



education

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NORTH WEST PROVINCE**

PROVINCIAL ASSESSMENT

GRADE 11

ACCOUNTING P2

NOVEMBER 2019

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages including 1 formula sheet

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 paper, You may use it if necessary.
4. Show ALL workings to achieve part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or black/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 1: 35 marks; 25 minutes	
Topic of the question:	This question integrates:
Manufacturing	Managerial Accounting
	Ledger accounts
	Break-even point
	Internal control

QUESTION 2: 39 marks; 30 minutes	
Topic of the question:	This question integrates:
Reconciliations	Managerial Accounting
	Bank Reconciliation
	Creditors Reconciliation
	Internal control

QUESTION 3: 23 marks; 20minutes	
Topic of the question:	This question integrates:
Valuation of fixed assets	Financial Accounting
	Assets disposal
	Note to the financial statement

QUESTION 4: 45 marks; 35 minutes	
Topic of the question:	This question integrates:
Budgeting and Financial indicators	Financial Accounting
	Debtors collection schedule
	Cash budget
	Financial indicators

QUESTION 5: 8 marks; 10 minutes	
Topic of the question	This question integrates:
VAT	Financial Accounting
	VAT

QUESTION 1: MANUFACTURING**(35 marks; 25 minutes)**

1.1 Unit Cost Calculations

You are provided with the information relating to Crossroad Table Manufacturers for the year ending 28 February 2019. The factory makes wooden catering tables.

REQUIRED:

- 1.1.1 Calculate the direct material cost per unit. (3)
- 1.1.2 Calculate the break-even point for the year ended 28 February 2019 (4)
- 1.1.3 Should the business be satisfied with the number of units manufactured during 2019? Explain quoting relevant information and calculations. (4)
- 1.1.4 The direct materials cost per unit was R152 for 2018. Explain ONE reason for the difference in the cost over the two financial years. (2)

INFORMATION FOR THE YEAR ENDING 28 FEBRUARY 2019

A.

	Total Cost	Per Unit
Direct material cost	768 960	?
Direct labour cost	224 640	R52
Total variable cost	1 058 400	R245
Total fixed cost	518 400	R120
Sales	1 728 000	R400

B. Additional information

- The business made and sold 4320 tables during the year.
- There was no work-in-progress at the beginning or end of the financial year.

1.2 WISHY-WASHY MANUFACTURERS

The business produces washing machines and sells at a mark-up of 70% on cost. They use perpetual inventory system for finished goods and periodic inventory system for raw materials and indirect materials.

REQUIRED:

- 1.2.1 Prepare the Raw Materials stock account. (7)
- 1.2.2 Provide workings for Direct Labour and Factory Overheads Cost. (15)

INFORMATION:

- A.** The following balances appeared, amongst others, in the ledger at the beginning and end of the financial year.

	1 March 2018	28 February 2019
Raw material stock	95 000	110 500
Work in process stock	71 500	191 600
Finished stock	480 000	96 200
Factory indirect material stock	20 500	18 000

B. Transactions during the year

- a. Raw materials purchased on credit, R521 000.
- b. Cost of transporting raw materials to the factor, R29 500, paid cash.
- c. Indirect materials bought for cash, R77 500.
- d. Wages for workers, R300 800 (including the firm's contribution in respect of a pension amounted to R28 000)
- e. Salary paid to factory foreman, R105 000.
- f. Commission paid to sale staff, R90 000.
- g. Maintenance of factory equipment paid,R37 000 (a further R11 000 is still owed).
- h. Water and electricity paid,R21 000 (this is to be split between the factory and the office in the ratio 4:1).
- i. Rent paid, R108 000 (the factory is responsible to pay 80% of the rent)..
- j. Depreciation on factory equipment amounts to R60 500.

QUESTION 2: RECONCILIATIONS**(39 marks; 30 minutes)****2.1 BANK RECONCILIATION**

You are provided with information from the records of North West Traders for August 2019.

