education

Department:
Education
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL
SENIOR CERTIFICATE**

**GRADE 11**

**ACCOUNTING**

**NOVEMBER 2007**

**MEMORANDUM**

**This memorandum consists of 22 pages.**

| QUESTION | MAX | FINAL MARKS |
|----------|-----|-------------|
| 1 | 35 | |
| 2 | 40 | |
| 3 | 60 | |
| 4 | 45 | |
| 5 | 45 | |
| 6 | 30 | |
| 7 | 45 | |
| | 300 | |

**QUESTION 1**

| 1.1 | Use the table provided to indicate with a X in which journal the following items would be entered. |
|---|---|

| Item | CRJ | CPJ | No Entry | Amount |
|---|---|---|---|---|
| Item 1 | | | X | **R1 550** |
| Item 2 | | | ✓ X | **R1 500** |
| Item 3.1 | ✓ X | | | **R600** |
| Item 3.2 | | ✓ X | | ✓ R1 000 |
| Item 4 | | | ✓ X | **R 7 250** |
| Item 5 | | | ✓ X | **R3 245** |
| Item 6 | | ✓ X | | ✓ R720 |
| Item 7 | | ✓ X | | **R2 500** |
| Item 8 | | ✓ X | | **R3 120** |
| Item 9 | ✓ X | | | **R1340** |
| Item 10 | | | ✓ X | **R5 700** |

(12)

| 1.2 | | |
|---|---|---|
| **Bravo Traders** **Bank Reconciliation Statement on 31 May 2007** | | |
| Balance as per bank <u>statement</u> ✓ | ✓ 1 550 | |
| Outstanding deposit ✓ | | ✓✓ 5 700 |
| Outstanding cheques ✓ | | |
| 721 | ✓✓ 2 800 | |
| 760 | ✓✓ 3 245 | |
| 753 | ✓✓ 1 000 | |
| Balance per ledger <u>account</u> ✓ | | #☑ 2 895 |
| # method mark for operation – inspect | 8 595 | 8 595 |

Note: One-column OR any other method is acceptable if thought processes in reconciling can be followed. (14)

| 1.3.1 | **Are bank clients in this country justified in complaining about bank charges? Explain briefly in your own words.** | |
|---|---|---|
| | Yes / No ✓ | |
| | Any valid opinion ✓✓ | |
| | e.g. banks are earning a lot already as evidenced by sponsoring sports events, high salaries to CEO's / they should not be charging high fees as they rely on clients' money to earn income on using these funds through loans to other persons | (3) |
| 1.3.2 | **If you were the manager of Safe Bank, how would you justify charging Bravo Traders fees of R3 120 in May? Provide three points.** | |
| | Any three valid points ✓✓ ✓✓ ✓✓ | |
| | ▪ Banks are entitled to make as much profit as possible for their shareholders<br>▪ The high bank charges are being paid for efficiency<br>▪ Expenses incurred in collecting cash, processing entries etc.<br>▪ Banks provide a crucial service – fees depend on demand or supply<br>▪ The banks are owned by shareholders – they have a right to earn a good return<br>▪ A large number of transactions involving bank have been executed by the business with a number of personnel from different sections of the bank being involved.<br>▪ A large number of cheques was issued by the business in comparison to previous months. | |
| | | (6) |

| Marks |
|---|
| |
| **35** |

**QUESTION 2**

| 2.1 | **Calculate collections from debtors for December 2007.** | |
|---|---|---|
| | (51 300 X 36%) + (55 350 X 60%)<br>(18 468 ✓✓ + 33 210 ✓✓)<br>= 51 678 ✓<br><br>**Calculate payments to creditors for December 2007.**<br><br>(73 800 X 100/180) - 5%<br>= 41 000 ✓✓ – 2 050 ✓✓<br>= 38 950 ✓ | (10) |

