

**PHOENIX CIRCUIT ACCOUNTING SOCIETY  
(PCAS)**  
*HELPING ACCOUNTING EDUCATORS EXCEL*



**GRADE  
11**

**ACCOUNTING**

**NOVEMBER  
2017**

**MARKS: 300**

**TIME: 3 hours**

**This question paper consists of 18 pages and a 16-page answer book.**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.

8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

<b>QUESTION 1: 30 marks; 18 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Reconciliations	<b>Managerial accounting</b> Bank Reconciliation Creditors' Reconciliation <b>Managing resources</b> Internal control

<b>QUESTION 2: 50 marks; 30 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Manufacturing	<b>Financial accounting</b> Concepts Calculations Ledger account <b>Managing resources</b> Internal control

<b>QUESTION 3: 100 marks; 60 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Partnership Financial Statements and Fixed Assets	<b>Financial accounting</b> Concepts Income Statement Balance Sheet <b>Managing resources</b> Fixed assets

<b>QUESTION 4: 40 marks; 24 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Analysis and Interpretation of Financial Statements	<b>Financial accounting</b> Concepts Interpretation of financial information <b>Managing resources</b> Internal control

<b>QUESTION 5: 40 marks; 24 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Cash Budget	<b>Managerial accounting</b> Concepts Cash Budget Calculations <b>Managing resources</b> Internal control

<b>QUESTION 6: 40 marks; 24 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Inventory systems and VAT	<b>Managerial accounting</b> Periodic inventory system Ledger account Calculations <b>Managing resources</b> Internal control

**QUESTION 1: RECONCILIATIONS****(30 marks; 18 minutes)****1.1 BANK RECONCILIATION**

You are provided with information from the records of Cornubia Stationers for May 2017.

**REQUIRED:**

- 1.1.1 Show the amounts that must be recorded in the Cash Journals by completing the table provided in the ANSWER BOOK. Do not total the journals. (8)
- 1.1.2 Prepare the Bank Reconciliation Statement on 31 May 2017 (10)
- 1.1.3 As the internal auditor, you are not happy with the manner in which cash is being controlled in this business. Identify **ONE** problem and provide figures to support your answer. Give advice on how this problem can be avoided in the future. (3)

**INFORMATION****A. Information from the Bank Reconciliation Statement on 30 April 2017**

Favourable balance as per Bank Statement		54 600
Outstanding Deposits	Dated 14 April 2017	32 000
	Dated 29 April 2017	43 000
Outstanding Cheques:	No. 1240 (dated 12 November 2016)	4 000
	No. 1599 (dated 28 April 2017)	14 400
	No. 1780 (dated 17 May 2017)	25 200
Favourable balance as per Bank Account in the Ledger		86 000

**B. A comparison of the May 2017 Bank Statement with the May 2017 Cash Journals revealed the following:**

- Interest of R430 credited on the Bank Statement was not recorded in the Cash Journals.
- Cash deposit fees of R150 and service fees of R530 debited on the Bank Statement were not recorded in the Cash Journals.
- A dishonoured cheque for R7 200 appeared on the Bank Statement. This cheque was originally received from R. Rogue, a debtor, in full settlement of his account of R8 000.

- A debit order of R750 for the monthly insurance appeared twice on the Bank Statement, but no entry has been made in the Journals. The bank will rectify this on the Bank Statement next month.
  - Cheque No. 1832 issued to a creditor ABC Stores appeared correctly on the Bank Statement as R6 920. This was recorded as R9 620 in the Cash Payments Journal.
- C. Items that appeared in the April Bank Reconciliation Statement:
- Only cheque No. 1599 and the deposit of R43 000 appeared on the Bank Statement for May 2017.
  - The outstanding deposit of R32 000 is in respect of cash received for cash sales. This did not appear on the Bank Statement. The cashier in charge of deposits stated that he was robbed on the way to the bank.
  - Cheque No. 1240 was issued to the Verulam Soccer Club in payment of a donation. This soccer club no longer exists.
- D. The May 2017 Cash Receipts Journal reflected the following outstanding deposits:
- R31 000 on 15 May 2017
  - R40 400 on 30 May 2017
- E. Cheques from the May 2017 Cash Payments Journal not presented for payment:
- No. 1822 for R10 400 (dated 28 May 2017)
  - No. 1840 for R 15 900 (dated 24 July 2017)
- F. The Bank Statement received from Rich Bank on 31 May 2017 reflected a favourable balance of R31 850.

## 1.2 CREDITORS' RECONCILIATION

Bester Traders received a statement of account from creditor, Gateway Suppliers. The balance on the statement did not agree with that on the account of Gateway Suppliers in the Creditors' Ledger of Bester Traders.

### REQUIRED:

Complete the table in the ANSWER BOOK to show how the differences must be treated to reconcile the Creditor's Ledger Account balance with the statement balance.

Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

Total the columns to show the correct balances at the end of March 2017. (9)

### INFORMATION:

Balance of Gateway Suppliers in the Creditors' Ledger of Bester Traders	R 8 610
Balance on the statement received from Gateway Suppliers	R19 320

**A comparison between the Creditors' Ledger Account of Gateway Suppliers and the statement of account showed the following differences:**

- A. An invoice of R4 320 received from Gateway Suppliers was incorrectly recorded as a debit note in the Creditors' Ledger of Bester Traders.
- B. An invoice for R8 760 received from Gateway Suppliers was correctly recorded in the Creditor Ledger Account. However, the amount was incorrectly recorded as R7 680 on the statement.
- C. Bester Traders entered a discount of R650 relating to a payment of R4 000 on 17 March 2017. Gateway Suppliers did not approve this discount stating that the payment was received late.
- D. The statement of account reflected returns valued at R790. The Creditors' Ledger account showed R290. It was established that Bester Traders miscalculated the value of the goods returned.
- E. A direct transfer of R3 000 by Bester Traders was recorded in the Cash Payments Journal on 30 March 2017. The statement of account from Gateway Suppliers was dated 26 March 2017.

