



Province of the
EASTERN CAPE
EDUCATION

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 ✓

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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 ☑	165 192 ☑
			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.

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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"/>	9
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"/> (25 600 + 3 840)*	
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"/>	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)	✓

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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

2

- 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

2.1.4

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 ✓

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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 ✓

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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 ☑

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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

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 <input checked="" type="checkbox"/>	241 900 <input checked="" type="checkbox"/>
Movements:	68 250	(66 605)
Additions	145 000 ✓	
Disposals (5 400 – 3 970)		(1 430) ✓✓
Depreciation (Equipment : 675 + 64 500)	(76 750) ✓✓	(65 175) ✓✓ <input checked="" type="checkbox"/>
CARRYING VALUE (28 February 2015)	Operation 343 250 <input checked="" type="checkbox"/>	Operation 175 295 <input checked="" type="checkbox"/>
Cost (28 February 2015)	700 000 ✓	430 000 ✓
Accumulated depreciation (28 February 2015)	(356 750) <input checked="" type="checkbox"/>	(254 705) <input checked="" type="checkbox"/>

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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 <input checked="" type="checkbox"/>
Interest on capital	106 500 ✓✓	66 000 ✓✓	172 500
Bonus		15 000 ✓	15 000
Total primary distribution	225 250 <input checked="" type="checkbox"/>	211 750 <input checked="" type="checkbox"/>	437 000 ✓
Final distribution of profits	15 000 ✓✓	10 000 ✓	25 000 <input checked="" type="checkbox"/>
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 <input checked="" type="checkbox"/>
Balance (28 February 2015)	218 000 <input checked="" type="checkbox"/>	158 000 <input checked="" type="checkbox"/>	376 000 <input checked="" type="checkbox"/>

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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"/>)	1 622 095 <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.**

Current Assets : (273 200 + 36 800 + 177 000) = 487 000 ✓✓

487 000 ÷ 2,5 ✓ = 194 800 ☒ (one part correct)

4

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

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

465 650 (2 marks)

5

4.1.3 **Debt/equity ratio**

$$\frac{400\,000 \checkmark}{\frac{875\,000 \checkmark}{(525\,000 + 350\,000 + 10\,600 - 9\,100)}} : \frac{1\,500 \checkmark}{1} = 0,46 : 1 \text{ or } 0,5 : 1 \quad \checkmark \text{ (one part correct)}$$

4

4.1.4 **Acid-test ratio**

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

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

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

QUESTION 5: COST ACCOUNTING – MANUFACTURING**5.1.1 Calculate:**

- Direct material cost**

$$\begin{array}{ccccccc} 27\,500 & + & 826\,500 & + & 7\,840 & - & 5\,200 - 33\,650 = 822\,990 \\ \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark \end{array}$$

☒ (one part correct)

Accept alternative arrangements (such as ledger accounts)

6

- Direct labour cost**

$$6 \times 1\,680 \times R75 = 756\,000 \quad \checkmark\checkmark$$

$$6 \times 240 \times R120 = 172\,800 \quad \checkmark\checkmark$$

$$+ \text{UIF of } 1\% = 7\,560 \quad \checkmark$$

$$= 936\,360 \quad \checkmark \quad (\text{One part correct})$$

6

- Factory overhead cost**

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 × $\frac{21}{40}$)	56 700 ✓✓
Maintenance	24 285 ✓
Depreciation of factory plant	16 660 ✓
Sundry expenses (45 700 × $\frac{3}{4}$)	34 275 ✓✓
Water and electricity (67 100 × 65%)	43 615 ✓✓
TOTAL FACTORY OVERHEAD COST	325 000 <input checked="" type="checkbox"/>

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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					

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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							

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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:

✓ ✓ ✓ ✓ ✓ ✓
 (11 420 + 17 400 + 1 500 + 45 200) – (2 850 + 9 980) = 62 690

*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

TOTAL: 300