



GRADE 11 EXAMINATION  
NOVEMBER 2007

## ACCOUNTING PAPER I

Time: 2 hours

200 marks

### PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This paper consists of 9 pages. Please check that your question paper is complete.
2. Read the questions carefully.
3. Answer the questions in the Workbook.
4. It is in your own interest to write legibly and to present your work neatly.
5. You may **not** use green or red ink. **You may use a pencil, but please use a soft, dark pencil.**
6. The allocation of marks and the appropriate time to be taken for each question are as follows:

Question	Topic	LO/AS	Marks	Minutes
1	VAT	LO1	20	10
2	Partnership Financials and Asset Disposal	LO1 LO3	85	47
3	Clubs	LO1 LO3	40	27
4	Manufacturing	LO2	15	11
5	Cash Budgets	LO2	27	15
6	Bank Recons	LO1	13	10
	TOTAL		200	120

**QUESTION 1 Vat Calculations**

**(20 marks; 10 minutes)**

This question consists of two parts:

**PART A**

Summit Adventures Stores sells camping and other outdoor equipment. They have registered as a VAT vendor.

- 1.1.1 Give two possible reasons as to why Summit Adventures is a registered VAT vendor. (4)
- 1.1.2 Summit Adventures Stores uses the Invoice basis to calculate VAT. Name the other method of calculating VAT. (1)
- 1.1.3 Briefly explain the difference between these two methods of calculating VAT. (4)
- 1.1.4 What is Input VAT and Output VAT? (2)

**[11]**

**PART B**

Summit Adventures Stores operates on the Invoice basis. They use a mark-up on cost of 100%. They received the following invoice from their supplier.

Camp Mart VAT no. 4293293931			
Hillcrest Corner P.O. Box 330 3630 (031) 555 273		Contact J. Tent 083 556 0032	Tax Invoice 3034  DATE: 25 June 2007
Product	Quantity	Unit Price	Inclusive VAT
Sleeping bags	5	91.20	456.00
Torches	4	57.00	228.00
TOTAL			684.00

- 1.2.1 Calculate the input VAT on this invoice. (2)
- 1.2.2 What would be the **selling price** for a sleeping bag exclusive of VAT? (3)
- 1.2.3 If all the sleeping bags and torches were sold, how much would be payable to SARS? (4)

**[9]**

<b>20 marks</b>
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**QUESTION 2 Partnerships**

**(85 marks; 47 minutes)**

Stainless Products is owned by partners S. Steel and T. Rodd. The partners have asked for your help to complete certain sections of their financial statements.

**Required**

2.1 Complete the Income Statement for the year ended 28 February 2007. (32)

2.2 The following notes to the financial statements

- Tangible asset note (20)
- Trade and other receivables note (8)
- Current account note (22)
- Trade and other payables note (3)

NOTE: Some of the information has already been entered on the framework.

**Information**

Incomplete Income Statement for 28 February 2007

Turnover	530 250
Cost of sales	*
Gross profit	*
Other operating income	*
Rent income	*
Discount received	1 450
Fee income	15 600
Gross operating income	*
Operating expenses	*
Water and electricity	2 340
Insurance	*
Stationery	*
Salaries and wages	21 529
Sundry expenses (13 450	*
Bad debts	*
	*
	*
Net operating profit	*
Interest income	*
Net profit before interest expense	*
Interest expense	*
Net profit for the year	*