**QUESTION 2: MANUFACTURING****(50 marks; 30 minutes)****2.1 CONCEPTS**

Match the terms in COLUMN A with an appropriate example/explanation from COLUMN B. Write ONLY the letter (A – E) next to the numbers (2.1.1 – 2.1.5) in the answer book.

COLUMN A	COLUMN B
2.1.1 Fixed Cost	A Cost of raw materials used in the production process.
2.1.2 Indirect labour	B Completely manufactured goods ready for distribution to retailers.
2.1.3 Selling and distribution cost	C Debit order payments for the monthly factory rent and insurance.
2.1.4 Variable cost	D Wages paid to factory maintenance and cleaning staff.
2.1.5 Finished goods	E Cheque paid to the Daily News for a three-month advertising contract.

(5 x 1) (5)

**2.2 AVON MANUFACTURERS**

You are provided with information related to Avon Manufacturers for the year ended 28 February 2017.

**REQUIRED:**

- 2.2.1 Calculate the Direct Labour cost. (9)
- 2.2.2 Calculate the Factory Overhead cost. (19)
- 2.2.3 Prepare the Work in Process Stock account (8)

**INFORMATION:**

A. The following balances appeared amongst others in the books of the business.

	28 Feb 2017	1 March 2016
Raw materials stock	80 000	200 000
Work in process stock	40 000	180 000
Finished goods stock	?	500 000
Indirect materials	6 000	8 000
Administration cost	80 000	

**B. Summary of transactions for the year 28 February 2017**

Raw materials purchased	900 000
Indirect materials purchased	24 000
Carriage paid on indirect materials	4 000
Factory wages	?
Factory foreman's salary	140 000
Rent expense	44 000
Water and electricity	28 000
Depreciation: factory machinery	12 000
Cash register repairs	4 250
Bad debts	2 300
Sundry factory expenses	4 800
Insurance	8 000
Maintenance: factory machinery	10 600

**C. Additional information and adjustments**

- Three factory workers were employed. They each worked 1 600 hours normal time during the year at R40 per hour. They each also worked 300 hours overtime during the year at a rate of 50% more than the normal rate. The employer contributes 10% towards the pension fund and 1% to the UIF of the **basic** wages. Overtime is not subject to contributions.
- An amount of R4 000 is still outstanding for water and electricity. This expense is allocated between the factory, sales and administration departments in the ratio of 2:1:1.

- Rent for the year must be allocated according to the floor space as follows:

Factory	Sales	Office
600 m <sup>2</sup>	300 m <sup>2</sup>	100 m <sup>2</sup>

- 80 % of the insurance must be allocated to the factory. Included in insurance is an additional premium of R1 200 paid for the period 1 January 2017 to 30 June 2017.

**2.3 BIG JACK PIES**

The business produced 15 500 pies for the year ended 30 June 2017.

**REQUIRED:**

- 2.3.1 Calculate the direct material cost per unit for 2017. (2)
- 2.2.2 Calculate the break-even point for the year ended 30 June 2017. (4)
- 2.2.3 Should the business be satisfied with the number of units they are currently producing. Briefly explain. (3)

**INFORMATION:**

The following information was extracted from the books.

	<b>TOTAL</b>	<b>PER UNIT</b>
Sales	R224 750	R 14,50
Total variable costs	R131 750	R 8,50
Total fixed cost	R89 900	R 5, 80
Direct material cost	R 79 050	?

50

**QUESTION 3: PARTNERSHIP FINANCIAL STATEMENTS (100 marks; 60 minutes)****3.1 CONCEPTS**

Choose the correct word/s from those given in brackets. Write only the word/s next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

- 3.1.1 The contract between two or more partners of a business is known as a (partnership agreement/constitution).
- 3.1.2 The (primary/secondary) distribution of profits is equal to partners' salaries plus interest on partners' capital plus bonuses awarded to partners.
- 3.1.3 The partners in a partnership have (limited/unlimited) liability.
- (3 x 1) (3)

**3.2 INCOME STATEMENT AND FIXED ASSETS**

You are provided with information relating to Franco Bros. for the year ended 28 February 2017

**REQUIRED:**

- 3.2.1 Refer to information J and K (14)  
Complete the Fixed Asset note on 28 February 2017.
- 3.2.2 Prepare the Income Statement for the year ended 28 February 2017. (47)

**INFORMATION:**

Figures extracted from the Pre-adjustment Trial Balance on 28 February 2017

Balance Sheet Accounts Section	Debit	Credit
Capital : Frank		1 600 000
Capital : Collin		1 600 000
Drawings: Frank	24 000	
Drawings: Collin	20 000	
Vehicles	780 000	
Equipment	382 000	
Accumulated depreciation on vehicles		468 000
Accumulated depreciation on equipment		105 000
Trading stock	325 000	
Debtors control	65 000	
Provision for bad debts		3 700
Petty cash	24 000	
Mortgage loan from Quick Bank (12%p.a.)		440 000
<b>Nominal Accounts Section</b>		
Sales		2 900 000
Debtors' allowances	18 500	
Cost of Sales	1 650 000	
Rent income		200 700
Insurance	30 000	
Rent expense	315 000	
Salaries and wages	372 000	
Consumable stores	62 500	
Bank charges	7 200	
Sundry expenses	30 000	
Bad Debts	1 500	
Interest on loan	126 000	
Bad debts recovered		1 900
Interest income		6 000

**Adjustments and additional information:**

- A. Partner Frank took trading stock of R4 000 for his own use. This was not recorded.
- B. A physical stocktaking on 28 February 2017 reflected trading stock of R314 500.
- C. Consumable stores **used** during the financial year amounted to R60 000.
- D. Bank charges R3 600 was incorrectly recorded as petty cash.
- E. A debtor, H. Howard, was declared insolvent. His estate paid out 75c in the rand. An amount of R3 000 was received and recorded. The remaining debt must be written off as irrecoverable. No entry has been made.

