



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2019

ACCOUNTING P2

MARKS: 150

TIME: 2 hours



This question paper consists of 11 pages and an 11 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.

QUESTION 1: 35 marks; 25 minutes	
Topic of the question:	This question integrates:
Bank and Creditors Reconciliations	<ul style="list-style-type: none"> • Bank Reconciliation • Creditors Reconciliation
QUESTION 2: 45 marks; 40 minutes	
Cost Accounting	<ul style="list-style-type: none"> • Manufacturing Concepts • Cost Accounting Ledger Accounts • Calculation of unit costs and break even • Internal Control
QUESTION 3: 50 marks; 40 minutes	
Cash Budgets and Asset Disposal	<ul style="list-style-type: none"> • Concepts • Calculations • Asset disposals
QUESTION 4: 20 marks; 15 minutes	
Financial Indicators in Working Capital	<ul style="list-style-type: none"> • Analysis • Interpretation of Financial statements

QUESTION 1: BANK RECONCILIATION AND CREDITORS RECONCILIATION
(35 marks; 25 minutes)

1.1 BANK RECONCILIATION

You are provided with information from the accounting records of Lin Traders.

REQUIRED:

- 1.1.1 List TWO reasons for preparing the Bank Reconciliation Statement as an internal control process. (2)
- 1.1.2 State the adjustment that would be made to the figures on the financial statements on 30 June 2019, end of the financial year, in respect of the post-dated cheques issued. Refer to the Bank Reconciliation Statement for June 2019. Include actual figures in your answer. (4)
- 1.1.3 Study the given items in information A and B. Show whether these items will be entered in the:
- Cash Receipts Journal
 - Cash Payments Journal
 - Or whether no entry will be made in the journals.
Place an X in the column to indicate this.
- Show the amount that will be entered in the journal where appropriate. (The first item has been done for you.) (9)
- 1.1.4 Prepare the Bank Reconciliation Statement on 31 July 2019. (7)
- 1.1.5 In August 2019 the internal auditor discovered that the outstanding deposit of R20 500 on the Bank Reconciliation Statement on 31 July 2019 appeared as R5 500 on the Bank Statement (Item 3). The amount on the Bank Statement is correct. List ONE concern that you have as an internal auditor. Provide ONE suitable control measure to prevent this from happening in future. Explain fully. (3)

A. INFORMATION:

Bank Reconciliation Statement of Lin Traders on 30 June 2019.

Dr Balance as per Bank statement	3 700
Dr Balance as per Bank account	2 000
Outstanding deposit (30 June 2019)	18 200
Outstanding cheques	
No 1329 (dated 12 January 2019)	2 100
No 1596 (dated 16 August 2019)	7 000
No 1632 (dated 31 July 2019)	3 400

B. After comparing the July bank statement with the Cash Receipts Journal and the Cash Payments Journal for July, the following differences were noted:

- Item 1** The bank statement showed a favourable balance of R21 370 on 31 July 2019.
- Item 2** A deposit of R18 200 appeared on the bank statement on 1 July 2019, but not in the journals for July 2019.
- Item 3** A deposit of R20 500, dated 10 July 2019 appeared in the Cash Receipts Journal for July 2019, but not on the bank statement for July 2019.
- Item 4** An EFT for R5 300 for rent received from T Mbutu only appeared on the bank statement.
- Item 5** Bank charges of R1 450 appeared on the bank statement, but not in the journals for July 2019.
- Item 6** The bank statement reflected a dishonoured cheque of R720. The cheque was received in settlement from a debtor who owed R770.
- Item 7** Cheque no. 1329 issued as a donation to Little Hands Play School was replaced with cheque no. 1640 on 25 July 2019. The donation was increased by R400. The cheque was delivered to the crèche on 1 August 2019. No entries were made.
- Item 8** Cheque no. 1632, dated 31 July 2019, appeared on the bank statement, but not in the journals for July 2019.
- Item 9** Cheque no. 1690 for R6 100, dated 28 July 2019, appeared in the Cash Payments Journal but not on the bank statement.

1.2 CREDITORS' RECONCILIATION

The following information was drawn from the books of Naidoo Traders. The Creditors' Control account and the Creditors' List of Naidoo Traders were prepared by an inexperienced bookkeeper.

