



**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
JUNE 2016
GRADE 11**

ACCOUNTING

MEMORANDUM

Question	Topic	Marks
1	Bank Reconciliation	60
2	Creditors' Reconciliation	25
3	Asset Disposal	50
4	Partnerships	40
5	Financial statements	75
6	Analysis and Interpretation of Financial Statements	50
Total		300

19 pages

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MEMORANDUM

Marking principles:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item.
(no foreign item penalty for misplaced items)
2. Full marks for correct answer. If answer is incorrect, mark the workings provided.
3. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure. (Not the method mark for the answer)
4. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
7. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect
8. Code f = foreign item

QUESTION 1

1.1 What is the purpose of Bank reconciliation?

Any 1 for 2 marks ✓✓

- It is an internal control process
- To ensure that all entries are correctly captured by the business and the bank
- To ensure that there are no fraudulent errors and omissions
- To reconcile the bank account in the General Ledger with the bank statement

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1.2 Indicate whether the statements are TRUE or FALSE.

1.2.1	TRUE ✓	1	
1.2.2	FALSE ✓	1	
1.2.3	TRUE ✓	1	
1.2.4	FALSE ✓	1	4

1.3.1 Cash Receipts Journal of Sabe Traders – March 2016

Doc.	Day	Details	Bank	Sundry accounts		
				Amount	Fol	Details
	31	Totals	31 400	13 000		
88		<u>Health Welfare Org.</u> (cancelled)✓	3 400✓	3 400		Donations✓
173		<u>Neotel</u> (correct amount)✓	40✓✓	40		Telephone✓
170		<u>BM Garage</u> (cancelled)✓	840✓	840		Fuel✓
BS		M. Sabe✓	35 000✓	35 000		Capital✓
BS		F. Fun✓	8 300✓	8 300		Rent income✓
✓ For all doc.			78 980☑ <i>If total is above 31 400</i>	60 580		

Cash Payments Journal of Sabe Traders – March 2016

Doc.	Day	Name of payee	Bank	Debtors Control	Sundry accounts		
					Amount	Fol	Details
	31	Totals	54 800	240	10 960		
160		RSA Distributors (correct amount)✓	✓2 700		2 700		Stationery✓
181		BM Garage✓	✓840		840		Fuel✓
BS		Mawali bank✓	✓2 000		2 000		Loan: Mawali Bank ✓
DN		M. Lid✓ (RD cheque)	420	✓420			
BS		Mawali Bank✓	✓93		93		Interest on overdraft✓
BS		Mawali Bank <i>Can combine for 2 marks(93+380=473)</i>	✓380		380		Bank charges✓
✓For all doc			☑61 233 <i>If total is above 54 800</i>	660	16 973		

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1.3.2

GENERAL LEDGER OF SABE TRADERS

Dr.		Bank			B8		Cr.		
Mar	31	Total Receipts✓	CRJ	☑78 980	Mar	1	Balance	b/d	✓✓27 130
		Balance	c/d	✓9 383		31	Total Payments✓	CPJ	☑61 233
				88 363					88 363
					Apr	1	Balance	b/d	☑9 383

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1.3.3 Bank Reconciliation statement on 31 March 2016

	Debit	Credit
Credit balance according to bank statement		✓ 17 367
Credit outstanding deposit		✓ 8 100
Debit outstanding cheques:		
No. 165	✓ 3 710	
No. 178	✓ 9 800	
No. 180	✓ 11 600	
No. 181	✓ 840	
No. 176	✓ 8 900	
Credit balance according to bank account		✓ <input checked="" type="checkbox"/> 9 383
If both totals are the same <input checked="" type="checkbox"/>	34 850	34 850

10

60

QUESTION 2

2.1 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?

The two are prepared from the same set of information. The Creditors' Control Account is a summary of the Creditors' Accounts in the Creditors' Ledger; If the two do not correspond it could mean that wrong entries were made in the journals; posting errors; calculation mistakes; omissions; etc. that need to be corrected.

✓✓ 2

2

2.2 Calculate the correct balance of the Creditors' Control Account in the General Ledger

Balance	R153 800
A	No entry ✓
B	10 100 ✓✓
C	No entry ✓
D	440 ✓✓
E	No entry ✓
F	(11 000) ✓✓
G	(27 000) ✓✓
Final balance	R126 340 ☑
<i>Check operation</i>	

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2.3 Prepare the correct Creditors' List of balances on 30 June 2016.