- F. The Provision for bad debts must be adjusted to R3 200.
- G. The telephone account was paid for March 2017, R450. This is regarded as a sundry expense.
- H. The details of an employee, T. Queally, who commenced work on 1 February 2017, was omitted from the Salaries Journal. Details of his salary for February 2017 are:

GROSS SALARY	DEDUCTIONS			CONTRIBUTIONS	
	PAYE	Pension Fund	UIF	Pension Fund	UIF
R10 500	R1 890	R840	R105	R420	R105

**NOTE: All contributions are recorded as part of Salaries and Wages.**

- I. The rent income was increased by R900 per month from 1 November 2016. The tenant has not yet paid the rent for February 2017.
- J. No entries were made for a vehicle sold on 31 December 2016 for R95 500 cash. The details from the Fixed Asset Register were as follows:
- Cost price, R180 000.
  - Accumulated depreciation on 1 March 2016, R72 000.
  - Depreciation rate is 20% p.a. on cost.
- K. Provide for depreciation as follows:
- On vehicles at 20% p.a. on cost.
  - On equipment at 15% p.a. on the diminishing balance method.
- Note:** New equipment costing R32 000 was purchased and recorded on 1 September 2016.

### 3.3 BALANCE SHEET

You are provided with information relating to Zululand Hardware for the year ended 28 February 2017. The business is owned by two brothers, Andile and Bryan.

#### REQUIRED:

3.3.1 Prepare the Balance Statement on 28 February 2017.

(34)

**NOTE:** All workings must be shown in brackets since notes are **NOT** required.

#### INFORMATION:

##### A. LIST OF BALANCES ON 28 FEBRUARY 2017

Balance Sheet Accounts Section	R	
Capital: Andile	1 800 000	
Capital: Bryan	1 200 000	
Current account: Andile	700 000	
Current account: Bryan	242 000	DR
Fixed assets @ carrying value	2 315 200	
Fixed deposit at Capitec Bank (9 % p.a.)	800 000	
Trading stock	?	
Debtors control	?	
Provision for bad debts	15 800	
Bank	36 800	DR
Cash float	3 000	
Mortgage loan: Nedbank	162 000	
Creditors control	520 000	
Accrued expenses / Expenses payable	7 000	
Prepaid expenses	6 000	
Accrued income / Income receivable	21 000	
Deferred income / Income received in advance	15 000	
Creditors for salaries	10 000	

##### B. FIXED DEPOSIT

The fixed deposit is invested with Capitec Bank. Interest of 9% p.a for February 2017 must be taken into account. Interest is **CAPITALISED**. Thereafter 20% of the fixed deposit will mature on 31 August 2017, while the balance will mature in 2019.

##### C. MORTGAGE LOAN

The mortgage loan from Nedbank was obtained on 1 March 2015. This will be repaid over 5 years. Fixed, **equal** monthly loan repayments (excluding interest) are made. The first monthly loan repayment was made on 1 March 2015. All other loan repayments have been made. Interest is **NOT CAPITALISED** and has been recorded.

##### D. Use the following ratios to calculate missing figures:

Current ratio	2 : 1
Acid test ratio	1,5 : 1

100

**QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS**  
(40 marks; 24 minutes)

**4.1. CONCEPTS**

Choose a term from COLUMN A that matches the description in COLUMN B.  
Write only the letter (A-D) next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK, for example 4.1.5 E

COLUMN A		COLUMN B
4.1.1. Gearing	A	Ability of the business to pay off its short-term debts
4.1.2. Solvency	B	The benefit that the owners receive from their investment in the business.
4.1.3. Liquidity	C	The extent to which the business is financed by borrowed capital.
4.1.4 Return on equity	D	Ability of the business to pay off all its debts.

(4 x 1) (4)

**4.2. MAIDSTONE TRADERS**

You are provided with information relating to Maidstone Traders for the year ended 31 October February 2017, together with comparative figures for 2016.

**REQUIRED:**

4.2.1 Calculate the following financial indicators on 31 October 2017:

- Average creditors payment period (5)
- Percentage (%) operating profit on sales (3)
- Debt-equity ratio (3)
- Solvency ratio (5)
- Percentage (%) return on average partners' equity (5)

**INFORMATION:**

**A. Extract from the Income Statement for the year ended 31 October 2017**

	2017	2016
Sales (50% credit)	1 780 000	1 640 000
Cost of sales	1 112 500	1 025 000
Operating expenses	320 400	328 000
Operating profit	356 000	246 000
Net profit	225 000	164 000

**B. Extract from Balance Sheet as at 31 October 2017**

	2017	2016
Non-current assets	790 000	680 000
<b>Current assets</b>	560 000	450 000
Inventory	320 000	270 000
Trade debtors	150 000	100 000
Partners equity at year end	850 000	650 000
Non-current liabilities	340 000	500 000
<b>Current liabilities</b>	200 000	240 000
Trade creditors	160 000	240 000
Bank Overdraft	40 000	

**4.3 COMPARISON OF FINANCIAL INDICATORS OF TWO PARTNERSHIPS**

Mr. P. Brosnan is considering investing in one of the following businesses listed below: namely: **STEEL Traders** or **BOND Traders**

Both businesses sell I.T. equipment and require the same capital layout. Use your expertise to help him decide which business to invest in.