REQUIRED:

- 2.1.1 Provide **TWO** reasons why preparing a monthly Bank Reconciliation Statement is important for the business. (4)
- 2.1.2 Explain why the bookkeeper cancelled cheque no. 706. In which journal did he make the cancellation entry? (3)
- 2.1.3 Prepare the Bank Reconciliation Statement on 31 August 2019 (9)

INFORMATION:

1. The following cheques were listed as outstanding on the Bank Reconciliation Statement on the 31 July 2019

- No. 706 (dated 16 February 2019) R500
- No. 949 (dated 28 July 2019) R3 200
- No. 950 (dated 30 September 2019) R1 800

The bookkeeper had already cancelled cheque no 706 when he updated the Cash Journals.

Cheque no 949 appears on the Bank Statement on 12 August 2019.

2. A deposit of R13 800 made on 31 August does not appear on the Bank Statement.
3. The following cheques issued during August 2019 do not appear on the August Bank Statement:
- No. 980 R8 400
 - No.992 R4 420
4. A deposit of R10 000 appears on the Bank Statement only. You investigate and find that the bank recorded this in error in the account of Northwest Traders. The bank will correct the error in September 2019.
5. The Banks Statement reflected a favourable balance of R6 380 on 31 August 2019.

2.2 CREDITORS' RECONCILIATION

Information from the books of Govender Traders on 30 April 2019 is provided.

REQUIRED:

Reconcile the Creditors' Control Account balance with that of the Creditors' List. Indicate an increase with (+) and a decrease with (-) to each amount.

(9)

INFORMATION:**A. Balance and totals on 30 April 2019 (before information B)**

Creditors' Control Account in the General Ledger	R184 870
Creditors' list totals	R170 490

B. Errors and omissions:

- (a) The Creditors' Allowances Journal was incorrectly totaled as R15 400 instead of R18 500.
- (b) An invoice for R20 000 for trading stock bought from a creditor, CRP Suppliers was correctly entered in the respective journal, The bookkeeper forgot to post this to the supplier's account in the Creditors' Ledger. Take into account that a deposit of 20% was paid on this invoice.
- (c) The bookkeeper posted a debit note for R2 360 to the wrong side of creditors' account. Posting to the General ledger was done correctly.
- (d) A credit balance of R27 000 from the debtors' ledger account of SK Traders must be transferred to their account in the creditors' ledger.

2.3 INTERNAL CONTROL

Read the following extract and answer the questions that follow:

The regular accountant of Thaba Fashion Designs had taken vacation leave. Lethabo Mooi was appointed by the employment agency to substitute for that period. She made the following observations:

- A. The Bank Reconciliation was not drawn up for the past two months.
- B. Two cheques were not recorded in the Cash payments journal. Both cheques were missing from the cheque book and the counterfoils neatly removed.
- C. Cheque no 1555 was issued to the owner for his personal use. This cheque was recorded as "Donations"

The above was referred to the manager. However he had no knowledge of accounting procedures and internal control.

REQUIRED:

- 2.3.1 Which THREE steps should be taken regarding the two missing cheques?(6)
- 2.3.2 What are the implications of recording “Drawings” as “Donations” ? (2)
- 2.3.3 Make THREE suggestions to management for the effective cash control, within the context of the extract. (6)

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QUESTION 3: ASSET DISPOSAL

(23 marks; 20 minutes)

The following information was extracted from the books of Little Sores, The financial year ends on 30 June 2019.

REQUIRED:

- 3.1 Prepare the Asset disposal account (8)
- 3.2 Show how equipment will be reflected in the Tangible Asset note to the balance sheet on 30 June 2019. (10)
- 3.3 You have recently been appointed as the assistant to the accountant, your job requires you to exercise control over tangible assets, During a check on the equipment you note that a laptop (computer) and a printer are missing. You investigate and find that the accountant has taken the equipment so that his son can complete his Grade 11 Accounting project. Is the action of the accountant proper? Explain what measures will you put in place to prevent other employees from using business assets for personal use? (5)

INFORMATION:

- Balances

Equipment at cost (30 June 2019)	R280 000
Accumulated depreciation on equipment (1 July 2018)	R112 000
- New equipment costing R30 000 was purchased and recorded on 1 January 2019.

3. No entry was made for old equipment that was sold on credit on 30 June 2019 for R 2000. The cost of this equipment was R18 000 and the accumulated depreciation thereon was R14 000 on 1 July 2018.
4. Depreciation is provided on equipment at 10% p.a on cost price.

