



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

**ACCOUNTING
NOVEMBER 2007
MEMORANDUM**

This memorandum consists of 22 pages.

QUESTION	MAX	FINAL MARKS
1	35	
2	40	
3	60	
4	45	
5	45	
6	30	
7	45	
	300	

QUESTION 1

1.1	Use the table provided to indicate with a X in which journal the following items would be entered.				(12)	
	Item	CRJ	CPJ	No Entry		Amount
	Item 1			X		R1 550
	Item 2			✓ X		R1 500
	Item 3.1	✓ X				R600
	Item 3.2		✓ X			✓ R1 000
	Item 4			✓ X		R 7 250
	Item 5			✓ X		R3 245
	Item 6		✓ X			✓ R720
	Item 7		✓ X			R2 500
	Item 8		✓ X			R3 120
	Item 9	✓ X				R1340
Item 10			✓ X	R5 700		

1.2		
Bravo Traders		
Bank Reconciliation Statement on 31 May 2007		
Balance as per bank <u>statement</u> ✓	✓ 1 550	
Outstanding deposit ✓		✓✓ 5 700
Outstanding cheques ✓		
721	✓✓ 2 800	
760	✓✓ 3 245	
753	✓✓ 1 000	
Balance per ledger <u>account</u> ✓		#☑ 2 895
# method mark for operation – inspect	8 595	8 595

Note: One-column OR any other method is acceptable if thought processes in reconciling can be followed.

(14)

1.3.1	<p>Are bank clients in this country justified in complaining about bank charges? Explain briefly in your own words.</p> <p>Yes / No ✓ Any valid opinion ✓✓ e.g. banks are earning a lot already as evidenced by sponsoring sports events, high salaries to CEO's / they should not be charging high fees as they rely on clients' money to earn income on using these funds through loans to other persons</p>	(3)
1.3.2	<p>If you were the manager of Safe Bank, how would you justify charging Bravo Traders fees of R3 120 in May? Provide three points.</p> <p>Any three valid points ✓✓ ✓✓ ✓✓</p> <ul style="list-style-type: none"> ▪ Banks are entitled to make as much profit as possible for their shareholders ▪ The high bank charges are being paid for efficiency ▪ Expenses incurred in collecting cash, processing entries etc. ▪ Banks provide a crucial service – fees depend on demand or supply ▪ The banks are owned by shareholders – they have a right to earn a good return ▪ A large number of transactions involving bank have been executed by the business with a number of personnel from different sections of the bank being involved. ▪ A large number of cheques was issued by the business in comparison to previous months. 	(6)

Marks
35

QUESTION 2

2.1	<p>Calculate collections from debtors for December 2007.</p> <p>$(51\,300 \times 36\%) + (55\,350 \times 60\%)$ $(18\,468 \checkmark\checkmark + 33\,210 \checkmark\checkmark)$ $= 51\,678 \checkmark$</p> <p>Calculate payments to creditors for December 2007.</p> <p>$(73\,800 \times 100/180) - 5\%$ $= 41\,000 \checkmark\checkmark - 2\,050 \checkmark\checkmark$ $= 38\,950 \checkmark$</p>	(10)
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2.2 See next page

2.3	<p>The shop assistants feel that they are being treated unfairly by not getting a wage increase. Provide two points to support their opinion.</p> <p><i>Reasons</i> $\checkmark\checkmark \checkmark\checkmark$</p> <ul style="list-style-type: none"> ▪ Even though the business is experiencing a cash flow problem, Brenda withdrew an amount of R30 000 in December. This is up 50% from November. ▪ The manager of the store earns almost double that of the shop assistants and he received an 8% increase. 	(4)
2.4	<p>You are a bank manager in charge of approving loans. Brenda Bronx presents you with the cash budget above. Would you grant her a loan for R100 000? Provide two points you will consider in making your decision.</p> <p>Conclusion: Yes/No \checkmark</p> <p><i>(Any two valid points</i> $\checkmark\checkmark \checkmark\checkmark$<i>)</i></p> <p>Her cash flow is deteriorating due to excess drawings and the purchase of equipment. The business already has a loan of R60 000. She will have difficulty in repaying the loan.</p>	(5)