**Information for the 2017 financial year end**

	BOND Traders	STEEL Traders
Current ratio	0,9 : 1	2,1 : 1
Acid test ratio	1,1 : 1	0,5 : 1
Average debtors collection period	63 days	30 days
Average creditors payment period	28 days	60 days
% operating expenses on sales	20,8%	12%
% operating profit on sales	16,2%	20,6%
% gross profit on cost of sales	75%	60%
Interest on fixed deposit	8%	8%
% return on average partners equity	12%	21,4%
Debt equity ratio	0,6 : 1	0,2 : 1

4.3.1. Mr. Brosnan is of the opinion that STEEL Traders has a better profitability and operating efficiency. Quote two financial indicators with figures to support Mr. Brosnan's opinion. (4)

4.3.2. Mr. Brosnan feels that BOND Traders has a better liquidity position. Do you agree? Quote three relevant financial indicators and figures to support your opinion. (7)

4.3.3. Which business would you advise Mr. Brosnan to invest in? Quote one relevant financial indicator together with figures to support your answer. (4)

**QUESTION 5: CASH BUDGET****(40 marks; 24 minutes)****5.1 CONCEPTS**

- 5.1.1 Explain the importance of comparing budgeted figures in the cash budget with actual figures achieved for the same period. (2)
- 5.1.2 Identify THREE items that should not be placed in the Cash Budget from the information given below. (3)

Cash sales, cash withdrawals, Bad debts, Rent income,  
Discount allowed, interest on fixed deposit, Loss on sale of asset

**5.2 EUGENE TRADERS**

You are provided with the information relating to Eugene Traders. The owner, Eugene Moodley, requests your assistance with his cash budget for the two-month period April to May 2017.

**REQUIRED:**

- 5.2.1 Complete the Debtors' Collection Schedule. (8)
- 5.2.2 Complete the Cash Budget. (27)

**INFORMATION:****Summary of transactions**

DETAILS	ACTUAL			BUDGETED	
	January	February	March	April	May
Cash sales	R 22 000	R 19 600	R 17 200	R 22 000	R 28 800
Credit sales	R 22 720	R 23 600	R 26 000	R 22 800	R 27 600
Credit purchases of stock	R 13 480	R 13 000	R 12 360	R 11 840	R 14 320
Rent income	R 12 000	R 12 000	R 12 000	R 12 000	?
Operating expenses	R 5 280	R 5 600	R 6 000	?	R 6 615

**ADDITIONAL INFORMATION:**

- A. Credit sales are to be collected as follows:
- 20% in the month of sale (subject to a 5% discount)
  - 60% after 30 days (first month after sale)
  - 18% after 60 days (second month after sale)
  - 2% is to be written off after 90 days (third month after sale)
- B. Creditors are paid one month after purchases.
- C. The two employees who earn the same salary will receive an increase of 5% on their current salaries at the end of May 2017.
- D. Operating expenses are paid in cash one month after the expense occurred. The operating expenses increase by 5% per month over the budget period.
- E. The following withdrawals are made monthly by the owner:
- Cash to pay for owner's personal telephone R240
  - Trading stock R560
- F. Rent income will increase by 25% on 1<sup>st</sup> of May 2017.
- G. Fixed deposit of R 36 000 with an interest of R 3 200 is due to mature on the 15<sup>th</sup> of May 2017.
- H. Depreciation is calculated at R 3 500 per month.
- I. A new vehicle costing R160 000 will be purchased in April 2017. A deposit of R45 000 will be paid at the end of April 2017. The balance will be paid in eight equal monthly instalments commencing from June 2017.

**QUESTION 6: INVENTORY SYSTEMS AND VAT****(40 marks; 24 minutes)****6.1 PERIODIC INVENTORY SYSTEM**

You are provided with information relating to Mary's Mugs, a retail shop owned by Mary Mbhele. She uses the periodic inventory system. She is also concerned that there has been shoplifting.

**REQUIRED:**

- 6.1.1 Prepare the Trading account for July 2017. (16)
- 6.1.2 Calculate the actual mark-up % on cost achieved for the month (4)
- 6.1.3 Does this calculation provide evidence that there is a shoplifting problem? If so, how serious is this problem? Quote figures or percentages to support your answer. (3)
- 6.1.4 Mary has been told that it will be much better for her business to convert to the perpetual inventory system. Do you agree? Briefly explain. (3)

**INFORMATION:**

- A. Mary sells different types of coffee mugs. She aims at a mark-up of 50% on cost, but she does give trade discounts to special customers.
- B. Stock on hand at the beginning of the month, R120 000.
- C. Totals of source documents for the month:
- Invoices received from manufacturers of mugs, R141 000.
  - Credit notes received for defective mugs returned to suppliers, R7 500.
- D. Paid Sky Couriers R3 500 for transporting mugs from overseas. Also paid customs duty of R4 800 on these mugs.
- E. Mary donated mugs to a local orphanage. The selling price of these mugs was reflected as R9 600 on the price tags.
- F. All sales of mugs were for cash, R232 000. This was after granting trade discounts of R8 000 to special customers.
- G. Stock on hand at the end of the month was valued at cost price, R95 400.

## 6.2. VAT CALCULATIONS

You are provided with information relating to Maria Traders for their two-month VAT period ended 31 July 2017. The standard VAT rate of 14 % is applicable.

### REQUIRED:

- 6.2.1 Calculate the VAT amount that is either payable or receivable from SARS on 31 July 2017. Indicate whether this amount is receivable or payable. (10)

### INFORMATION:

A. Amount owed to SARS on 1 July 2017, R89 600.

B. Amount from the Journals on 31 July 2017:

	INCLUDING VAT	VAT AMOUNT	EXCLUDING VAT
Sales	1 128 600	?	?
Credit purchases of stock	?	47 040	?
Stock returned by debtors	104 880	?	92 000
Bad debts written off	79 800	9 800	?
Goods taken by owner for personal use	?	2 000	?