**2.2 See next page**

| 2.3 | **The shop assistants feel that they are being treated unfairly by not getting a wage increase. Provide two points to support their opinion.** | |
|---|---|---|
| | *Reasons* ✓✓ ✓✓<br><br>• Even though the business is experiencing a cash flow problem, Brenda withdrew an amount of R30 000 in December. This is up 50% from November.<br>• The manager of the store earns almost double that of the shop assistants and he received an 8% increase. | (4) |
| 2.4 | **You are a bank manager in charge of approving loans. Brenda Bronx presents you with the cash budget above. Would you grant her a loan for R100 000? Provide two points you will consider in making your decision.** | |
| | Conclusion: Yes/No ✓<br><br>(*Any two valid points* ✓✓ ✓✓)<br>Her cash flow is deteriorating due to excess drawings and the purchase of equipment.<br>The business already has a loan of R60 000.<br>She will have difficulty in repaying the loan. | (5) |

**2.2**

<div align="center">

**BRONX DEALERS**

**CASH BUDGET FOR NOVEMBER AND DECEMBER 2007**

</div>

| | | November | December | |
|---|---|---|---|---|
| **CASH RECEIPTS** | | | | |
| Cash sales | | **17 550** | ✓✓ | 16 200 |
| Receipts from debtors | | **52 650** | $☑ | 51 678 |
| Loan | | **60 000** | | |
| **TOTAL RECEIPTS** | **4** | **130 200** | #☑ | 67 878 |
| | | | | |
| **CASH PAYMENTS** | | | | |
| Payment to creditors | | **36 100** | $☑ | 38 950 |
| Operating costs | | ✓ 5 500 | | **5 500** |
| Equipment bought | | | ✓✓ | 55 000 |
| Water and electricity | | **2 000** | ✓✓ | 2 200 |
| Salaries (9 500 x 108 / 100) | | **9 500** | ✓✓ | 10 260 |
| Wages | | ✓ 10 000 | | **10 000** |
| Loan repayment (60 000 / 48) | | | ✓✓ | 1 250 |
| Drawings | | ✓✓ 20 000 | | **30 000** |
| **TOTAL PAYMENTS** | **14** | 83 100 | #☑ | 153 160 |
| | | | | |
| **CASH SURPLUS/DEFICIT** | | **47 100** | #☑ | (85 282) |
| **CASH AT BEGINNING OF PERIOD** | | 23 500 | ✓ | 70 600 |
| **CASH AT END OF PERIOD** | **3** | **70 600** | #☑ | (14 682) |
| No marks for workings.<br>$ method mark for transfer of figure from 2.1<br># method mark for operation – inspect | | | | **(21)** |

| Marks |
|---|
| |
| **40** |

Please turn over

**QUESTION 3**

| 3.1 | **Calculate the profit or loss on the disposal of the vehicle.** | |
|---|---|---|
| | Book value = R130 000 ✓ - 78 000 ✓ - 19 500 ✓<br>　　　　 = R32 500<br>Selling price R40 000 ✓<br>Profit = R7 500 profit ✓ | (5) |

**3.2 See next page**

**3.3**

| Current accounts | Fly | Fish | Total |
|---|---|---|---|
| | | | |
| Net profit as per Income statement | #☑ 120 592 | 150 528 | 271 120 |
| Salaries (10 400 X 12) | ✓✓ 124 800 | 144 000 | |
| Interest on capital (12 250 + 13 125)<br>　　　　　　　　　 (24 500 + 875) | @☑✓ 25 375 | 26 250 | |
| Primary distribution of profit | #☑ 150 175 | 170 250 | 320 425 |
| Final distribution of profit | ✓✓(29 583) | (19 722) | (49 305) |
| Drawings for the year | ✓ (25 100) | (2 000) | |
| Balance on the last day of the previous year | ✓ (12 600) | 30 200 | |
| Balance on the last day of the current year | #☑ 82 892 | 178 728 | |
| No marks for workings.<br>@ method mark for any figure<br># method mark for operation – inspect | | | (11) |