REQUIRED:

- 1.2.1 Why should the balance of the Creditors' Control account correspond with the total of the Creditors' List? (2)
- 1.2.2 Calculate the correct balances of the Creditors' Control account and the Creditors' List. (8)

INFORMATION:

An inspection of the information at the end of July 2019 revealed the following:

- (a) Creditors' Control balance, R49 560
Creditors' List total, R36 410
- (b) Due to an adding mistake, the Creditors' List was overcast by R520.
- (c) An invoice for consumable stores purchased for R3 160 from DJ Traders has not been entered in the journals.
- (d) Trading stock returned to Devine Ltd for R690 was correctly entered in the Creditors' Allowances Journal. The amount was incorrectly posted to the account of Devine Ltd as R960.
- (e) The total of the Creditors' Control column in the Cash Payments Journal (CPJ) is R6 700. The bookkeeper had mistakenly posted it to the credit side of the Creditors' Control account.

QUESTION 2: MANUFACTURING**(45 marks; 40 minutes)**

4'Ocean Traders manufactures bags from organic, recycled materials. 4'Ocean Traders uses the **Perpetual Stock** system and a mark-up of **100%** on cost.

REQUIRED:

2.1 Match the **description** from **COLUMN B** to the **concept** in **COLUMN A**. Write only the letter (A–E) next to the question number (2.1.1–2.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
2.1.1 Factory overheads	A raw materials issued to the factory
2.1.2 Direct labour costs	B pension contributions of secretary
2.1.3 Selling and distribution costs	C wages of employees involved in the production process
2.1.4 Administration costs	D bad debts
	E the salary of a factory foreman

(4)

2.2 Calculate:

- Direct material cost (4)
- The correct Factory Overhead Cost (8)

2.3 Complete the **Work-In-Process Account** in the General Ledger. (10)

2.4 Calculate the following:

2.4.1 Selling price per unit (3)

2.4.2 Cost of sales (3)

2.4.3 Variable cost per unit (3)

2.4.4 Break-even point (4)

2.5 **4'Ocean Traders** anticipates that demand will increase in the next financial year to 600 000 units. They aim to increase the number of units produced to meet this demand. They expect fixed costs to remain unchanged.

2.5.1 Explain what you understand by the term "**break-even point**". (2)

2.5.2 Explain the effect that the above decision will have on the **fixed cost** per unit and the **break-even point**. (4)

INFORMATION:

A.

Balances/totals on 30 June	2019	2018
Raw Material Stock	92 400	78 900
Work-in-Process Stock	?	175 000
Finished goods Stock	759 000	542 000
Factory Overhead Cost	362 790	
Production Wages	990 000	

B. Raw Materials Stock purchases of R553 500 includes carriage on purchases of R40 000.

C. Production wages totalling R90 000 was not recorded.

D. Factory Overhead Cost was incorrectly calculated. The following adjustments must be taken into account:

- Depreciation on Factory Plant and Equipment amounting to R84 030 was omitted.
- Indirect Materials included R3 500 worth of materials bought for the next financial year.
- The Water and Electricity amount of R10 290 in the Factory Overhead Cost account was apportioned in the ratio of 2 : 1 : 1 between the factory and other departments respectively. It should have been in the ratio 4 : 2 : 1

E.

UNITS PRODUCED AND SOLD	Value	Units
Cost of Finished goods produced	R1 872 000	374 400
Sales (mark-up = 100% on cost)	R3 564 000	396 000

F.

COSTS AND BREAK EVEN	
Fixed Costs	R682 500
Variable Costs	R2 059 200
Administration Costs	R250 500
Selling and Distribution Costs	?
Break-even Point	?

QUESTION 3: CASH BUDGETS AND FIXED ASSETS (50 marks; 40 minutes)**3.1 CASH BUDGETS**

You are provided with the Cash Budget of Zizi Traders for the three months ended 31 December 2019. The owner is EmmaLee Zizi.

