SCHOOL

NAME

NORTH WEST

ACCOUNTING

GRADE 12

JUNE 2018

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
TOTAL	300		300

Demo
NW/JUNE/ACCNG/ EMIS/6*******

This answer book consists of 15 pages.

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QUESTION 1

1.1 Complete the following sentences in your own words:

1.1.1 **It is important to prepare the Bank Reconciliation Statement each month because …**

2

1.1.2 **It is important to prepare the Debtors' Age Analysis each month because....**

2

1.1.3 **Why must the balance of the Creditors Control Account in the General Ledger be the same as the total of the Creditors List in the Creditors Ledger?**

2

1.2.1 **Refer to Information C. The bookkeeper has decided to write off the amount of R25 000.**

- **Which GAAP principle will the bookkeeper apply in this case? Briefly explain this principle.**

- **The bookkeeper wants to prevent a problem such as this in future. Give TWO possible solutions to improve internal control in this regard.**

7

1.2.2 **Calculate the correct bank balance on 31 May 2017.**

8

1.2.3 **BANK RECONCILIATION STATEMENT ON 31 MAY 2017**

	Debit	Credit

11

1.3 **Identify TWO different problems shown by the Age Analysis and quote the debtor`s name with figures from the question to support your answer. In each case suggest two internal control measures to correct the problem.**

	Identification of TWO different problems, with evidence	Internal control measure to correct each problem
Problem 1		
Problem 2		

8

TOTAL MARKS
40

QUESTION 2

2.1 Explain the following concepts :

2.1.1 **All companies are "separate legal entities". In your own words, briefly explain the meaning of this concept.**

2

2.1.2 **The concept of "Limited Liability" applies in the majority of companies. In your own words, briefly explain the meaning of this concept.**

2

2.1.3 **In your own words, briefly explain the terms:**
Authorised Share Capital

Issued Share Capital

4

COMPANY TRANSACTIONS

2.2 Use the table provided to indicate the following for each transaction:

- Account debited and account credited in the General Ledger
- Effect on the accounting equation

The bank balance is favourable at all times.

NO.	ACCOUNT DEBITED	ACCOUNT CREDITED	AMOUNT	A	O	L
e.g.	***Salaries***	***Bank***	***15 000***	**–**	**–**	***0***
2.2.1			***25 700***			
2.2.2			***230 000***			
2.2.3			***55 555***			
2.2.4				**–**	**–**	***0***
2.2.4						

20

2.3 **Complete the statements by writing down the missing words or figures. (For QUESTIONS 2.3.2 and 2.3.3 choose from the words given in brackets.)**

2.3.1	
2.3.2	
2.3.3	
2.3.4	
2.3.5	

12

TOTAL MARKS
40

QUESTION 3

3.1 Indicate whether the following statements are TRUE or FALSE:

3.1.1		
3.1.2		
3.1.3		
3.1.4		

8

3.2 **KING LTD**

3.2.1 INCOME STATEMENT (STATEMENT OF COMPREHENSIVE INCOME) 30 JUNE 2017.

Sales (16 430 000	
Cost of sales	
Gross profit	
Other income	
Rent income **(63 860**	
Gross operating profit	
Operating expenses	
Salaries and wages **(812 000**	
Employer's contribution **(89 500**	
Directors' fees	**2 340 000**
Audit fees **(89 000**	
Bank charges **(36 400**	
Depreciation	**99 600**
Bad debts	**18 300**
Repairs and maintenance **(128 500**	
Operating profit	
Interest income	**35 000**
Profit before interest expense	
Interest expense	
Net profit before tax	
Income tax for the year	
Net profit after tax	**1 200 000**

50

3.2.2 NOTES TO THE FINANCIAL STATEMENTS

A **ORDINARY SHARE CAPITAL**

AUTHORISED	
600 000 ordinary shares	
ISSUED	

10

B **RETAINED INCOME**

	R
Balance at beginning of year	

11

3.3 AUDIT REPORT

As a shareholder, why would you be concerned about this audit report? Explain. State THREE points.

6

TOTAL MARKS
85

QUESTION 4:

4.1

4.1.1 FOUCHE LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2018	
Cash effects of operating activities	
Cash generated from operations	
Interest paid	
Cash effects of investing activities	
Cash effects of financing activities	
Net change in cash equivalents	
Cash equivalents – beginning of year	
Cash equivalents – end of year	

30

4.1.2 NOTE FOR CASH GENERATED FROM OPERATIONS

Depreciation	**207 300**

12

4.2 GENERAL LEDGER OF SMD LIMITED
BALANCE SHEET ACCOUNTS SECTION

Dr Appropriation F Cr

11

4.3 You are provided with the following financial indicators for the past two years. Calculate the missing indicators denoted (a) to (e). Use averages where appropriate.

(a) Acid-test ratio

4

(b) Stock turnover rate

5

(c) Debt / equity ratio

3

(d) Net asset value per share

4

(e) Return on shareholders' equity

5

4.4 **Comment on the dividends, earnings and returns earned by the shareholders. Will they be satisfied with these? Explain, quoting appropriate financial indicators (ratios / percentages, etc.) to support your answer.**

8

4.5 **Comment on the liquidity of the company. Explain, quoting appropriate financial indicators (ratios / percentages, etc.) to support your answer.**

12

4.6 **Comment on the financial gearing of the company. Explain, quoting appropriate financial indicators (ratios / percentages, etc.) to support your answer.**

6

TOTAL MARKS
100

QUESTION 5:

5.1.1 **Calculate the value of the closing stock using the weighted-average method.**

7

5.1.2 **Calculate the number of jeans that appear to be missing.**

4

5.1.3 **Calculate the cost of sales and gross profit.**
Cost of sales

Gross profit

8

5.1.4 **Calculate the mark-up percentage.**

3

5.1.5 **Calculate the stockholding period.**

4

5.2 **Comment on the stock control of each item, quoting figures to support your comment. In each case, offer Kgosi advice for the future.**

TV sets	Problem: Figure: Advice:
Cell phones	Problem: Figure: Advice:
Radios	Problem: Figure: Advice:

9

TOTAL MARKS
35

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TOTAL: 300 MARKS

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