**3.2**
**S. FLY AND G. FISH TRADING AS FLY-FISH STORE**
**INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2007**

| | | | |
|---|---|---|---:|
| Sales (1 216 300 ✓ - 14 300 ✓ - 40 000 ✓) | | ✓ | 1 162 000 |
| Cost of sales | | ✓ | (668 000) |
| Gross profit | **6** | #☑ | 494 000 |
| Other operating income | | #☑ | 68 700 |
| Profit on sale of vehicles | | $☑ | 7 500 |
| Rent income (5 100 x 12) | **4** | ✓✓ | 61 200 |
| | | | 562 700 |
| Operating expenses | | #☑ | 237 340 |
| Trading stock deficit (82 000 ✓ – 80 900 ✓) | | ✓ | 1 100 |
| Packing materials  (22 900 ✓ - 2 400 ✓) | | ✓ | 20 500 |
| Bad Debts (4 000 ✓ + 350 ✓) | | ✓ | 4 350 |
| Provision for bad debts adjustment (43 100 - 350) x 6% = (2 565 - 2 155) | | @☑ ✓✓ | 410 |
| Insurance (25 200 ÷ 14 x 12) | | ✓✓ | 21 600 |
| Depreciation (5 990 ✓ + 19 500 ✓ + 26 000 ✓) | | @☑ | 51 490 |
| Repairs and maintenance | | ✓✓ | 12 000 |
| Salaries and wages | | ✓ | 99 750 |
| Sundry expenses | **23** | #☑ | 26 140 |
| Operating profit (loss) | | #☑✓ | 325 360 |
| Interest income  (4 000 ✓ + [64 800 x 8/108] ✓✓) | | ✓ | 8 800 |
| | | | 334 160 |
| Interest expense (143 040 ✓ - [490 000 ✓ - 410 000 ✓]) | | ✓ | (63 040) |
| Net profit (loss) for the year / period | **11** | #☑ | 271 120 |

$ method mark for transfer of figure from 3.1
@ method mark for any figure
# method mark for operation – inspect

**(44)**

| Marks |
|:---:|
| |
| **60** |

**QUESTION 4**

| 4.1 | **Calculation of the percentage net profit on sales for 2007** | |
|---|---|---|
| | $\dfrac{152\ 000}{745\ 500}$ ✓ X $\dfrac{100}{1}$ ✓ | |
| | = 20,4% ☑^^ | (3) |
| | **Calculation of the current ratio for 2007** | |
| | 113 560 ✓ : 66 800 ✓ | |
| | = 1, 7 : 1 ☑^^ | (3) |
| | **Calculation of the Debt / Equity ratio for 2007** | |
| | 94 840 ✓ : 474 200 ✓ | |
| | = 0,2 : 1 ☑^^ | (3) |
| | **Calculation of percentage return earned by Nkosi on his average equity** | |
| | $\dfrac{103\ 000}{226\ 330}$ ✓✓ X $\dfrac{100}{1}$ | |
| | = 45,5% ☑^^ | (4) |
| 4.2 | **Use the acid-test ratio to calculate the amount of Trading Stock on hand on 28 February 2007.** | |
| | 113 560 – (0,6 X 66 800) | |
| | = 113 560 ✓ – 40 080 ✓✓ | |
| | = 73 480 ☑^^ | (4) |

^^ method mark – if at least one aspect correct and answer in correct format

| 4.3 | **Should the partners be satisfied with the control of their operating expenses? Explain briefly. Quote ratios, percentages or figures to support your answer.** | |
|---|---|---|
| | *Alternative answers possible. Yes / No ✓ – with valid reason.* | |
| | *Possible answers:*<br>*Yes – Operating expenses on sales remained constant ✓ despite the increase in sales ✓ resulting in increase in net profit on sales from 17,2% to 20,4%.* | |
| | | (3) |
| 4.4 | **Comment on the liquidity position of the business on 28 February 2007. Quote ratios, percentages or figures to support your answer. Mention three points in your answer.** | |
| | *Alternative answers possible* | |
| | ▪ *Current ratio decreased from 2,5: 1 to 1,7: 1*<br>▪ *Acid-test ratio decreased from 0,8 : 1 to 0,6 : 1*<br>▪ *Stock turnover rate improved from 4,5 to 6 times*<br>▪ *Collection from debtors has improved from 45 to 30 days*<br>▪ *Payments to creditors constant at 60 days*<br>▪ *Investments of R140 000 can be used in the event of a liquidity problem (Note to teachers: norms no longer apply due to readily accessible investments).* | |
| | Mentioning of the financial indicator ✓ ✓ ✓ one each<br>Quoting of trend ✓ ✓ ✓ one each<br>Quoting of the figures / ratios / percentages ✓ ✓ ✓ one each | |
| | | (9) |
| 4.5 | **Zama feels that Nkosi's drawings are unreasonable. Quote figures to support his opinion. How does this affect the business?** | |
| | *Nkosi's current account has moved from a favourable balance of R2 350 to a negative balance of R24 690. ✓✓* | |
| | *This places strain on the cash flow of the business. ✓✓*<br>*This has improved his % return.* | |
| | | (4) |