REQUIRED:

- 3.1.1 Explain why a business needs to prepare a Cash Budget every year. (2)
- 3.1.2 Calculate the expected receipts from debtors for November 2019. (5)
- 3.1.3 Calculate the figures indicated by A–E in the Cash Budget. (5)
- 3.1.4 The rent income was increased by 8% from 1 November 2019. Calculate the rent income figure for November 2019. (3)
- 3.1.5 In your opinion, is EmmaLee's capital contribution in November sufficient to support this business venture? Provide ONE reason with figures to support your answer. (3)
- 3.1.6 Refer to the salaries and wages in the Cash Budget.
- Calculate the percentage increase granted to the employees from 1 November 2019. (3)
 - In your opinion, will the employees be satisfied with this increase? Briefly explain. (2)
- 3.1.7 As the internal auditor you discovered that the actual motor vehicle expenses for December 2019 were R5 420. Provide TWO points that you would include in your internal auditor's report to EmmaLee. (4)
- 3.1.8 A new vehicle will be purchased for R139 500 on 30 November 2019. The business will pay a deposit of 20% and the balance will be financed by Eastbank. EmmaLee will repay the capital portion to Eastbank in equal monthly instalments over three years from 30 December 2019. Interest will be paid monthly to Eastbank on the outstanding balance at a rate of 11% per annum.
- Calculate the interest payable to Eastbank in December 2019. (4)
 - Calculate the monthly repayments of the capital portion of the loan to Eastbank. (3)

INFORMATION

NOTE: Not all figures are shown below.

EXTRACT FROM CASH BUDGET			
	2019 October	2019 November	2019 December
EXPECTED RECEIPTS			
Cash sales (75% of total sales)	225 000	112 500	112 500
Debtors (30 days less 5%)	47 500	?	35 625
Rent income	9 000	?	?
Interest on fixed deposit		?	?
Capital		150 000	
	291 000	355 000	158 245
EXPECTED PAYMENTS			
Drawings	17 500	12 500	12 500
Motor vehicle expenses	4 000	4 000	4 000
Fixed deposit		60 000	
Deposit on vehicle purchased		?	
Monthly repayments to Eastbank			?
Interest paid to Eastbank			?
Salaries and wages	105 000	109 200	109 200
	240 000	310 000	390 000
Cash surplus/-deficit	51 000	45 000	C
Cash at the beginning of the month	72 000	A	D
Cash at the end of the month	123 000	B	E

3.2 FIXED ASSETS

The information below was extracted from the accounting records of Max Limited on 28 February 2019.

REQUIRED:**Refer to information A:**

- 3.2.1 Draw up the Asset Disposal account to record the cash sale of the vehicle on 31 December 2018. (6)
- 3.2.2 Calculate the missing figures in the Fixed Asset note (denoted by *). (10)

INFORMATION A:

A. Note to the Balance Sheet on 28 February 2019.

FIXED/TANGIBLE ASSETS	Land and buildings	Vehicles	Equipment
Carrying value beginning of year	*	330 000	435 000
Cost	*	900 000	615 000
Accumulated depreciation	0	(570 000)	*
Movements			
Additions at cost	230 000	*	300 000
Disposal at carrying value	0	(72 000)	0
Depreciation	0	(64 000)	*
Carrying value at end of year	1 580 000	500 000	*
Cost	1 580 000	1 076 000	*
Accumulated depreciation	0	*	(270 000)

QUESTION 4: FINANCIAL INDICATORS IN WORKING CAPITAL**(20 marks; 15 minutes)**

You are provided with the following information relating to Tanda Traders for the year ended 28 February 2019. The partners are A Tanya and P Daniel.

REQUIRED:

4.1 Calculate the following financial indicators for 2019:

4.1.1 Gross profit percentage on cost of sales (mark-up%) (4)

4.1.2 Average stock turnover rate (4)

4.1.3 Debtors collection Period in days (6)

4.2 Comment on the profitability of the business for this financial year. Give TWO reasons why they may not have achieved their intended mark-up of 50%. (2)

4.3 The bookkeeper is satisfied that the business' liquidity has improved and there is money to manage their short term commitments. Mention TWO indicators, with figures, that prove this. (4)

INFORMATION**Ledger Account balances and other information:**

	2019	2018
Debtors Control	153 800	156 200
Trading Stock	368 000	392 000
Sales (50% of sales are credit sales)	4 242 000	
Gross Profit	1 212 000	
Debtors collection period	?	36 days
Stock turnover rate	?	6 times

20

TOTAL: 150