2.2			
BRONX DEALERS			
CASH BUDGET FOR NOVEMBER AND DECEMBER 2007			
		November	December
CASH RECEIPTS			
Cash sales		17 550	✓✓ 16 200
Receipts from debtors		52 650	\$☑ 51 678
Loan		60 000	
TOTAL RECEIPTS	4	130 200	#☑ 67 878
CASH PAYMENTS			
Payment to creditors		36 100	\$☑ 38 950
Operating costs		✓ 5 500	5 500
Equipment bought			✓✓ 55 000
Water and electricity		2 000	✓✓ 2 200
Salaries (9 500 x 108 / 100)		9 500	✓✓ 10 260
Wages		✓ 10 000	10 000
Loan repayment (60 000 / 48)			✓✓ 1 250
Drawings		✓✓ 20 000	30 000
TOTAL PAYMENTS	14	83 100	#☑ 153 160
CASH SURPLUS/DEFICIT		47 100	#☑ (85 282)
CASH AT BEGINNING OF PERIOD		23 500	✓ 70 600
CASH AT END OF PERIOD	3	70 600	#☑ (14 682)
No marks for workings. \$ method mark for transfer of figure from 2.1 # method mark for operation – inspect			(21)

Marks
40

3.1	Calculate the profit or loss on the disposal of the vehicle. Book value = R130 000 ✓ - 78 000 ✓ - 19 500 ✓ = R32 500 Selling price R40 000 ✓ Profit = R7 500 profit ✓	(5)
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3.2 See next page

3.3

Current accounts	Fly	Fish	Total
Net profit as per Income statement	#✓ 120 592	150 528	271 120
Salaries (10 400 X 12)	✓✓ 124 800	144 000	
Interest on capital (12 250 + 13 125) (24 500 + 875)	@✓✓ 25 375	26 250	
Primary distribution of profit	#✓ 150 175	170 250	320 425
Final distribution of profit	✓✓ (29 583)	(19 722)	(49 305)
Drawings for the year	✓ (25 100)	(2 000)	
Balance on the last day of the previous year	✓ (12 600)	30 200	
Balance on the last day of the current year	#✓ 82 892	178 728	
No marks for workings. @ method mark for any figure # method mark for operation – inspect			(11)

3.2
S. FLY AND G. FISH TRADING AS FLY-FISH STORE
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2007

Sales (1 216 300 ✓ - 14 300 ✓ - 40 000 ✓)	✓	1 162 000
Cost of sales	✓	(668 000)
Gross profit 6	# <input checked="" type="checkbox"/>	494 000
Other operating income	# <input checked="" type="checkbox"/>	68 700
Profit on sale of vehicles	\$ <input checked="" type="checkbox"/>	7 500
Rent income (5 100 x 12) 4	✓✓	61 200
		562 700
Operating expenses	# <input checked="" type="checkbox"/>	237 340
Trading stock deficit (82 000 ✓ - 80 900 ✓)	✓	1 100
Packing materials (22 900 ✓ - 2 400 ✓)	✓	20 500
Bad Debts (4 000 ✓ + 350 ✓)	✓	4 350
Provision for bad debts adjustment (43 100 - 350) x 6% = (2 565 - 2 155)	@ <input checked="" type="checkbox"/> ✓✓	410
Insurance (25 200 ÷ 14 x 12)	✓✓	21 600
Depreciation (5 990 ✓ + 19 500 ✓ + 26 000 ✓)	@ <input checked="" type="checkbox"/>	51 490
Repairs and maintenance	✓✓	12 000
Salaries and wages	✓	99 750
Sundry expenses 23	# <input checked="" type="checkbox"/>	26 140
Operating profit (loss)	# <input checked="" type="checkbox"/> ✓	325 360
Interest income (4 000 ✓ + [64 800 x 8/108] ✓✓)	✓	8 800
		334 160
Interest expense (143 040 ✓ - [490 000 ✓ - 410 000 ✓])	✓	(63 040)
Net profit (loss) for the year / period 11	# <input checked="" type="checkbox"/>	271 120

\$ method mark for transfer of figure from 3.1

@ method mark for any figure

method mark for operation – inspect

(44)

Marks
60

4.1	<p>Calculation of the percentage net profit on sales for 2007</p> $\frac{152\,000 \checkmark}{745\,500 \checkmark} \times \frac{100}{1}$ <p>= 20,4% <input checked="" type="checkbox"/>^^</p>	(3)
	<p>Calculation of the current ratio for 2007</p> $113\,560 \checkmark : 66\,800 \checkmark$ <p>= 1,7 : 1 <input checked="" type="checkbox"/>^^</p>	(3)
	<p>Calculation of the Debt / Equity ratio for 2007</p> $94\,840 \checkmark : 474\,200 \checkmark$ <p>= 0,2 : 1 <input checked="" type="checkbox"/>^^</p>	(3)
	<p>Calculation of percentage return earned by Nkosi on his average equity</p> $\frac{103\,000 \checkmark}{226\,330 \checkmark \checkmark} \times \frac{100}{1}$ <p>= 45,5% <input checked="" type="checkbox"/>^^</p>	(4)
4.2	<p>Use the acid-test ratio to calculate the amount of Trading Stock on hand on 28 February 2007.</p> $113\,560 - (0,6 \times 66\,800)$ <p>= 113 560 ✓ – 40 080 ✓✓</p> <p>= 73 480 <input checked="" type="checkbox"/>^^</p>	(4)

