



GRADE 11 EXAMINATION
NOVEMBER 2007

**ACCOUNTING PAPER II
ANSWER BOOKLET**

NAME:

Time: 2 hours

100 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This Answer Booklet consists of 7 pages. Please check that your Answer Booklet is complete.
2. This is a **complete** Answer Booklet. There is a clearly marked page for each answer.
3. You may **not** use green or red ink. **You may use a pencil, but please use a soft, dark pencil.**

QUESTION	POSSIBLE MARKS	ACTUAL MARKS
1	27	
2	48	
3	25	
TOTAL	100 MARKS	

QUESTION 1

PART A

1.1.1 _____

1.1.2 _____

1.1.3 Concern for taking out a loan: _____

Concern for taking on an additional partner: _____

PART B

1.2.1 Calculate the value of the business according to the accounting equation.

1.2.2 Is this value realistic? _____

1.2.3 At what price would you value the business? Show a calculation and explain how you arrived at the amount.

PART C

1.3.1 Calculate the average return earned by K Geeling for the year ended 31 October 2007.

1.3.2 In what ratio should the remaining profit be shared for the financial year ended 31 October 2008?

QUESTION 2

PART A

2.1.1 Calculate the acid test ratio for 2007.

2.1.2 Has the liquidity position improved or worsened from 2006 to 2007? Indicate in your answer two reasons for the improvement and/or worsening of the liquidity position.

Improved or worsened: _____

Reason 1: _____

Reason 2: _____

2.1.3 The business has a bank balance of R175 000 on 30 September 2007. Do you think it is wise to keep so much money in their current banking account? Suggest two alternatives that the business could investigate rather than keeping the R175 000 in their bank account.

Yes or No: _____

Alternate 1: _____

Alternate 2: _____

2.1.4

(a) Supply two reasons for the intended mark-up of 100% not being achieved by the business.

Reason 1: _____

Reason 2: _____

(b) Trading stock has increased from R150 000 in 2006 to R186 000 in 2007. Is this good or bad for the business? Supply two reasons to substantiate your answer.

Reason 1: _____

Reason 2: _____

PART B

2.2 Calculate the value of the stock that has been stolen.

PART C

2.3.1 Is it ethical for Henry Fenn to have bought the consignment of toys from Monopo Toys?
Explain the consequence of Henry’s actions and the effects this could have on Laugh A Lot Toys.

2.3.2 Laugh A Lot uses the periodic inventory method to record stock in the business. By using this method of stock control it is often difficult to control stock. Explain what measures should be put in place to ensure effective control over stock in the business.

QUESTION 3

3.1 One of Chris’s employees has asked him how many units must be produced in order for the business to break-even. Chris did not have an answer for his employee as he did not understand what break-even was. Explain to Chris what break-even means.

3.2 Calculate the number of units Chris has to produce for the year ending 30 November 2007 in order to break even.

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3.3 Identify two costs that would not change if production increases to 700 units per month as from 1 November 2007.

- _____
- _____

3.4 Briefly explain what would happen to the direct raw material costs if production increases to 700 units per month. Show a calculation to substantiate your explanation.

Calculation	Explanation

3.5 List two measures that Chris Williams could put in place to ensure that the cost of his raw materials do not increase by too much.

- _____

- _____

3.6 Chris is not sure if he will benefit financially from locking himself into a contract to produce clowns exclusively for Toys for All. Advise Chris if he should lock himself into a contract to produce exclusively for Toys for All.

Calculation	Explanation