GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2020

GRADE 11

ACCOUNTING
PAPER 2

TIME: 2 hours

MARKS: 150

14 pages + 1 formula sheet

EXEMPLAR

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. A FORMULA SHEET for financial indicators is provided at the back of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use black or blue ink to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1	Reconciliation	40	32 minutes
2	Manufacturing	55	44 minutes
3	Inventory valuations & Ethics	20	16 minutes
4	Budgets	35	28 minutes
TOTAL		150	120 minutes

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QUESTION 1: RECONCILIATION **(40 MARKS: 32 MINUTES)**

1.1 Indicate whether the following statements are TRUE or FALSE. Write only the answer "true" or "false" next to the question number (1.1.1 to 1.1.5) in your ANSWER BOOK.

1.1.1 An original invoice is the document received by a customer who has purchased goods on credit.

1.1.2 A post-dated cheque issued to a creditor would not be entered in any journal until the date stated on the cheque.

1.1.3 A creditor will not issue a receipt to a debtor who pays her account by electronic transfer.

1.1.4 A debit note is issued to a creditor explaining to him why the goods are being returned.

1.1.5 A creditor is a non-current liability. (5 x 1) (5)

1.2 **BANK RECONCILIATION**

The information relates to Vintage Traders.

Required:

1.2.1 Show changes in the cash journals for 30 November 2020. (08)

1.2.2 Calculate the correct Bank Account balance on 30 November 2020. (5)

1.2.3 Prepare the Bank Reconciliation Statement on 30 November 2020. (7)

1.2.4 The owner, J Kirk, realised that many people are now using electronic funds transfers (EFTs) to pay the business. State TWO advantages of EFTs. (2)

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INFORMATION:

A Extract: Bank Reconciliation Statement on 31 October 2020

Debit balance as per Bank Statement		R 8220
Outstanding deposits		R16 300
Outstanding cheques		
No.	**Date**	
642	10 May 2020	R2 300
854	14 October 2020	R1 250
888	27 October 2020	R5 780
1032	28 October 2020	R7 950
Unfavourable balance on Bank Account		**R ????**

B Additional information relating to the above Bank Reconciliation Statement for October with the Bank Statement for November:

- The outstanding deposit appeared on the November Bank Statement.
- Cheque 642 was issued as a donation to a local charity. It was never deposited.
- Cheque 854 did not appear on the November Bank Statement. It was lost, a new cheque will NOT be issued.
- Cheque 888 did not appear on the November Bank Statement.
- Cheque 1032 appeared on the November Bank Statement with the correct amount of R5 250.

C Provisional totals in the Cash Journals on 30 November 2020 before receiving the Bank statement:

Cash Receipts Journal: R54 940

Cash Payments Journal: R64 800

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D Entries on the November 2020 Bank Statement that do NOT appear in the Cash Journals:

DATE	DETAILS	R
15	Debit order: Outsurance	8 950
	Debit order: Outsurance	8 950
	NOTE: Insurance appeared twice in error. This will be rectified next month by the bank.	
16	Unpaid cheque R3 800 by the debtor, N Pay in settlement of his debt of R4 000.	
25	An EFT by a tenant for rent income.	16 500
30	Interest on a Cr balance.	750
30	Credit card levies.	980

E Entries in the Cash Journals NOT in the November Bank Statement:

- Deposit, R19 765
- EFT 14 to a creditor for the 30 November, R8 630
- Cheque 1044, R5 900

F Bank Statement balance on 30 November 2020 …?

1.3 **CREDITORS' RECONCILIATION**

A statement of account received from Golden Globe Traders on 25 September 2020 reflects that Emmy Stores owes them R26 228. The Creditors' Ledger in the books of Emmy Stores reflects an outstanding balance of R28 656.

REQUIRED:

1.3.1 Use the table provided in your ANSWER BOOK to indicate the changes to the:

- Creditors' Ledger in the books of Emmy Stores.
- Creditors' Reconciliation Statement on 30 September 2020

Indicate an increase or decrease with a **+ or –** where applicable. (9)

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1.3.2 An internal audit of Emmy Stores discovered that goods to the value of R6 500 ordered from PK Stores were not delivered to the premises of the business. An investigation revealed that the person in charge of placing the orders and receiving goods, ordered the goods for his personal use.