Stand Traders		
26 000 <i>(two marks)</i>		<input checked="" type="checkbox"/>
(29 200 – 2 200 ✓ + (13 000 ✓ + 13 000 ✓)	53 000	
Walk Wholesalers		
(95 600 + 2 200 ✓ – 27 000 ✓)	70 800	<input checked="" type="checkbox"/>
Run Stores		
(44 100 – 42 000 ✓ + 440) ✓	2 540	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> (operation and one part correct)	126 340	<input checked="" type="checkbox"/>

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QUESTION 3

No.	Calculations	Answer	
3.1.1	<p>Calculate the depreciation on Equipment sold on 31 August 2016.</p> <p>(80 000 x 15% x 6/12)</p>	6 000✓✓	
3.1.2	<p>Calculate the TOTAL depreciation on Equipment on 29 February 2016.</p> <p>Old: [(510 000 - 80 000) x 15%]✓ = 64 500✓</p> <p>New: [140 000 x 15% x 6/12]✓ = 10 500✓</p> <p>Sold <i>see 3.1.1</i> 6 000✓</p>	81 000✓ <input checked="" type="checkbox"/> if any one part correct.	8

3.2.1

GENERAL LEDGER OF BONANZA TRADERS

BALANCE SHEET ACCOUNTS SECTION

Dr				EQUIPMENT				B		Cr	
2015				2015							
Mar	1	Balance	b/d	510 000	Sept	1	Asset disposal✓	GJ	✓80 000		
		Creditors'	CJ		2016						
Sept	1	control✓		✓140 000							
					Feb	29	Balance	c/d	570 000		
				650 000					650 000		
2016											
Mar	1	Balance (both balances)	b/d	✓570 000							

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3.2.2 ACCUMULATED DEPRECIATION ON EQUIPMENT B

2015					2015				
Sept	1	Asset disposal✓	GJ	✓66 000	Mar	1	Balance	b/d	✓270 000
2016					Sept	1	Depreciation✓	GJ	3.1.1✓6 000
Feb	29	Balance	c/d	✓285 000	2016				
					Feb	29	Depreciation	GJ	✓75 000
				351 000					351 000
					Mar	1	Balance	b/d	✓285 000

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3.2.3 NOMINAL ACCOUNTS SECTION

ASSET DISPOSAL N

2016					2016				
Aug	31	Equipment	GJ	80 000	Aug	31	Accumulated depreciation on equipment✓	GJ	✓66 000 3.2.2
		<u>Profit on sale of asset</u> ✓	GJ	✓✓5 000			<u>Creditors' control</u> ✓	GJ	✓✓19 000
				85 000					85 000

check operation

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3.3 NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2016

FIXED ASSETS

	Land & buildings	Vehicles	Equipment	
Carrying value at beginning	450 000	540 000✓	240 000	
Cost	450 000	800 000	510 000	
Accumulated depreciation		(260 000)	(270 000)✓	
Movements				
Additions at cost	50 000✓	200 000✓	140 000✓	
Disposals at carrying value		0	(14 000)✓	
Depreciation	0	(128 000)✓☑	(81 000)☑ 3.1.2	
Carrying value at end	500 000	612 000✓	285 000☑	
Cost	500 000	1 000 000	570 000✓✓	
Accumulated depreciation	0	(388 000)	(285 000)✓☑*	

*any figure greater than 270 000

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3.4	Any 3	✓✓	✓✓	✓✓	
	<ul style="list-style-type: none"> • A tracking device could be installed. • Physical checks could be conducted regularly by inspecting log sheets. • It should be locked in the garage when not in use. • Owner should take responsibility for the keys himself after hours. • Control over the use of the petrol card (Any other relevant answer) 				

6

50

QUESTION 4

4.1

NO.	
4.1.1	Going concern ✓
4.1.2	Matching ✓
4.1.3	Finance cost ✓
4.1.4	Partners' earnings ✓
4.1.5	Reliability ✓