## 6.3 INTERNAL CONTROL

The owner of Banjee Stores has told the accountant to write off more bad debts each year than there actually are.

- 6.3.1 Why do you think the owner has suggested this course of action? Explain briefly. (2)
- 6.3.2 The accountant is not prepared to do this. Briefly explain why you think he feels this way by discussing two points. (2)

**TOTAL: 300**

**PHOENIX CIRCUIT ACCOUNTING SOCIETY  
(PCAS)**

*HELPING ACCOUNTING EDUCATORS EXCEL*



**ACCOUNTING**

**GRADE 11**

**NOVEMBER 2017**

**ANSWER BOOK**

Name and Surname : \_\_\_\_\_

Grade 11 : \_\_\_\_\_

QUESTION	LEARNER'S MARK	MODERATED MARK
1		
2		
3		
4		
5		
6		
TOTAL		

This answer book consists of 16 pages.



1.1.3

As internal auditor, you are not happy with the manner in which cash is being controlled in this business. Identify ONE problem and provide figures to support your answer. Give advice on how this problem can be avoided in future.

PROBLEM IDENTIFIED	ADVICE

3

1.2 CREDITORS' RECONCILIATION

	CREDITORS' LEDGER OF BESTER TRADERS	STATEMENT RECEIVED FROM GATEWAY SUPPLIERS
Balance	R8 610	R19 320
A		
B		
C		
D		
F		
Final Balance		

9

TOTAL MARKS
30



**2.2.3 Work in Process Stock account**

2016									
Mar	1	Balance	b/d	180 000					

8

**2.3 BIG JACK PIES**

2.3.1 Calculate the direct material cost per unit.

2

2.3.2 Calculate the break-even point for the year ended 30 June 2017.

4

2.3.3

Should the business be satisfied with the number of units they are currently producing. Briefly explain.

3

TOTAL MARKS
50

**QUESTION 3: PARTNERSHIP FINANCIAL STATEMENTS**

**3.1 CONCEPTS**

Write only the word/s next to the question number.

3.1.1	
3.1.2	
3.1.3	

3

**3.2.1 FIXED ASSET NOTE**

FIXED ASSETS	Vehicles	Equipment
Carrying value beginning of year		
Cost		
Accumulated depreciation	(468 000)	(105 000)
<b>Movements</b>		
Additions at cost		
Disposals at carrying value		
Depreciation		
Carrying value at end of year		
Cost	600 000	
Accumulated Depreciation		

14

**3.2.2 FRANCO BROS**  
**INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017**

<b>Sales</b>	
<b>Cost of Sales</b>	
<b>Gross Profit</b>	
<b>Other Operating Income</b>	
<b>Gross Operating Income</b>	
<b>Operating Expenses</b>	
<b>Rent Expense</b>	315 000
<b>Insurance</b>	30 000
<b>Operating Profit</b>	
<b>Interest Income</b>	6 000
<b>Profit before Interest Expense</b>	
<b>Interest Expense</b>	
<b>NET PROFIT FOR THE YEAR</b>	

**3.3.1 ZULULAND HARDWARE  
BALANCE SHEET ON 28 FEBRUARY 2017**

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Tangible/Fixed Assets at carrying value	2 315 200
Financial Assets:	
<b>CURRENT ASSETS</b>	
Inventories	
Trade & other receivables	
Cash & cash equivalents	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Partners' Equity</b>	
Capital	
Current accounts	
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
<b>TOTAL EQUITY AND LIABILITIES</b>	

36

<b>TOTAL MARKS</b>
100

**QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS**

**4.1 CONCEPTS**

Write only the letter (A-E) next to the question number.

4.1	
4.2	
4.3	
4.4	

4

**4.2.1**

Calculate the average creditors payment period.

5

Calculate the percentage (%) operating profit on sales.

3

Calculate the debt-equity ratio.

3

Calculate the solvency ratio.

5

Calculate the percentage (%) return on average partners' equity.

5

4.3.1

Mr. Brosnan is of the opinion that STEEL Traders has a better profitability and operating efficiency. Quote two financial indicators with figures to support Mr. Brosnan's opinion.

4

4.3.2

Mr. Brosnan feels that BOND Traders has a better liquidity position. Do you agree? Quote three relevant financial indicators and figures to support your opinion.

7

4.3.3

Which business would you advise Mr. Brosnan to invest in? Quote one relevant financial indicator together with figures to support your answer.

4

TOTAL MARKS
40

**QUESTION 5: CASH BUDGET****5.1 CONCEPTS**

5.1.1

Explain the importance of comparing budgeted figures in the cash budget with actual figures achieved for the same period.

2

5.1.2

Identify THREE items that should not be placed in the Cash Budget from the information given below.

3

5.1.2

**Debtors' Collection Schedule from 1 April 2017 to May 2017**

	Credit sales	April	May
February	23 600		
March	26 000		
April	22 800		
May			

8

5.2.2. Cash Budget for the period 1 April 2017 to 31 May 2017		
Receipts	April	May
Cash sales		
<b>Total Receipts</b>		
<b>Payments</b>		
Cash purchases	9 920	11 760
Payments to creditors		
Salaries		7 350
<b>Total Payments</b>		
Cash surplus/deficit		
Bank balance on 1 April 2017	14 720	
Bank balance on 31 May 2017		

27

TOTAL  
MARKS

40

**QUESTION 6: INVENTORY SYSTEMS AND VAT**

**6.1 PERIODIC INVENTORY SYSTEM**

6.1.1

**Trading account**


12

6.1.2

Calculate the actual mark-up % on cost achieved for the month.

4

6.1.3

Does this calculation provide evidence that there is a shoplifting problem? If so, how serious is this problem? Quote figures or percentages to support your answer.