^^ method mark – if at least one aspect correct and answer in correct format

4.3	<p>Should the partners be satisfied with the control of their operating expenses? Explain briefly. Quote ratios, percentages or figures to support your answer.</p> <p><i>Alternative answers possible. Yes / No ✓ – with valid reason.</i></p> <p><i>Possible answers:</i> <i>Yes – Operating expenses on sales remained constant ✓ despite the increase in sales ✓ resulting in increase in net profit on sales from 17,2% to 20,4%.</i></p>	(3)
4.4	<p>Comment on the liquidity position of the business on 28 February 2007. Quote ratios, percentages or figures to support your answer. Mention three points in your answer.</p> <p><i>Alternative answers possible</i></p> <ul style="list-style-type: none"> ▪ <i>Current ratio decreased from 2,5: 1 to 1,7: 1</i> ▪ <i>Acid-test ratio decreased from 0,8 : 1 to 0,6 : 1</i> ▪ <i>Stock turnover rate improved from 4,5 to 6 times</i> ▪ <i>Collection from debtors has improved from 45 to 30 days</i> ▪ <i>Payments to creditors constant at 60 days</i> ▪ <i>Investments of R140 000 can be used in the event of a liquidity problem (Note to teachers: norms no longer apply due to readily accessible investments).</i> <p><i>Mentioning of the financial indicator ✓ ✓ ✓ one each</i> <i>Quoting of trend ✓ ✓ ✓ one each</i> <i>Quoting of the figures / ratios / percentages ✓ ✓ ✓ one each</i></p>	(9)
4.5	<p>Zama feels that Nkosi's drawings are unreasonable. Quote figures to support his opinion. How does this affect the business?</p> <p><i>Nkosi's current account has moved from a favourable balance of R2 350 to a negative balance of R24 690. ✓✓</i></p> <p><i>This places strain on the cash flow of the business. ✓✓</i> <i>This has improved his % return.</i></p>	(4)

<p>4.6</p>	<p>Comment on the percentage returns earned by the business and the partners. Quote ratios, percentages or figures to support your answer. Mention three points in your answer.</p> <p><i>Possible answers:</i></p> <ul style="list-style-type: none"> ▪ % return earned by the business has improved from 33,2% to 38% ▪ % return earned by Nkosi has improved from 34,4% to 45,5% ▪ % return earned by Zama has decreased from 33% to 28,2% ▪ These returns exceed those which can be earned on alternative investments e.g. on the money market (e.g. reasonable rate 7% to 9%)** <p>Mentioning of the financial indicator ✓ ✓ ✓ one each Quoting of trends ✓ ✓ ✓ one each Quoting of the figures / ratios / percentages ✓ ✓ ✓ one each</p> <p>** Note to teachers: mentioning of rates on alternative investments is worth two marks.</p>	<p>(9)</p>
<p>4.7</p>	<p>The business urgently needs a delivery vehicle which is expected to cost R300 000. In your opinion, how should the business finance the vehicle? Provide a reason for your answer.</p> <p><i>Alternative answers possible</i></p> <ul style="list-style-type: none"> ▪ Additional capital provided by the partners – this is cheap finance but it could affect their % returns ▪ Increasing long-term loans – the debt / equity ratio is low ▪ Use a combination of methods e.g. use investments – they have R140 000 on hand, balance from loans / capital <p><i>Method ✓ Explanation ✓✓</i></p>	<p>(3)</p>

Marks
45

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5.1.1	Calculate the amount of Raw Materials issued for production in 2007.		
	Balance at beginning of year	✓ 66 000	
	Bought on credit	✓ 490 720	
		556 720	
	Less Balance at end of year	✓ 64 720	
	Cost of raw materials issued	✓ 492 000	(4)