(a) What action should be taken by the management against this employee? Provide TWO points. (2)

(b) Provide TWO internal control measures that should be applied to prevent this from happening. (2)

INFORMATION

A Creditors' Ledger of Emmy Stores

Date		Details	Debit	Credit	Balance
2020	1	Account rendered			22 145
Sept	3	Invoice 223		5 404	27 549
	5	Debit note 96	309		27 240
	12	Cheque 181	10 554		16 686
		Discount	1 766		14 920
	15	Invoice 105		3 464	18 384
	23	Invoice 229		3 594	21 978
	24	Invoice 284 (after trade discount)		4 415	26 393
	30	Invoice 302		2 263	28 656

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B Statement of account received from Golden Globe Traders

GOLDEN GLOBE TRADERS
STATEMENT OF ACCOUNT

18 Snake Road — Tel: 032 705 0961
Mlalazi — Fax: 011 412 5431
1511 — 25 September 2020
ACCOUNT OF: EMMY STORES — ACCOUNT NO. ABC 543

Date		Details	Debit	Credit	Balance
2020	1	Balance			22 145
Sept	3	Invoice 223	5 660		27 805
	5	Credit note 109	309		28 114
	12	Receipt 5140		10 554	17 560
	23	Invoice 229	3 594		21 154
	24	Invoice 284	4 905		26 059
	25	Interest on overdue account	169		26 228

C Additional information

The following errors and omissions were noted:

1 Invoice 223 on 3 September 2020 was correct according to the statement received from Golden Globe Traders.

2 Golden Globe Traders made an error in recording the return of goods on 5 September 2020.

3 Emmy Stores qualified for an early settlement discount with the payment of 12 September 2020. Golden Globe Traders granted R1 766 as discount. They promised to show this on their statement next month.

4 Invoice 105 for R3 464 was recorded incorrectly in the Creditors' Ledger of Golden Globe Traders. The purchase was made from ABA Suppliers.

5 A trade discount was deducted on invoice 284. Golden Globe Traders did not take this into account. Golden Globe Traders will correct this error next month.

6 Invoice 302 did not appear on the statement received from Golden Globe Traders as this transaction took place after their statement date.

7 Golden Globe Traders have correctly charged interest of R169 on the account.

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QUESTION 2: MANUFACTURING (55 MARKS: 44 MINUTES)

This question consists of TWO independent questions.

2.1 **HAPPY PAWS PET FOOD**

REQUIRED:

2.1.1 Calculate the amount of raw materials issued for production in 2020. (6)

2.1.2 Calculate the direct labour cost. (12)

2.1.3 Prepare the following accounts in the General Ledger:

(a) Factory Overheads Cost (14)

(b) Work-in-Process stock (9)

NOTE: Balance/Close off the accounts properly on 30 September 2020.

INFORMATION:

A The following balances appeared in the books of Happy Paws Pet food:

	30 September 2020	**1 October 2019**
Direct/Raw material stock	20 000	48 000
Work-in-progress stock	75 000	35 000
Indirect material stock	7 500	7 200

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B Transactions for the year:

Raw materials purchased during the year	650 000
Carriage on raw materials purchased	12 300
Factory rent paid	68 400
Advertising paid	23 500
Factory maintenance paid	46 700
Water and electricity paid	75 000
Indirect material purchased	56 000
Sundry expenses paid	21 000
Factory foreman's salary	135 850
Office assistant's salary for the year	130 000

C Additional information:

i Production wages:

Number of employees	9	
Normal time hours worked per employee	1 240 hours	
Overtime hours worked per employee	365 hours	
Normal time rate	R45,00	
Overtime rate	2 times the normal rate	
Deductions and Contributions (calculated on basic salary)		
	Employee	**Employer**
Pension Fund	4%	5%
UIF	1%	1%

ii Included in the amount for raw materials are goods that were not ordered therefore it was returned to the suppliers, R35 000.

iii Water and electricity and rent are to be split between the three departments according to floors:

- Factory 800 square meters.
- Office 180 square meters.
- Sales department 220 square meters.

iv Depreciation for the year:

- Office equipment, R9 500
- Factory machinery, R12 800

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v Sundry expenses must be allocated in the ratio 4 : 2 : 1, for the factory, office and sales departments respectively.

vi 40 300 units were produced during the year at a cost of R44,70 per unit.

vii Some of the completed pet food was donated to the SPCA. This donation was taken directly from the factory and delivered to the SPCA.

2.2 **MUFASA MANUFACTURERS**

Mufasa Manufacturers manufacture plastic stationery bags. The information below was taken from their accounting records for the financial year ended 30 June 2020.

REQUIRED:

2.2.1 Calculate the amounts indicated by **(a)** and **(b).** (4)

2.2.2 Calculate the break-even point for the financial year ended 30 June 2020. (7)

2.2.3 Do you think the business should be happy with the break-even point? Quote relevant figures to justify your comment. (3)

INFORMATION

	30 June 2020		**2019**
	Total cost	**Unit cost**	**Unit cost**
Fixed costs	**1 248 000**	**50,00**	**47,00**
Factory overhead costs	898 560	36,00	34,00
Administration costs	**(a)**	14,00	13,00
Variable costs	**3 294 720**	**?**	**126,00**
Direct labour costs	1 397 760	56,00	51,00
Direct material costs	748 800	**(b)**	50,00
Selling and distribution costs	1 148 160	46,00	25,00
Number of units produced and sold	24 960		23 600
Selling price per unit	R184		R220
Break-even number of units.	?		11 800

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QUESTION 3: INVENTORY VALUATION AND ETHICS (20 MARKS: 16 MINUTES)

3.1 INVENTORY SYSTEMS

Kayley's Sweets is owned by Kayley Louw. The business uses the Periodic Inventory System. The financial year ends on 29 February 2020.

