



GAUTENG PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PREPARATORY EXAMINATION**

2018

**10710
ACCOUNTING
ANSWER BOOK**

22 pages

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| Name | |
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ACCOUNTING ANSWER BOOK

1071E



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| QUESTION | MARKS | MARKER / MODERATOR |
|--------------|-------|-----------------------|
| 1 | | |
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| TOTAL | | |

**GAUTENG DEPARTMENT OF EDUCATION
PREPARATORY EXAMINATION – 2018**

ACCOUNTING

TIME: 3 hours

MARKS: 300

QUESTION 1

Calculate the correct totals for the Cash Receipts Journal and Cash Payments Journal for July 2018.

1.1.1

| Cash Receipts Journal |
|------------------------------|
| 42 620 |
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| Cash Payments Journal |
|------------------------------|
| 20 921 |
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Balance of Bank Account:

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1.1.2 Prepare the Bank Reconciliation Statement on 31 July 2018.

| | Debit | Credit |
|--|-------|--------|
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1.1.3 Internal control of cash is lacking in SA Traders. Identify TWO problems and provide suitable advice to improve internal control.

| Problem with internal control | Advice to improve internal control |
|------------------------------------|---|
| Problem: • • | Advice for problem: • • |

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1.2 VENUS TRADERS

Use the table provided to indicate corrections and entries that must be made to the Creditors' Control Account and the creditors' list.

Provide figures and a plus (+) or minus (-) sign for each correction.

| | Creditors' Control Account | Creditors' List |
|----------------------------------|----------------------------|-----------------|
| Balance/Total on 30 October 2018 | R40 130 | R39 490 |
| (i) | | |
| (ii) | | |
| (iii) | | |
| (iv) | | |
| Balance / Total on 31 July 2018 | | |

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QUESTION 2

2.1
2.1.1 Factory overhead cost note

| Factory overhead cost note | |
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2.1.2 Production cost statement (show workings in brackets)

| Production cost statement | |
|--------------------------------------|--|
| Direct material cost | |
| Direct labour cost | |
| Prime cost | |
| | |
| Total Cost of Production | |
| | |
| | |
| | |
| Cost of production of finished goods | |

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2.2.1 Show a calculation to verify the break-even point for 2018.

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2.2.2 Should Maritzburg Printers be satisfied with the break-even point calculated above? Give ONE reason (with figures) to support your answer.

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2.2.3 The owner could not understand why the break-even-point is much lower than last year whilst there was no significant change in the total cost of production. He requested an explanation. Provide TWO points. Quote figures.

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QUESTION 3

3.1

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| 3.1.1 | | |
| 3.1.2 | | |
| 3.1.3 | | |
| 3.1.4 | | |

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3.2.1 Calculate the missing amounts (indicated by a to e) in the Fixed / Tangible Asset Note for the year ended 28 February 2018.

| No. | WORKINGS | AMOUNT |
|-----|----------|--------|
| a | | |
| b | | |
| c | | |
| d | | |
| e | | |

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**3.2.2 STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT) OF
RAND WORKS LIMITED FOR THE YEAR ENDED 28 FEBRUARY 2018**

| | R |
|---------------------------------------|------------------|
| Sales 11 791 200 | |
| Cost of sales 8 310 660 | |
| Gross Profit | |
| Other Operating Income | |
| | |
| | |
| | |
| Gross Operating Income | |
| Operating Expenses | |
| Advertising | 345 800 |
| Sundry expenses | 47 430 |
| Audit fees | 81 000 |
| Directors' fees | 432 000 |
| | |
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| | |
| | |
| | |
| Operating Profit | |
| | |
| Profit before interest expense | |
| | |
| Profit before tax | |
| | |
| Net Profit for the year | 1 060 927 |

AUTHORISED SHARES CAPITAL

1 500 000 ordinary shares

3.2.3• **ISSUED SHARE CAPITAL**

| | | | |
|---------|--|---------|---|
| 200 000 | Ordinary shares in use on 31 October 2017 | 420 000 | |
| 800 000 | Additional shares issued on 31 October 2017 | | |
| | Shares re-purchased on 28 February 2018 at R ... per share | | |
| | Ordinary shares on 28 February 2018 | | 7 |

• **RETAINED INCOME**

| | | |
|--|-----------|---|
| Balance on 1 March 2017, the beginning of the year | 468 000 | |
| Net profit after tax | 1 060 927 | |
| Repurchase of shares | | |
| Ordinary share dividends | | |
| Interim | | |
| Final | | |
| Balance on 28 February 2018 end of the year | | 7 |

3.3.1 Comment on the Audit Report.

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3.3.2 Comment on the actions of the directors.

