; 15 minutes)****5.1 FIXED (TANGIBLE) ASSETS****INSTRUCTIONS:**

Complete the **Fixed (Tangible) Asset Note** to the Balance Sheet of KP Traders LTD for the year ended 30 June 2010.

**(12)**

*Note that some figures have been provided on the answer sheet.*

**INFORMATION:**

- The following incomplete Fixed (Tangible) Asset Note was extracted from the Balance Sheet on 30 June 2010:

	<b>VEHICLES</b>	<b>EQUIPMENT</b>
Cost (1 July 2009)	180 000	96 000
Accumulated Depreciation (1 July 2009)	(56 000)	(34 000)
<b>CARRYING VALUE (1 July 2009)</b>	124 000	62 000
<b>Movements:</b>		
Additions at cost	*	*
Disposals at carrying value	*	0
Depreciation for the year	*	*
<b>CARRYING VALUE (30 June 2010)</b>	160 750	76 100
Cost (30 June 2010)	*	124 500
Accumulated Depreciation (30 June 2010)	*	(48 400)

Depreciation Policy: Vehicles: 25% (diminishing balance method)  
Equipment: ? at cost.

- On 31 December 2009, an old vehicle, cost R60 000, was traded-in for a new one costing R110 000. The Accumulated Depreciation on the old vehicle, on 1 July 2009 was R22 000. The trade-in value received was R35 000.
- New equipment was purchased on 30 June 2010. This was taken into account. No equipment was sold.



## 5.2 VAT

**INSTRUCTION:**

- 5.2.1. Mrs Nabo is the owner of a small family business trading as NN Stores. She is registered for VAT on the invoice basis. Her VAT return must be submitted to SARS at the end of every second month. She wants to know from you whether she will be receiving any money from SARS. Do the calculations and render (give) her an explanation. (*Show detailed workings to obtain part marks.*)

(13)

**INFORMATION:**

Mrs Nabo presented you with the following information for April and May 2011.

Total sales (Cash and Credit)	79 629
Cash Purchased of Trading Stock	46 968
Credit Purchased of Trading Stock (Invoice totals excludes VAT. Mrs Nabo verified that VAT must be paid on these goods.)	12 250
VAT paid on Sundry Expenses	1 071
Purchase of a new fax machine and copier	6 840
Accounts of Debtors written off during April and May. (Amount excludes VAT)	1 250
Debit notes issued for return of trading stock	1 368
VAT on goods taken by Mrs Nabo for her personal use	35

**[25]**

**QUESTION 6****CASH BUDGET****(35 marks ; 21 minutes)**

*Use the information extracted from the books of Manto Ltd, and answer the questions that follow. Manto Ltd is a sporting goods store which sells a wide range of sporting goods to the public.*

**INSTRUCTIONS:****Refer to Information A:**

- 6.1 Calculate the **total sales** for August. (3)
- 6.2 Complete the **Debtors Collection Schedule** to show receipts from debtors during the month of August only. *(Some figures are provided on the ANSWER BOOK.)* (6)
- 6.3 The owner feels that debtors are not being managed properly.
- 6.3.1 Give TWO points (looking at the information provided) to justify his feelings. (4)
- 6.3.2 Suggest TWO measures he could introduce to improve the situation. (4)
- 6.4 Rent increased in August. Calculate the **amount** and the **percentage** increase. (5)
- 6.5 Calculate the **interest rate** on the loan from ABSA. (4)

**Refer to the information B:**

- 6.6 Compare the actual figures against the budgeted amounts and comment on each of the following, stating TWO points in each case: (4)
- Advertising  
Delivery expenses
- 6.7 The owner feels that the business vehicles are being abused by the employees. Give reasons to justify his feelings (quote figures/indicators from the information), and provide TWO suggestions he could use to exercise better control over the vehicles. (5)

**INFORMATION A:**

1. 60% of sales are on credit and debtors are allowed 30 days in which to settle their accounts, subject to a 2% discount.
2. A survey revealed that debtors pay their accounts as follows:
  - 15% within the month of sale, subject to the 2% discount.
  - 20% in the following month after the sale.
  - 48% in the second month following the sale (between 60 and 90 days)
  - 5% in the third month following the sale (between 90 and 120 days)
  - 12% normally irrecoverable (bad debts)
3. The loan from ABSA was received on 31 July 2010. Interest will be paid monthly starting from August 2010.
4. Extract of the Cash Budget for the three months ended 31 August 2010:

<b>CASH RECEIPTS</b>	<b>JUNE</b>	<b>JULY</b>	<b>AUGUST</b>
Cash Sales	60 000	80 000	76 000
Cash from Debtors	93 390	104 100	*
Rent Income	6 000	6 000	*
Loan from ABSA		180 000	
<b>TOTAL RECEIPTS</b>	<b>159 390</b>	<b>370 000</b>	<b>173 038</b>
<b>CASH PAYMENTS</b>			
Cash purchases	60 000	80 000	76 000
Cash paid to Creditors	108 800	140 800	96 000
Interest on Loan			2 175

**INFORMATION B:**

5. Extract of August 2010 actual and budgeted figures:

	<b>AUGUST BUDGET</b>	<b>AUGUST ACTUAL</b>
Advertising	15 500	9 400
Delivery Expenses – on Trading goods sold	14 000	29 000
Petrol and Diesel (petrol prices increases by 5% during the budget period)	9 000	13 050
Maintenance of vehicles	4 000	6 680
Sales	160 000	145 000

[35]

**TOTAL: 300**