3

6.1.4

Mary has been told that it will be much better for her business to convert to the perpetual inventory system. Do you agree? Explain.

3

6.2 VAT CALCULATIONS

6.2.1

Calculate the VAT amount that is either payable or receivable from SARS on 31 July 2017. Indicate whether this amount is receivable or payable. (You may complete a VAT Control Account.)

Receivable/ Payable:

10

6.3 INTERNAL CONTROL

6.3.1.

Why do you think the owner has suggested this course of action? Explain.

2

6.3.2.

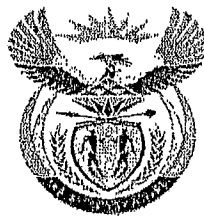
The accountant is not prepared to do this. Briefly explain why you think he feels this way by discussing two points.

2

TOTAL MARKS
40

**PHOENIX CIRCUIT ACCOUNTING SOCIETY  
(PCAS)**

*HELPING ACCOUNTING EDUCATORS EXCEL*



**ACCOUNTING**

**GRADE 11**

**NOVEMBER 2017**

**MEMORANDUM**

**This memorandum consists of 16 pages.**

**QUESTION 1: RECONCILIATIONS****1.1 BANK RECONCILIATION****1.1.1**

Show the amounts that must be recorded in the Cash Journals.  
Do not cast the journals.

CASH RECEIPTS JOURNAL	
BANK COLUMN	
	430✓
	4 000✓
	2 700✓

CASH PAYMENTS JOURNAL	
BANK COLUMN	
	150✓
	530✓
	7 200✓
	750✓
	32 000✓

8

**1.1.2****Bank Reconciliation Statement on 31 May 2017**

	DEBIT	CREDIT
Cr Balance as per bank statement		31 850✓
Cr Outstanding deposits		31 000✓
		40 400✓
Dr Outstanding cheques		
No. 1780	25 200✓	
No. 1822	10 400✓	
No. 1840	15 900✓	
Cr Incorrect debit/insurance debited twice		750✓
Dr Balance as per bank account	52 500✓☑	
	104 000	104 000☑

10

1.1.3

As internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify ONE problem and provide figures to support your answer. Give advice on how this problem can be avoided in future.

PROBLEM IDENTIFIED Problem ✓ Figures ✓	ADVICE ✓
Cash stolen ✓ R32 000 ✓	<ul style="list-style-type: none"> <li>• Division of duties so that one person serves as a check on the other ✓</li> <li>• Check cash and documents from bank regularly</li> <li>• Request notification of deposits from bank for deposits (sms)</li> <li>• Two people should go to the bank when depositing (security)</li> <li>• Encourage direct electronic transfers instead of handling cash</li> </ul>

3

1.2 CREDITORS' RECONCILIATION

	CREDITORS' LEDGER OF BESTER TRADERS	STATEMENT RECEIVED FROM GATEWAY SUPPLIERS
Balance	R8 610	R19 320
A	+8 640 ✓✓ or +4 320 ✓ +4 320 ✓	
B		+1 080 ✓✓
C	+650 ✓	
D	-500 ✓✓	
F		-3 000 ✓
Final Balance	17 400	17 400 ☑

9

TOTAL  
MARKS

30

**QUESTION 2: MANUFACTURING****2.1 CONCEPTS**

Write only the letter (A-E) next to the question number.

2.1.1	C✓
2.1.2	D✓
2.1.3	E✓
2.1.4	A✓
2.1.5	B✓

5

**2.2 AVON MANUFACTURERS****2.2.1 Calculate the Direct Labour cost.**

Basic wage ( $3 \times 1\,600 \times 40$ )	192 000*
Overtime ( $3 \times 300 \times 60$ )	54 000
Pension contributions *10% of basic wage	19 200
UIF contributions *1% of basic wage	1 920
	267 120

9

**2.2.2 Calculate the Factory Overhead cost.**

Indirect materials ( $8\,000 + 24\,000 + 4\,000 - 6\,000$ )	30 000
Factory foreman's salary	140 000
Rent expense ( $44\,000 \times 600/100$ )	26 400
Water and electricity ( $28\,000 + 4\,000$ ) $\times 2/4$	16 000
Depreciation: factory machinery	12 000
Sundry factory expenses	4 800
Insurance ( $8\,000 - 800$ ) $\times 80/100$	5 760
Maintenance: factory machinery	10 600
	245 560

19

## 2.2.3

## Work in Process Stock account

2016 Mar	1	Balance	b/d	180 000	2017 Feb	28	Finished Goods Stock	GJ	1 672 680✓
2017 Feb	28	Direct Material cost (200 000✓+ 900000✓- 800 000✓)	GJ	1 020 000☑			Balance	c/d	40 000
		Direct Labour cost	GJ	267 120☑					
		Factory Overhead cost	GJ	245 560☑					
				1 712 680				☑	1 712 680
2016 Mar	1	Balance	b/d	40 000					

8

## 2.3 BIG JACK PIES

## 2.3.1

Calculate the direct material cost per unit.

$$\frac{79\,050}{15\,500} = R5,10✓✓$$

2

## 2.3.2

Calculate the break-even point for the year ended 30 June 2017.

$$\frac{89\,900✓}{14,50✓ - 8,50✓✓} = 14\,984 \text{ units}☑ \text{ (accept 14 983) operation if one part correct}$$

4

2.3.3

Should the business be satisfied with the number of units they are currently producing. Briefly explain.

Yes ✓ They are producing 516 or 517 more than what is required to break even (14 984 units). Making a profit ✓✓

No ✓ They are producing only 516 or 517 units more than the break even point. Making a very small profit ✓✓

3

TOTAL MARKS
50

QUESTION 3: PARTNERSHIP FINANCIAL STATEMENTS

3.1 CONCEPTS

Write only the word/s next to the question number.

