

ACCOUNTING

Time: 3 hours

300 marks

ANSWER BOOK

READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This Answer Book consists of 10 pages. Please check that your answer book is complete.
2. There is a **complete** Answer Book. There is a clearly marked page for each answer. **Use the areas marked "rough work" for doing your rough calculations.**
3. You may **not** use green or red ink. **You may use a pencil, but please use a soft, dark pencil.**

NAME: _____

LEARNER CODE: _____

QUESTION	POSSIBLE MARKS	ACTUAL MARKS
1	66	
2	84	
3	40	
4	60	
5	50	
TOTAL	300 MARKS	

**QUESTION 1 The Accounting equation internal control, salaries and wages
(40 min; 66 marks)**

1.1 The Accounting Equation

No	Subsidiary Journal	General Ledger		Effect on Accounting Equation		
		Account Dr	Account Cr	Assets	Owner's Equity	Liabilities

1.2 Internal Control

1.2.1 A system of good internal control.

1.2.2 (a) Two accounting controls put into place to solve the problem of cash disappearing from the cash register.

(b) Two accounting controls put into place to solve the problem of the unsatisfactory service from her main supplier MN Traders.

1.2.3 Possible reason for sales target not being met.

Possible solution to the problem.

1.3

General Ledger of Daisy Den Florists

1.3.1

Pension Fund

1.3.2

Medical Aid Contributions

Total marks
66

3. Owner’s equity	
Balance at the beginning of the year	
Net profit for the year	
Drawings for the year	

2.3.1 The importance of both financial accounting and managerial accounting.

2.3.2 **Three** ways in which the business could manage their debtors more effectively.

2.3.3 Match the columns – Accounting concepts

1. _____
2. _____
3. _____
4. _____
5. _____

Total marks
84

QUESTION 3 **Cost Concepts**
(24 min; 40 marks)

3.1 Explain the difference between a fixed cost and a variable cost, with examples.
Fixed cost:

Variable cost:

3.2 Explain why water and electricity is regarded as a semi-variable cost.

3.3 Calculate the total cost to manufacture the 300 pieces of jewellery.

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3.4 What price should the jewellery be sold at?

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3.5 **TWO** ways in which a computerised financial package could ensure timeous VAT returns to SARS.

3.6 The expected net wage to the jewellery maker in June 2006.

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3.7 The **FIVE** areas that Max should focus on when he gives his presentation to the Soccer World Cup 2010 Promotions committee.

Total marks
40

QUESTION 4 Ratio Analysis
(36 min; 60 marks)

4.1 Financial ratios of Sunshine Traders for December 2005

Ratio 2005	Calculation
4.1.1 Gross profit on turnover	
4.1.2 Gross profit on cost of sales	
4.1.3 Return on owner’s equity	
4.1.4 Current ratio	
4.1.5 Acid test ratio	

4.2

4.2.1 Comment on the liquidity position of Sunshine Traders in 2005.

4.2.2 Comment on the owners’ return on his investment in the business.

4.2.3 **THREE** aspects of the business that would make the buy a good investment.

4.2.4 **TWO** possible reasons for not maintaining a 100% mark-up.

4.2.5 **TWO** other non-financial factors that would need to be considered for the investment.

4.3

4.3.1 Describe the term **working capital**.

4.3.2 Calculate the working capital for:

2004	2005

4.3.3 Comment on how successfully Joe has been managing his working capital.

Total marks
60

QUESTION 5 Budget Concepts and ethics
(30 min; 50 marks)

5.1 Explain the difference between a cash budget and an income statement.

Cash Budget _____

Income Statement _____

TWO advantages of the cash budget as a management tool over the income statement.

5.2 Calculate the budgeted closing balance for the bank for February 2006.

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5.3

Area of concern - substantiated	Possible solution to problem

5.4 Workings for budgeted cash payments in March 2006.

• Salary Payments
• Other operating expenses
• Cash purchase of trading inventory
• Payment to creditors
• Interest payments on the loan
• Drawings by the owner
TOTAL BUDGETED CASH PAYMENTS IN MARCH 2006 =

5.5 Briefly explain whether you think the approach taken by Britney to the salary negotiation process is ethical.

5.6 Briefly explain whether you think what Britney is doing for the group of investors is ethical.

Total marks
50