| 4.6 | **Comment on the percentage returns earned by the business and the partners. Quote ratios, percentages or figures to support your answer. Mention three points in your answer.** | |
|---|---|---|
| | *Possible answers:* | |
| | ▪      *% return earned by the business has improved from 33,2% to 38%* <br> ▪      *% return earned by Nkosi has improved from 34,4% to 45,5%* <br> ▪      *% return earned by Zama has decreased from 33% to 28,2%* <br> ▪      *These returns exceed those which can be earned on alternative investments e.g. on the money market (e.g. reasonable rate 7% to 9%)\*\** | |
| | Mentioning of the financial indicator ✓ ✓ ✓   one each <br> Quoting of trends    ✓ ✓ ✓ one each <br> Quoting of the figures / ratios / percentages ✓ ✓ ✓   one each | |
| | \*\*   Note to teachers: mentioning of rates on alternative investments is worth two marks. | |
| | | (9) |
| 4.7 | **The business urgently needs a delivery vehicle which is expected to cost R300 000. In your opinion, how should the business finance the vehicle? Provide a reason for your answer.** | |
| | *Alternative answers possible* <br> ▪   *Additional capital provided by the partners – this is cheap finance but it could affect their % returns* <br> ▪   *Increasing long-term loans – the debt / equity ratio is low* <br> ▪   *Use a combination of methods e.g. use investments – they have R140 000 on hand, balance from loans / capital* | |
| | *Method ✓   Explanation ✓✓* | |
| | | (3) |

| Marks |
|---|
| |
| **45** |

          

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**QUESTION 5**

| 5.1.1 | **Calculate the amount of Raw Materials issued for production in 2007.** | |
|---|---|---|
| | Balance at beginning of year | ✓ 66 000 |
| | Bought on credit | ✓ 490 720 |
| | | 556 720 |
| | Less Balance at end of year | ✓ 64 720 |
| | Cost of raw materials issued | ✓492 000 |

(4)

**5.1.2**

**Finished goods stock**

| 2006 Mar | 1 | Balance | b/d | 34 000 | 2007 Feb | 28 | Cost of sales ✓ | | ✓ 900 000 |
|---|---|---|---|---|---|---|---|---|---|
| 2007 Feb | 28 | Work in process stock ✓ | | #☑ 884 000 | | | Balance | c/d | ✓ 18 000 |
| | | | | | | | | | |
| | | | | 918 000 | | | | | 918 000 |
| Mar | 1 | Balance | b/d | #☑ 18 000 | | | | | |

(6)

\# method mark for operation – inspect

**5.1.3**

**Factory overhead cost**

| 2007 Feb | 28 | Wages: Indirect wages (42 100 + 1 200) | | ✓✓ 43 300 | 2007 Feb | 28 | Work-in-process stock ✓ | | #☑ 289 310 |
|---|---|---|---|---|---|---|---|---|---|
| | 31 | Salary: Factory manager | | ✓ 114 000 | | | | | |
| | | Water and electricity (3/4 x 26 200) | | @☑✓ 19 650 | | | | | |
| | | Rent expense (90 400 x 70%) | | @☑✓ 63 280 | | | | | |
| | | Indirect material cost | | ✓ 22 770 | | | | | |
| | | Sundry factory expenses | | ✓ 26 310 | | | | | |
| | | | | 289 310 | | | | | 289 310 |
| | | | | | | | | | (11) |

@ method mark for any figure
# method mark for operation – inspect

**5.1.4**

**Work-in-process stock**

| 2006 Mar | 1 | Balance | b/d | 46 820 | 2007 Feb | 28 | Finished goods stock ✓ | | $☑ 884 000 |
|---|---|---|---|---|---|---|---|---|---|
| 2007 Feb | 28 | Direct ✓ materials cost | | $☑ 492 000 | | | Balance | c/d | ✓ 68 310 |
| | | Direct labour cost ✓ | | ✓ 124 180 | | | | | |
| | | Factory ✓ overhead cost | | $☑ 289 310 | | | | | |
| | | | | 952 310 | | | | | 952 310 |
| Mar | 1 | Balance | b/d | #☑ 68 310 | | | | | |
| | | | | | | | | | (10) |