3.1.1	partnership agreement ✓
3.1.2	primary ✓
3.1.3	unlimited ✓

3

3.2.1 FIXED ASSET NOTE

FIXED ASSETS	Vehicles	Equipment
Carrying value beginning of year operation	312 000 ✓	245 000 ✓
Cost	780 000 ✓	350 000 ✓
Accumulated depreciation	(468 000)	(105 000)
<b>Movements</b>		
Additions at cost		32 000 ✓
Disposals at carrying value	(78 000) ✓	
Depreciation	(150 000) ✓ (30 000 + 120 000)	(39 150) ✓ (36 750 + 2400)
Carrying value at end of year operation	84 000 ✓	237 850 ✓
Cost	600 000	382 000 ✓
Accumulated Depreciation	(516 000) ✓	(144 150) ✓

14

**3.2.1 FRANCO BROS**  
**INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017**

Sales (2 900 000 ✓ - 18500 ✓)		2 881 500 ✓
Cost of Sales		(1 650 000) ✓
Gross Profit	operation	1 231 500 ☑
Other Operating Income	operation	239 500 ☑
Rent Income (200 700 ✓ + 18900 ✓✓)		219 600 ✓
Bad Debts Recovered		1 900 ✓
Provision for Bad Debts Adjustment (3 700 ✓ - 3 200 ✓)		500 ✓
Profit on Sale of Asset (95 500 ✓ - 78 000 ☑ see 3.2.1)	operation, one part correct	17 500 ☑
<b>Gross Operating Income</b>		<b>1 471 000 ☑</b>
Operating Expenses	operation	(1 026 525) ☑
Rent Expense		315 000
Insurance		30 000
Salaries and Wages (372 000 ✓ + 10 500 ✓ + 420 ✓ + 105 ✓)	operation, one part correct	383 025 ☑
Consumable Stores		60 000 ✓
Bank Charges (7 200 ✓ + 3 600 ✓)		10 800 ✓
Sundry Expenses (30 000 ✓ - 450 ✓)		29 550 ✓
Bad Debts (1 500 ✓ + 1000 ✓)		2 500 ✓
Trading Stock Deficit (325 000 ✓ - 4000 ✓ - 314 500 ✓)	operation, one part correct	6 500 ☑
Depreciation (120 000 ✓ + 30 000 ✓ + 36 750 ✓ + 2 400 ✓) see 3.2.1	operation, one part correct	189 150 ☑
<b>Operating Profit</b>	operation	<b>444 475 ☑</b>
Interest Income		6 000
Profit before Interest Expense		450 475 ☑
Interest Expense		(126 000) ✓
<b>NET PROFIT FOR THE YEAR</b>	operation	<b>324 475 ☑</b>

**3.3.1 ZULULAND HARDWARE  
BALANCE SHEET ON 28 FEBRUARY 2017**

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	2 960 000☑
Tangible/Fixed Assets at carrying value	2 315 200
Financial Assets:	
Fixed deposit: Capitec Bank (800 000✓ + 6 000 ✓ -161 200✓)	644 800☑
<b>CURRENT ASSETS</b> [CL X 2]	1 212 000☑
Inventories	303 000☑
Trade & other receivables (696 800☑ -15 800 ✓ +6 000✓ + 21 000✓) or (1 212 000 - 303 000 - 201 000)	708 000☑
Cash & cash equivalents (36 800✓ +161 200☑ + 3000✓)	201 000✓
<b>TOTAL ASSETS</b>	<b>4 172 000☑</b>
<b>EQUITY AND LIABILITIES</b>	
<b>Partners' Equity</b>	3 458 000☑
Capital (1 800 000 ✓ +1 200 000 ✓)	3 000 000✓
Current accounts (700 000✓ - 242 000✓)	458 000✓
<b>NON-CURRENT LIABILITIES</b>	108 000
Mortgage Loan: Nedbank (162 000✓ - 54 000✓✓)	108 000☑
<b>CURRENT LIABILITIES</b>	606 000☑
Trade and other payables (520 000✓ +7 000✓ +15 000✓ +10 000✓)	552 000☑
Current portion of loan (can be included in trade & other payables)	54 000☑
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 172 000☑</b>

36

TOTAL  
MARKS

100

## QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

## 4.1 CONCEPTS

Write only the letter (A-E) next to the question number.

4.1	C✓
4.2	D✓
4.3	A✓
4.4	B✓

4

## 4.2.1

Calculate the average creditors payment period.

$$\frac{\frac{1}{2} \checkmark (240\,000 \checkmark + 160\,000 \checkmark)}{1\,125\,500 \checkmark}$$

$$= 65,6 \text{ days} \checkmark$$

5

Calculate the percentage (%) operating profit on sales.

$$\frac{356\,000 \checkmark}{1\,780\,000 \checkmark} \times \frac{100}{1}$$

$$= 20\% \checkmark$$

3

Calculate the debt-equity ratio.

$$340\,000\checkmark : 850\,000\checkmark$$

$$0,4 : 1\checkmark$$

3

Calculate the solvency ratio.

$$790\,000\checkmark + 560\,000\checkmark : 340\,000\checkmark + 200\,000\checkmark$$

$$1350\,000 : 540\,000$$

$$2,5 : 1\checkmark$$

5

Calculate the percentage (%) return on average partners' equity.

$$\frac{225\,000\checkmark}{\frac{1}{2}\checkmark(650\,000\checkmark + 850\,000\checkmark)} \times \frac{100}{1}$$

$$= \frac{225\,000}{750\,000}$$

$$= 30\%\checkmark$$

5

4.3.1

Mr. Brosnan is of the opinion that STEEL Traders has a better profitability and operating efficiency. Quote two financial indicators with figures to support Mr. Brosnan's opinion.