5

4.2

Calculation of interest on capital	Answer	
Gifford: $(880\,000 \times 9/100 \times 6/12) = 39\,600$ ✓ $(700\,000 \times 9/100 \times 6/12) = 31\,500$ ✓	71 100 ✓ <input checked="" type="checkbox"/> <i>operation if one part correct</i>	4
Ndlovu: $(900\,000 \times 9/100 \times 10/12) = 67\,500$ ✓ $(1\,150\,000 \times 9/100 \times 2/12) = 17\,250$ ✓	84 750 ✓ <input checked="" type="checkbox"/> <i>operation if one part correct</i>	4

4.2.1	CAPITAL	Gifford	Ndlovu	Total
	Balance at the beginning of the year	880 000 ✓	900 000 ✓	
	Contribution of capital during the year		250 000 ✓	
	Withdrawal of capital during the year	(180 000) ✓		
	Balance at the end of the year	700 000 ✓	1 150 000 ✓	

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4.2.2	CURRENT ACCOUNTS	Gifford	Ndlovu	Total
	Partners' salaries	504 000✓✓	350 000✓	
	Partner's bonus	0	30 000✓	
	Interest on capital <i>(see calculation 4.2)</i>	71 100☑	84 750☑	
	Primary distribution of profits	575 100☑	464 750☑	1 039 850
	Final distribution of profits	147 390	98 260☑	245 650
	Profit as per Income Statement	722 490☑	563 010☑	1 285 500
	Drawings during the year	(167 800)✓✓	(225 600)✓✓	
	Retained income for the year	554 690☑	337 410☑	
	Balance at beginning of year	140 000✓	(90 000)✓	
	Balance at end of year	649 690☑	247 410☑	

QUESTION 5

NAME OF BUSINESS: FLASHGORDON TRADERS

5.1 INCOME STATEMENT FOR YEAR ENDED 29 February 2016

Sales (1 280 000✓ – 6 500✓)	3	1 273 500✓
Cost of sales	1	(642 000)✓
Gross profit	1	631 500☑
Other operating income	1	98 100☑
Bad debts recovered (700 + 7 200✓)	2	7 900☑
Discount Received (1 600 – 200✓)	2	1 400☑
Rent Income (79 650 – 6 550✓✓)	3	73 100☑
Commission income	1	15 000✓
? Provision for Bad debts adjustment	2	700✓✓
Gross operating income	1	729 600☑
Operating expenses	1	(457 480)☑
Water and electricity (8 900 + 1 200✓)	2	10 100☑
Insurance (8 800 – 770✓)	2	8 030☑
Bad debts (4 300 + 560✓)	2	4 860☑
Donations (2400 + 1 600✓)	2	4 000☑
Discount Allowed	1	1 800✓
Stationery (17 300 – 3 900✓)	2	13 400☑
Bank charges (8 410 + 290✓)	2	8 700☑
Telephone (10 900 + 1 300✓)	2	12 200☑
Salaries & wages (288 090 – 25 000✓ – 2 500✓ – 250✓)	4	260 340☑
? Trading stock deficit (246 800 – 1 600 – 236 000)	2	9 200✓✓
? Depreciation	1	124 850✓
Operating profit	1	272 120☑
Interest income (28 000✓ + 850✓)	3	28 000☑
Profit before interest expense	1	300 970☑
Interest expense (4 800✓ + 57 600✓)	3	(62 400)☑
Net profit for the year	2	238 570☑✓

☑be guided by the signs(+/-)

5.2.1 TRADE AND OTHER RECEIVABLES	
Net trade debtors	32 200
Trade debtors (34 560✓ – 560✓)	34 000☑
Provision for bad debts	(1 800)✓
Prepaid expense <i>See insurance amount in income statement</i>	770☑
Accrued Income	15 000✓
SARS: PAYE	4 500✓
	52 470☑

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5.2.2 TRADE AND OTHER PAYABLES	
Trade creditors (32 000✓ + 2 000✓ + 7 280✓)	41 280☑
Accrued expenses (1 300 ✓+ 1 200✓)	2 500☑
Income received in advance <i>See rent income in income statement</i>	6 550☑
UIF (2 000✓ – 250 – 250✓)	1 500☑
Pension fund (15 000✓ – 1 875✓ – 2 500✓)	10 625☑
Short term loan	60 000✓
	122 455☑