**Adjustments and additional information**

1. The business has maintained a mark-up percentage of 75% on cost for the year.
2. Rent is received in advance. The rent is increased annually on the 1 December 2006 by 10%. The monthly rent before the increase was R1 800. The rent account reflected a total of R26 100 on 28 February 2007.
3. The insurance paid during the year amounted to R1 350. This included an amount of R450 which was for an annual fire insurance policy that was taken out on 1 September 2006.
4. The stock count revealed that stationery costing R720 was used and R125 was on hand.
5. The telephone account of R510 for February has not yet been paid. Telephone is regarded as a sundry expense account.
6. A fixed deposit of R25 000 was taken out on 1 September 2006. Interest of 15% p.a. is earned on this account. The interest on fixed deposit will only be received on 31 August 2007 when the fixed deposit matures. Provide for any outstanding interest.
7. There was only one debtors' account that needed to be written off this year. He had a balance of R230. No entry has yet been made. A provision for bad debts of 2% on the outstanding debtors' accounts needs to be created.
8. The information that appears on the tangible asset note is correct, but there is some information missing.
  - (a) Plant and Machinery:
    - One of the machines broke down and was disposed of on 30 April 2006.  
The cost price of this machine was R135 000 and the accumulated depreciation to 1 March 2006 was R123 450.
    - Machines are depreciated at 20% p.a. on cost.
  - (b) Vehicles are depreciated at 15% p.a. on diminishing balance:
    - There was a new vehicle purchased on 1 September 2006.
9. Net profit as a percentage of turnover is 24%. Use this information to work back to the interest expense amount. All the interest on the loan has been paid for the current year.
10. The partnership agreement states the following:
  - (a) Steel and Rodd earn a salary of R3 000 and R3 500 per month respectively. They are both entitled to an increase of 5% on the 1 January 2007. Steel has withdrawn his salary for 11 months and taken stock to the value of R1 500. Rodd has withdrawn a total of R49 000 for the year. (Hint: You will need to calculate Steel's drawings)
  - (b) Each partner earns interest of R15 000 per annum as they have both contributed the same capital.
  - (c) The remaining profit is shared equally.

<b>85 marks</b>
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**QUESTION 3 Club/Periodic Stock****(40 marks; 27 minutes)**

Adventure Bikes is a club for mountain bikers. The club sells cycling clothing at a mark-up of 50% on cost. The club uses a periodic inventory stock system. The club's financial year end is 31 December.

**Required**

- 3.1 Prepare the Membership fee account. (20)
- 3.2 Calculate the cost price of cycling clothes sold. (12)
- 3.3 Answer the questions that follow.

**Information**

Balances/Totals in the General Ledger

	2007	2006
Stock of cycling clothes	4 570	3 400
Accrued income (membership fees)	240	600
Income received in advance (membership fees)	720	480
Creditors (Cycling clothes only)	12 300	10 300

**Additional information****Membership fees**

- Membership fees are R120 per annum (R10 per month). New members are only required to pay fees for the number of unexpired months.
- 7 new members joined on 1 July 2007. These are the only new members.
- The total amount banked in terms of membership fees was R29 820.
- Membership fees of 2 members were received for the outstanding membership fees for 2006. The remaining amount is to be written off.
- On 30 June a member injured himself and resigned from the club. He was refunded half his membership fee.
- The secretary for the club receives an annual honorarium of R500 per month. She has not yet been paid for this financial year and has asked that her membership fee for 2007 be taken from her honorarium.
- The club had 250 members at the end of the year.

## Cycling Clothes

- All the cycling clothes are bought on account.
- The receipts and payments reflected the following:
  - Sale of clothing R69 300
  - Creditors for clothing R42 460
  - Delivery of stock R 3 500
  - Import charges on clothing R10 000
- Three shirts with a cost price of R120 each were damaged and had to be returned to the supplier.
- Stock to the value of R1 200 was donated to the Hillcrest AIDS Centre.
- After the stock take of cycling clothes, there was some stock on hand.

## Questions

1. Name the other stock system that can be used. (2)
2. The chairman of the club needs new cycling clothes for himself and his family. The selling price of the stock that he is taking is R1 800. He has asked you, the treasurer, to give the stock to him at cost. What would you do? Justify your answer. (6)

<b>40 marks</b>
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**QUESTION 4 Manufacturing**

**(15 marks; 11 minutes)**

Blythe and Michelle have a manufacturing business making cell phone covers that they sell to various suppliers. They use a mark-up of 80%.