$ method mark for transfer of figure from 5.1.1, 5.1.2 or 5.1.3
# method mark for operation – inspect

| 5.2.1 | **Calculate the total Rand amount for direct labour cost** | |
|---|---|---|
| | 6,80 X 2 000 units = R13 600 ✓✓ | |
| | **Calculate the factory overhead cost per unit** | |
| | R8 000  / 2 000 units = R4,00 ✓✓ | |
| | *No marks for workings.* | (4) |
| 5.2.2 | **How many candles must Carol make in order to break even (i.e. to earn no profit or loss)?** | |
| | Sales -        costs                        = Profit<br>R25,60*x* ✓ - 13,50*x* ✓ - R13 000 ✓ =    0<br>                *x*                              =    13 000<br>                                                    12,1 ✓<br>                                    =    1 075 candles ^^☑✓ | |
| | ***OR*** | |
| | Contribution per unit = SP per unit - Total direct costs<br>                            = R25,60 - R13,50<br>                            =    R12,10 | |
| | Break-even point = <u>fixed costs</u><br>                            contribution per unit<br>                    =    <u>R13 000</u> ✓✓<br>                            R12,10 ✓✓<br>                    = 1 075 candles ^^☑✓ (accept 1 074) | |
| | ^^ method mark – if at least one aspect correct and answer in correct format | (6) |
| 5.2.3 | **Explain two factors that she should consider before deciding to change suppliers.** | |
| | (*Any two factors explained -* ✓✓    ✓✓)<br> ▪ **Labour:** Cheaper raw materials might lead to more labour costs.<br> ▪ **Quality:** Cheaper raw materials might be of inferior quality.<br> ▪ **Loyalty**:  to existing supplier | (4) |

| **Marks** |
|---|
| |
| **45** |

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## QUESTION 6

| | | |
|---|---|---|
| 6.1 | **Provide the missing details in the account represented by:**<br><br>(a)      Income accrued/ Income receivable ✓✓<br><br>(b)      Income received in advance / Deferred income ✓✓<br><br>(c)      Bank ✓✓ | (6) |
| 6.2 | **Provide explanations for the entries:**<br><br><br>**R4 000:** Honoraria to the secretary and treasurer is offset against the fees owed by them. ✓✓ | (2) |
| 6.3 | **Calculate the number of members who had not settled their 2006 fees in 2006.**<br><br>R28 800 / R1 600 = 18 members ✓✓   *No marks for workings.*<br><br><br> **Calculate the number of members written off the club register in 2007.**<br><br>18 $☑ – 4 = 14 members ✓<br><br>$ method mark for transfer of figure from above<br><br>**Calculate the number of members in the club on 31 December 2007.**<br><br>115 – 14 + 3 – 5 = 99 members ^^☑✓✓<br><br>^^ method mark – if at least one aspect correct | (7) |

| 6.4 | **Provide the missing figures in the ledger account represented by:** | |
|---|---|---|
| | **(d)** 14 $_\$$☑ x R1 600 ✓ = R22 400 ^^☑ | |
| | **(e)** (99 x R2 000 ✓) + (5 x R1 000 ✓) = R203 000 ✓✓ | |
| | $ method mark for transfer of figure from 6.3<br>^^ method mark – if at least one aspect correct | (7) |

| 6.5 | **Provide two points to support the club chairperson's opinion, quoting appropriate figures.** | |
|---|---|---|
| | *(Any two valid points)* ✓✓   ✓✓ | |
| | 21 members have not settled their fees for 2007.<br>14 members were written off in 2007<br>Only 3 members joined the club in 2007 | |
| | **Provide two suggestions to solve the problem.**<br>*(Any two valid suggestions)* ✓✓   ✓✓ | |
| | Withdraw privileges from members who have not paid.<br>Give incentives for early payment.<br>Improve the club's facilities to keep members happy and to attract new members. | (8) |