17

75

QUESTION 6

6.1	Complete each of the following statements by supplying the missing word/s. Note: Do not re-write the sentences. Write only the missing words.
6.1.1	Cost of sales ✓✓
6.1.2	Operating expenses ✓✓
6.1.3	Owners' equity / Partnership equity / Total assets – Total liabilities ✓✓
6.1.4	Current ratio / Acid test ratio ✓✓
6.1.5	Trading Stock deficit / surplus ✓✓

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Learner must have at least one component of the calculation correct to achieve the

6.2	Should the partners be satisfied with the stock turnover rate? Explain by quoting the financial indicators for both years to support your answer.	
Opinion: Yes ✓ Comment: The business is selling its stock more quickly in 2016. ✓ Stock turnover rate has improved from 5 times in 2015 to 7 times in 2016. ✓ (Any other relevant answer)		3

6.3	Comment on the Debtor's collection period and the Creditors' payment period	
Comment on Debtors' collection ✓ Comment on Creditors' payment ✓ Comparison of debtors and creditors and advice ✓ <ul style="list-style-type: none"> • There was an improvement in the debtors' collection period, • 65 days in 2014 to 55 days in 2015 • Collection is now below 60 days. • There was an increase in the creditors' payment period. • 40 days in 2014 to 50 days in 2015 • Creditors are paid before money is collected from debtors. • Creditors' payment can be extended to 60 days. 		3

<p>6.4 In your opinion has the business been able to control its operating expenses well in 2016? Quote figures from both years to support your answer.</p>	
<p>Opinion: No ✓</p> <p>Comment: Operating expenses on sales ✓ increased from 30% to 47,2% ✓ ✓</p>	4
<p>6.5 Explain reasons for the difference between the percentage operating expenses/profit on sales and the percentage net profit on sales.</p>	
<p>In both years the interest expenses exceeded the interest income. ✓ ✓</p>	2
<p>6.6 Calculate the percentage return earned by the business on average equity for 2016.</p>	
$ \begin{aligned} & \frac{990\,000 \checkmark}{(4\,350\,000 \checkmark + 3\,620\,000 \checkmark)/2 \checkmark} \times 100 \\ & \frac{990\,000}{3\,985\,000} \times 100 \\ & = 24,84\% \checkmark \end{aligned} $	5
<p>6.7 The percentage return earned by Flynn on his average equity is 20,53%. Provide a calculation to prove that this calculation is correct.</p>	
$ \begin{aligned} & \frac{430\,000 \checkmark}{(1\,760\,000 \checkmark + 1\,760\,000 \checkmark + 370\,000 \checkmark + 300\,000 \checkmark)/2} \times 100 \\ & \frac{430\,000}{2\,095\,000} \times 100 \\ & = 20,53\% \end{aligned} $	5

<p>6.8 Comment on the percentage return earned by Flynn. Quote a financial indicator for both years to support your answer.</p>	
<p><i>Indicator</i> ✓ <i>Figures from 2015 & 2016</i> ✓ <i>Comment</i> ✓✓</p> <p>Flynn should not be completely satisfied as his return (20,53%) has decreased from 24,9%.</p> <p>It is lower than the average return on the average equity (30,46%)</p> <p>It is lower than the return earned by Blake (25,5%)</p>	4
<p>6.9 Comment on the debt/equity ratio. Quote a financial indicator for both years to support your answer.</p>	
<p><i>Trend 2015-2016</i> ✓ <i>Comment</i> ✓✓</p> <p>Debt/equity ratio increased from 0,9:1 in 2015 to 1,3:1 in 2016</p> <p>This indicates that the business is making more use of loans.</p> <p>The business is at risk should the profits decrease in the future.</p>	3
<p>6.10 What percentage of the net income did the partners withdraw from the business in 2016?</p>	
$\frac{385\,000\sqrt{}}{990\,000\sqrt{}} \times 100$ $= 38,89\sqrt{}$	3

6.11 Comment on the profitability of the business. Quote THREE financial indicators and figures to support your answer.

Ratios ✓✓✓

Figures ✓✓✓

Comment ✓✓

	2016	2015
% Operating expenses on sales	47,2%	30%
% Operating profit on sales	18%	22%
% Net profit on sales	15%	17,5%

Net profit percentage and percentage operating profit on sales has dropped from 2015. This was mainly due to an increase in percentage operating expenses on sales

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40

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TOTAL: 300