REQUIRED:

3.1.1 Calculate the purchases figure that will be closed off to the Trading Account. (4)

3.1.2 Calculate the sales figure that will be closed off to the Trading Account. (4)

3.1.3 Calculate the cost of sales. (4)

INFORMATION:

A Extract from Pre-adjustment Trial Balance on 29 February 2020

	Debit	Credit
Balance sheet account section		
Trading stock (1 March 2019)	75 000	
Nominal account section		
Sales		350 000
Purchases	230 000	
Carriage on purchases	17 500	
Debtors' allowances	25 000	

B No entries have been made for the following:

i An invoice totalling R3 250 for stock purchased on credit from Pam Traders.

ii Goods costing R12 500 returned to suppliers before stocktaking.

iii The owner Kayley Louw took goods costing R1 250 for personal use.

iv A debtor returned goods sold to him for R11 250. The cost price of the goods was R7 500. These goods were transferred to stock before stocktaking took place.

v Physical stock count on 29 February 2020 revealed R90 000 stock on hand.

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3.2 **INTERNAL CONTROL OF ASSETS**

REQUIRED:

Answer the questions below related to the case study.

INFORMATION:

Catharine Janeway owns a business separated into two departments. In the one department she owns storage units which she rents out to clients to store their goods. In the other division she owns delivery vehicles used to transport the goods to and from her storage units. She has some concerns regarding her business and has approached you for assistance.

3.2.1 Catharine is aware that most assets lose value due to normal wear and tear. Which fixed asset does not normally depreciate at the end of the financial year? Explain why. (2)

3.2.2 Briefly explain to her the purpose of the fixed asset register. (2)

3.2.3 Catharine received some complaints from her clients that stock has gone missing from their storage units. Give ONE suggestion to solve this problem. (2)

3.2.4 The business has three delivery trucks, each with its own driver. Catharine has discovered that one of the truck's kilometre readings is higher than what it should be. Give ONE practical solution how she can solve this issue. (2)

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QUESTION 4: BUDGETS **(35 MARKS: 28 MINUTES)**

This question consists of TWO independent questions.

4.1 **MATCHING ITEMS**

Choose the answer from COLUMN B that matches the question in COLUMN A. Write only the letter (A – F) next to the question number (4.1.1 to 4.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	What is the main purpose of preparing the Cash Budget?	A	Provision for bad debts adjustment and discount allowed.
4.1.2	Name TWO items that will appear in the Cash Budget, but not in the projected Income Statement.	B	The selling price for a vehicle sold and the profit made from the sale.
4.1.3	Name TWO items that will appear in a Projected Income Statement, but not in the Cash Budget.	C	Estimated projected figures for the future.
		D	It is an imputed expense.
4.1.4	Explain ONE similarity between a Cash Budget and a projected Income Statement.	E	To project future receipts and payments.
		F	Purchase of assets and payments to creditors.
4.1.5	Why is depreciation not included in the Cash Budget?		

(1 x 5) (5)

4.2 **CASH BUDGET**

The information below relates to Mosa Stores

REQUIRED:

4.2.1 Complete the Debtors' Collection Schedule for September and October 2020. (10)

4.2.2 Complete the Cash Budget for September and October 2020. (20)

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INFORMATION

A Collection of debt is according to the following pattern:

- 30% of debtors settle their accounts during the transaction month of sale to receive 5% discount for prompt payment.
- 40% of debtors settle their accounts in the month following the transaction month.
- 25% of debtors settle their accounts in the second month after the transaction month.
- 5% of debt is written off as irrecoverable during the third month.

B Summary of transactions:

Details	July	August	September	October
Cash Sales	200 000	250 000	240 000	230 000
Credit purchases	70 000	80 000	65 000	85 000
Rent income	12 000	12 000	15 000	15 000
Salaries	75 000	75 000	75 000	?

- Cash sales are 25% of the total sales.
- Credit purchases are 50% of the total purchases.

C Creditors are paid one month after purchases.

D The following withdrawals are made monthly by the owner:

- Cash to pay his son's school fees, R7 500
- Trading stock, R2 800

E Advertising is calculated at 1% of the previous months total sales.

F All employees will receive a salary increase of 6% at the end of October.

TOTAL: 150

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END

ANNEXURE

FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$

$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Total Earnings by Partner}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Average Partners' Equity}} \times \frac{100}{1}$
Current Assets: Current Liabilities	Current Assets – Inventories: Current Liabilities
$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Average Creditors}}{\text{Credit Purchases or Cost of Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$
$\frac{\text{Average Inventories}}{\text{Cost of Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Cost of Sales}}{\text{Average Inventories}}$
Non Current Liabilities: Partners' Equity	Total Assets: Total Liabilities

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