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3.3.3 Comment on the statement made by the chairman at the media briefing.

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QUESTION 4

4.1 Match the concepts in column A with the descriptions in column B.

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| 4.1.1 | |
| 4.1.2 | |
| 4.1.3 | |

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4.2 ZUKA LIMITED

4.2.1 CASH FLOW STATEMENT FOR YEAR ENDED 28 FEBRAURY 2018

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|---|-----------|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| Cash generated from operations | 5 048 520 |
| Interest paid | (272 000) |
| Dividends paid | (536 000) |
| | |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| | |
| | |
| | |
| CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from sale of shares | 1 400 000 |
| | |
| | |
| Net change in cash and cash equivalents | |
| Cash and cash equivalents – beginning of year | |
| Cash and cash equivalents – end of the year | 9 000 |

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4.2.2

Calculate the following financial indicators:

Net Asset Value per share

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Acid-test ratio

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Debt / Equity ratio

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Return on average capital applied (ROTCE)

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4.2.3

Explain whether the repurchase price of R9,00 per share was fair. Quote TWO financial indicators (with figures) in your answer.

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4.2.4

In answering the following two questions, quote financial indicators in your explanations.

Is there an improvement in the company's ability to settle its short-term debts? Explain.

RATIO AND FIGURES

▪

COMMENT

Suggest TWO strategies the company could use to improve its cash flow other than raising capital or loans.

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4.2.5

Explain how the sale of new shares affected towards the risk and financial gearing of the company. Quote TWO financial indicators.

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4.2.6

Certain shareholders were not satisfied with the dividends they received. Calculate the dividend pay-out rate for each year.

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Provide TWO reasons (with figures) to support the director's decision regarding the pay-out rate.

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4.2.7

D. Pont, a shareholder, who holds 330 000 shares before the sale of additional shares. He chose to invest in another company. Explain how this affected his shareholding in Zuka Ltd.

Calculations:

Explanation:

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QUESTION 5

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| 5.1 | Explain the difference between the specific identification method and weighted average method of valuing stock. |
| | Specific identification method |
| | Weighted average method |

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| 5.2 | Provide a calculation to show the number of missing cooler boxes. |
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| 5.3 | Calculate the following in respect of cooler boxes: |
| | The value of the closing stock of cooler boxes |
| | Cost of sales of cooler boxes |
| | Gross profit on cooler boxes |

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| 5.4.1 | Calculate the Stock Holding Period in days for cooler boxes. Use Closing Stock in your calculation. |
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| 5.4.2 | Comment on your findings in response to the manager's feelings. |
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| 5.5 | Calculate the value of the closing stock of tents. |
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| 5.6 | If the mark-up percentage is 25% on cost price, calculate the total sales of tents for the period. |
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QUESTION 6

6.1 CASH BUDGET

| 6.1.1 Debtors' collection schedule | | |
|---|---------------------|-------------|
| | Credit Sales | June |
| May | 72 000 | |
| June | 84 000 | |
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| 6.1.2 Calculate the Wages and Salaries for May. | |
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| 6.1.3 The purchases payment policy needs to be changed. |
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| <ul style="list-style-type: none"> Explain the need to change the policy. Provide TWO points of change that would benefit the company. |

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6.1.4 The directors took significant decisions to address their concerns about the cash balance. Mention TWO strategies used to improve the cash balances. Explain why you agree or disagree with these strategies.

| STRATEGY | AGREE / DISAGREE | EXPLANATION |
|----------|------------------|-------------|
| 1. | | |
| 2. | | |

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6.2 AGE ANALYSIS

6.2.1 The internal auditor is concerned that the credit controller is not managing the debtors effectively.

- Provide TWO points of evidence from the Age Analysis to substantiate his concern. Quote figures.

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- Suggest TWO ways in which the problem identified can be rectified.

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6.2.2 What would H. Jacob's outstanding balance be on 31 July 2018 if he paid R1 310 during July 2018?

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| 6.3.1 | |
| (i) | |
| (ii) | |
| (iii) | |

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| 6.3.2 | Details | Amount |
|--------------|--------------------------|----------------|
| | Incorrect amount payable | 112 539 |
| (i) | Shop rent paid | |
| (ii) | Vehicle purchased | |
| (iii) | Correction of invoice | |
| | Correct amount payable | |

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