| **Marks** |
|---|
| |
| **30** |

## QUESTION 7

| | | |
|---|---|---|
| 7.1.1 | **Calculate the selling price of the shower gel excluding VAT.**<br><br>R27 ✓ x <u>133,3</u> ✓<br>       100<br>= R36 ^^☑<br><br>^^ method mark – if at least one aspect correct | (3) |
| 7.1.2 | **Calculate the amount of VAT that the business has to charge on this item.**<br><br>R36 $☑ x 14% ✓<br>= R5,04 ^^☑<br><br>$ method mark for transfer of figure from 7.1.1<br>^^ method mark – if at least one aspect correct | (3) |
| 7.1.3 | **Calculate the amount that will be reflected on the price tag for this article when it is displayed in the shop.**<br><br>R36 ☑ x <u>114</u> ✓<br>     100<br>R41,04 ☑ | (3) |

| 7.2.1 | **Give two examples of zero-rated items.**<br><br>(*Any two items*) ✓  ✓<br>Bread<br>Milk<br>Vegetables, etc. | |
|---|---|---|
| | | (2) |
| 7.2.2 | **Explain why the items in 7.2.1 are zero-rated.**<br><br>*Reason* ✓✓<br>Essential basic items (any other reasonable explanation) | |
| | | (2) |
| 7.2.3 | **Calculate the total VAT that was included in the sales amount for the year.**<br><br>R2 311 800 ✓ – R905 610 ✓<br><br>= R1 406 190 ✓   x $\frac{14}{114}$ ✓ ✓<br><br>= R172 690  ^^☑<br><br>^^ method mark – if at least one aspect correct | |
| | | (6) |

| 7.3.1 | **Give a brief explanation of the nature of your job as internal auditor.**<br><br>*Simplistic answer -* ✓<br>*Evidence of understanding / Further clarification* ✓✓<br><br>Possible answers:<br>To check the financial records of a business.<br>To ensure that there are effective internal controls in place. | |
|---|---|---|
| | | (3) |
| 7.3.2 | **Briefly explain two problems that could occur in a business regarding VAT.**<br><br>(*Any two valid points*) ✓✓        ✓✓<br><br>Possible answers:<br> ▪ Charging VAT on zero-rated items<br> ▪ Underpay SARS for VAT collected<br> ▪ Errors in calculation of VAT<br> ▪ Errors in programming of cash registers re calculation of VAT | |
| | | (4) |

| 7.4.1 | **Briefly explain ONE major difference between the perpetual and periodic inventory systems.** | |
|---|---|---|
| | Any valid answer ✓✓ | |
| | Possible answers: | |
| | ▪ Ability to identify a stock difference at all times under the perpetual system by comparing actual count to balance on Stock account | |
| | ▪ Cost of sales recorded for every sale under perpetual system. Cost of sales calculated at end of period for periodic system. | (2) |
| 7.4.2 | **Calculation of cost of sales for the fruit & vegetables department:** | |
| | 14 000 ✓ + 624 000 ✓ – 8 000 ✓ = R630 000 ✓ | (4) |
| | **Calculation of gross profit (or gross loss) earned by the department:** | |
| | 797 000 ✓ – 630 000 $☑ = R167 000 ^^☑ | |
| | $ method mark for transfer of figure from above <br> ^^ method mark – if at least one aspect correct | (3) |
| | **Calculation of the amount refunded to unhappy customers:** | |
| | Sales should have been = 630 000 x 4/3 = R840 000✓✓ <br> Actual sales = R797 000 ✓ <br> Refunds to unhappy customers = R  43 000 ✓ | |
| | *Note: Be alert for answers that may differ due to recurring figures used in calculators e.g. 133,3333%  etc* | (5) |

| 7.4.3 | **The manager director of the business has approached you for advice. In your opinion, should he close down this department? Explain two points to support your opinion.** | |
|---|---|---|
| | Yes / No ✓ Reasons to support opinion – Any two valid points ✓✓ ✓✓ | |
| | *Possible reasons:* <ul><li>The department is earning a profit / Maybe the profit does not justify the extra overhead expenses such as the salary of the assistants in this department.</li><li>Buy smaller quantities of stock more often to keep stock fresh – profit can be increased further by adopting this approach.</li><li>The fruit & vegetables department attracts customers who will generate profits in the other departments.</li></ul> | |
| | | (5) |

| Marks |
|---|
| |
| **45** |