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QUESTION 4: CASH BUDGET , ETHICS AND INTERNAL CONTROL
(45 marks; 35 minutes)

You are provided with information relating to Tsietsi Stores. The business is owned by T.Tsietsi. Tsietsi stores uses a fixed mark-up of 80% on cost.

REQUIRED:

- 4.1 Prepare the debtors' collection schedule for November and December 2019.
(Some figures have been entered on your answer sheet) (8)
- 4.2 Complete the cash budget for two months ending 31 December 2019.
(Some figures have been entered on your answer sheet) (21)

INFORMATION:

1. Balances on 31 October 2019	
Bank (favourable)	R138 400
Loan: Terrie Bank (10%p.a)	R360 000
Fixed deposit at 6,5%p.a	R80 000

2. Total sales

<u>Actual</u>	
September	R360 000
October	R374 400
<u>Budgeted</u>	
November	R403 200
December	R468 000

3. Credit sales makes up 40% of total sales.
4. The average collection from debtors over the past six months was as follows and it is expected that this trend will continue over the budget period:
 - 25% pay in the month of sale.
 - 60% pay one month after the month of sale.
 - 10% pay two months after the month of sale.

- The balance is written off in the third month after the month of sale.
5. The business replaces stock on monthly basis to maintain a fixed stock level of R200 000.
 6. The business buys 70% of its trading stock on credit. Creditors are paid in the month following the month of purchase to obtain a 5% cash discount.
 7. A loan repayment of R24 000 is scheduled for 1 December 2019. The interest on loan is paid monthly.
 8. Interest on the fixed deposit is received quarterly. The interest for the last quarter of 2019 is due on 31 December 2019.
 9. Salaries:
 - 9.1 The store manager earns R20 000 per month. However, from 1 December 2019 his salary will increase by 20%. He will also receive a bonus in December equivalent to his December salary.
 - 9.2 The business employs ten sales assistants, each earning R6 000 per month. They will receive a salary increase of 4% effective from 1 December. They do not get bonuses.
 10. The owner's monthly drawings are as follows:
 - Goods: R5 000
 - Cash: R30 000The owner intends increasing his cash drawings to R50 000 in December as he is taking his family on a holiday.
 11. Equipment costing R20 000 will be purchased for cash at the beginning of December.
 12. Operating expenses are expected to increase monthly in line with the current inflation rate of 5,7%\
 13. Part of the buildings are sublet at a monthly rental of R5 000.

4.3 FINANCIAL INDICATORS

The following information was extracted from the books of Nkosi Traders for the year ended 28 February 2019. Calculate and comment on stock turnover rate and Average debtors collection period only:

- | | |
|---|-----|
| 4.3.1 Gross profit on sales | (3) |
| 4.3.2 Stock turnover rate | (5) |
| 4.3.3 Average debtors collection period | (5) |

4.3.4 Average creditors payment period (3)

Balances on 28 February 2019, end of the financial year

	2019	2018
Sales	585 000	340 000
Cost of sales	235 000	210 000
Gross profit	350 000	130 000
Debtors control	35 000	32 000
Creditors control	47 000	43 000
Trading stock	40 000	30 000
Stock turnover rate	?	8 times a year
Stock holding period	54.3 days	45.62 days
Average debtors collection period	?	48 days
Average creditors payment period	?	60 days

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QUESTION 5: VAT**(8 marks; 10 minutes)**

Little Supply Stores is a registered VAT vendor and uses the invoice base method of paying VAT. Calculate the amount of VAT payable to/receivable from SARS for August 2019, given the following information:

Sales for cash	R347 000 (including R74 000 of zero rated items)
Sales on credit	R210 000
Purchases of stock for cash	R176 500
Purchases of stock on credit	R214 000 (including R89 000 of zero rated and VAT exempt items)
Purchases of equipment on credit	R36 000
Monthly rent paid	R16 000
Monthly water and electricity unpaid	R24 000
Monthly fuel paid for cash	R8 760
Bank charges per bank statement	R1 275
Salaries and wages paid by cheque	R31 000

[8]

TOTAL : 150**FORMULA SHEET**

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partners' average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners; equity}} \times \frac{100}{1}$	
Current assets: Current liabilities	(Current assets - inventories): Current liabilities	
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Average creditors}}{\text{Credit sales}} \times \frac{365 \text{ or } 12}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Owners' equity	Total assets : Total liabilities	