**Required**

- 4.1 Complete the General Ledger accounts by using the information that has already been entered into the accounts for you. (12)
- 4.2 Calculate the Gross Profit for the financial year. (3)

**GENERAL LEDGER OF COVER-UP  
BALANCE SHEET SECTION**

<b>Dr</b>				<b>Work in Progress Account</b>				<b>B5</b>		<b>Cr</b>
2006						2007				
May	1	Balance	b/d	13 500	April	30	*	GJ	*	
2007										
April	30	Direct materials cost	GJ	137 500			Balance	c/d	2 500	
		*	GJ	175 000						
		Factory overhead cost	GJ	*						
				440 000					440 000	
May	1	Balance	b/d	2 500						
<b>Dr</b>				<b>Finished Goods Stock Account</b>				<b>B5</b>		<b>Cr</b>
2006						2007				
May	1	Balance	b/d	59 500	May	31	*	GJ	*	
2007										
April	30	*	GJ	437 500			Balance	c/d	*	
2007										
May	1	Balance	b/d	*						

**Additional information**

- 1. Completed 12 500 covers during this financial year.
- 2. Number of unsold covers 2 560 at the end of the financial year.

<b>15 marks</b>
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**QUESTION 5 Cash Budgets****(27 marks; 16 minutes)**

Mandy Bean owns a coffee shop in a very busy shopping centre. She usually closes at 5 p.m. every day, but customers have asked why she does not stay open later. She wants to see if this is a feasible idea by drawing up a budget.

**Required**

- 5.1 Complete the Cash Budget for February. (15)
- 5.2 Creditors Payment Schedule for February 2008. (6)
- 5.3 Answer the question that follows.

*NB: All calculations to be made to the nearest rand*

**Information**

1. As a result of her extended operating times she is hoping that her total sales in February will increase to R46 530.
2. Mandy has a few regular clients (owners of other shops) that are allowed to buy on account. These customers make up 10% of her sales. The terms are strictly to pay in the month of sale, i.e. within 30 days.
3. She intends to continue with the same mark-up policy of 50% on cost for the budget period.
4. Stock is maintained at the fixed base stock method.
5. She buys 20% of her stock for cash and the remainder is bought on credit.
6. She pays her creditors as follows:
  - a. 30% after 30 days (month following purchase) for which she receives a 5% discount
  - b. 70% after 60 days (two months following purchase)
7. As a result of her new opening hours she has decided to increase her spending on advertising by 10% during February.
8. She has decided not to employ new staff in case the extended hours do not work. Her manager earns R3 000 per month and has accepted a 10% increase for the next two months. The two waitresses will get paid an additional R125 per month.
9. As a result of the extended hours Mandy estimates an increase of 6% on sundry expenses for the budget period. All other costs will remain the same.

**Question**

In your opinion do you think that the extended hours would improve the cash position of Mandy's business? (6)

<b>27 marks</b>
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**QUESTION 6 Reconciliations**

**(13 marks; 10 minutes)**

The Bank Reconciliation Statement below was prepared by a Grade 11 learner.

**Required**

- 6.1 Calculate the correct bank account balance for the general ledger. (5)
- 6.2 Correct the Bank Reconciliation Statement using the information. (8)

**Information**

**Bank Statement of TYSON TRADERS as at 30 September 2007**

	DEBIT	CREDIT
Cr Balance as per bank statement		4 117
Dr Outstanding deposit	8 762	
Cr Outstanding cheques No. 609 (12 April 2007)		876
712 (24 September 2007)		8 900
803 (26 September 2007)		4 500
810 (6 October 2007)		960
813 (7 October 2007)		1 346
Cr Balance as per bank account		1 988
	8 762	22 687

**ADDITIONAL INFORMATION FROM THE QUESTION PAPER:**

- The bank statement reflected an unfavourable balance at the end of September.
- Cheque no. 609 was for a donation to a sports club that had closed down. The cheque needs to be cancelled.
- The bookkeeper was unsure how to treat the following items (adjust the bank account amount where necessary):
  - A stop order to pay for the cellular phone contract of R149 per month
  - Cheque no. 803 appeared correctly on September's bank statement as R5 400. Correct the error.
  - A cheque for R1 500 dated 15 October 2007 was received from a debtor.
  - The bank returned J. Clarke's cheque for R4 400. The cheque was dishonoured due to insufficient funds. The cheque was in settlement of his account of R4 500.
  - Cheque 712 was lost in the post. No entry has been made for cancelling the cheque and reissuing a new cheque no. 900.

**13 marks**

**Total: 200 marks**