% operating expenses on sales $\checkmark$     12% $\checkmark$  compared to 20,8%

% operating profit on sales $\checkmark$     20,6% $\checkmark$  compared to 16,2%

Do not accept % gross profit on cost of sales

4

4.3.2

Mr. Brosnan feels that BOND Traders has a better liquidity position. Do you agree? Quote three relevant financial indicators and figures to support your opinion.

Opinion✓      Indicator✓✓✓      figures✓✓✓

Disagree✓ - Steel Traders has a better liquidity position

Current ratio✓ of Steel Traders is 2,1 :1 whereas Bond Traders is 0,9 :1✓

Average debtors' collection period✓ for Steel Traders is 30 days whereas Bond Traders is 63 days✓

Average creditors collection period✓ for Steel Traders is 60 days whereas Bond Traders is 28 days✓

Do not accept acid-test ratio

7

4.3.3

Which business would you advise Mr. Brosnan to invest in? Quote one relevant financial indicator together with figures to support your answer.

Steel Traders✓

% Return on partners equity✓ for STEEL TRADERS is 21,4%✓ compared to BOND TRADERS which is only 12%✓

The return of STEEL Traders is higher than alternative investments eg. interest on fixed deposit 8%

4

TOTAL MARKS
40

**QUESTION 5: CASH BUDGET****5.1 CONCEPTS**

5.1.1

Explain the importance of comparing budgeted figures in the cash budget with actual figures achieved for the same period.

One valid explanation ✓✓

Deviations can be determined and remedial measures put in place  
Establish whether the budgeting was realistic  
To identify trends of mismanagement of cash

2

5.1.2

Identify THREE items that should not be placed in the Cash Budget from the information given below.

Bad debts ✓  
Discount allowed ✓  
Loss on sale of asset ✓

3

5.1.2

Debtors' Collection Schedule from 1 April 2017 to May 2017			
	Credit sales	April	May
February	23 600	4 248	
March	26 000	15 600	4 680 ✓
April	22 800	4 332 ✓✓	13 680 ✓
May	27 600 ✓		5 244 ✓
		24 180 ☒	23 604 ☒

8

5.2.2. Cash Budget for the period 1 April 2017 to 31 May 2017		
Receipts	April	May
Cash sales	22 000✓	28 800✓
Cash from debtors	24 180☑	23 604☑
Rent income	12 000✓	15 000✓
Fixed deposit		36 000✓
Interest on fixed deposit		3 200✓
<b>Total Receipts</b>	<b>58 180☑</b>	<b>106 604☑</b>
Payments		
Cash purchases	9 920	11 760
Payments to creditors	12 360✓	11 840✓
Salaries	7 000✓✓	7 350
Operating Expenses	6 000✓	6 300✓✓
Drawings	240✓	240 ✓
Deposit on purchase of vehicle	45 000✓	
<b>Total Payments</b>	<b>80 520 ☑</b>	<b>37 490☑</b>
Cash surplus/deficit	(22 340) ☑	69 114☑
Balance on 1 April 2017	14 720	(7 620) ☑
Balance on 31 May 2017	(7 620)☑	61 494☑

27

TOTAL MARKS
40

## QUESTION 6: INVENTORY SYSTEMS AND VAT

## 6.1 PERIODIC INVENTORY SYSTEM

## 6.1.1 Trading account

2017 July	1	Opening Stock✓	GJ	120 000✓	2017 July	31	Sales✓	GJ	232 000✓
	31	Purchases✓ (141 000✓- 6 400✓- 7 500✓)	GJ	127 100✓			Closing Stock✓	GJ	95 400✓
		Carriage on purchases✓	GJ	3 500✓					
		Customs duty✓	GJ	4 800✓					
		Profit & Loss✓	GJ	72 000✓					
				327 400					327 400

15

## 6.1.2

Calculate the actual mark-up % on cost achieved for the month.

$$\frac{72\,000\checkmark}{160\,000\checkmark} \times \frac{100}{1}$$

$$= 45\%\checkmark$$

4

6.1.3

Does this calculation provide evidence that there is a shoplifting problem? If so, how serious is this problem? Quote figures or percentages to support your answer.

Opinion : No✓

Good explanation✓✓

R8 000 trade discount was given to special customers.  
The gross profit would have been R80 000 (R72 000 + R8 000)  
This would have been equal to the target mark-up of 50%  
The trade discount accounts for the 5% difference.

3

6.1.4

Mary has been told that it will be much better for her business to convert to the perpetual inventory system. Do you agree? Explain.

Opinion : Yes✓ / No

Good explanation✓✓

No – she does not have a control problem at the moment – all mugs are accounted for. There is no need to incur additional time and cost in changing systems.

or

Yes – the perpetual inventory system provides stronger control. Although she does not have a problem at present, she should be aware of potential problems in the future.

3

6.2.1

Calculate the VAT amount that is either payable or receivable from SARS on 31 July 2017. Indicate whether this amount is receivable or payable. (You may complete a VAT Control Account.)

$$89\ 600\checkmark + 138\ 600\checkmark - 47\ 040\checkmark - 12\ 880\checkmark - 9\ 800\checkmark + 2\ 000\checkmark = 160\ 480\checkmark$$

OR

Balance at beginning		=	89 600
Output	138 600 - 12 880 - 9 800	=	115 920
Input	47 040 - 2 000	=	(45 040)
			<u>160 480</u>

Receivable/ Payable: Payable ✓

10

6.3.1.

Why do you think the owner has suggested this course of action? Explain.

He can claim money back from SARS and thus reduce the amount paid. It will mean that more cash is available for the business.

2

6.3.2.

The accountant is not prepared to do this. Briefly explain why you think he feels this way by discussing two points.

It is unethical to evade paying taxes. ✓  
The owner and the accountant could face fines or imprisonment if found guilty. ✓

2

TOTAL  
MARKS

40