5.1.2									
Finished goods stock									
2006 Mar	1	Balance	b/d	34 000	2007 Feb	28	Cost of sales ✓		✓ 900 000
2007 Feb	28	Work in process stock ✓		#☑ 884 000			Balance	c/d	✓ 18 000
				918 000					918 000
Mar	1	Balance	b/d	#☑ 18 000					(6)

method mark for operation – inspect

5.1.3									
Factory overhead cost									
2007 Feb	28	Wages: Indirect wages (42 100 + 1 200)		✓✓ 43 300	2007 Feb	28	Work-in-process stock	✓	#☑ 289 310
	31	Salary: Factory manager		✓ 114 000					
		Water and electricity (3/4 x 26 200)		@☑✓ 19 650					
		Rent expense (90 400 x 70%)		@☑✓ 63 280					
		Indirect material cost		✓ 22 770					
		Sundry factory expenses		✓ 26 310					
				289 310					289 310
									(11)

@ method mark for any figure

method mark for operation – inspect

5.1.4									
Work-in-process stock									
2006 Mar	1	Balance	b/d	46 820	2007 Feb	28	Finished goods stock	✓	\$☑ 884 000
2007 Feb	28	Direct materials cost		\$☑ 492 000			Balance	c/d	✓ 68 310
		Direct labour cost		✓ 124 180					
		Factory overhead cost		\$☑ 289 310					
				952 310					952 310
Mar	1	Balance	b/d	#☑ 68 310					
									(10)

\$ method mark for transfer of figure from 5.1.1, 5.1.2 or 5.1.3

method mark for operation – inspect

5.2.1	<p>Calculate the total Rand amount for direct labour cost</p> <p>6,80 X 2 000 units = R13 600 ✓✓</p> <p>Calculate the factory overhead cost per unit</p> <p>R8 000 / 2 000 units = R4,00 ✓✓</p> <p><i>No marks for workings.</i></p>	(4)
5.2.2	<p>How many candles must Carol make in order to break even (i.e. to earn no profit or loss)?</p> <p>Sales - costs = Profit $R25,60x \checkmark - 13,50x \checkmark - R13\ 000 \checkmark = 0$ $x = \frac{13\ 000}{12,1 \checkmark}$ $= 1\ 075 \text{ candles} \wedge \checkmark \checkmark$</p> <p>OR</p> <p>Contribution per unit = SP per unit - Total direct costs $= R25,60 - R13,50$ $= R12,10$</p> <p>Break-even point = <u>fixed costs</u> contribution per unit $= \frac{R13\ 000 \checkmark \checkmark}{R12,10 \checkmark \checkmark}$ $= 1\ 075 \text{ candles} \wedge \checkmark \checkmark \text{ (accept 1 074)}$</p> <p><small>^^ method mark – if at least one aspect correct and answer in correct format</small></p>	(6)
5.2.3	<p>Explain two factors that she should consider before deciding to change suppliers.</p> <p><i>(Any two factors explained - ✓✓ ✓✓)</i></p> <ul style="list-style-type: none"> ▪ Labour: Cheaper raw materials might lead to more labour costs. ▪ Quality: Cheaper raw materials might be of inferior quality. ▪ Loyalty: to existing supplier 	(4)

Marks
45

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QUESTION 6

6.1	<p>Provide the missing details in the account represented by:</p> <p>(a) Income accrued/ Income receivable ✓✓</p> <p>(b) Income received in advance / Deferred income ✓✓</p> <p>(c) Bank ✓✓</p>	(6)
6.2	<p>Provide explanations for the entries:</p> <p>R4 000: Honoraria to the secretary and treasurer is offset against the fees owed by them. ✓✓</p>	(2)
6.3	<p>Calculate the number of members who had not settled their 2006 fees in 2006.</p> <p>R28 800 / R1 600 = 18 members ✓✓ <i>No marks for workings.</i></p> <p>Calculate the number of members written off the club register in 2007.</p> <p>18 \$☑ – 4 = 14 members ✓</p> <p>\$ method mark for transfer of figure from above</p> <p>Calculate the number of members in the club on 31 December 2007.</p> <p>115 – 14 + 3 – 5 = 99 members ^^☑✓✓</p> <p>^^ method mark – if at least one aspect correct</p>	(7)

6.4	<p>Provide the missing figures in the ledger account represented by:</p> <p>(d) $14 \text{ } \\$\boxed{} \times \text{R}1\,600 \checkmark = \text{R}22\,400 \text{ } \wedge\boxed{}$</p> <p>(e) $(99 \times \text{R}2\,000 \checkmark) + (5 \times \text{R}1\,000 \checkmark) = \text{R}203\,000 \checkmark\checkmark$</p> <p>\$ method mark for transfer of figure from 6.3 ^^ method mark – if at least one aspect correct</p>	(7)
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6.5	<p>Provide two points to support the club chairperson's opinion, quoting appropriate figures.</p> <p><i>(Any two valid points) ✓✓ ✓✓</i></p> <p>21 members have not settled their fees for 2007. 14 members were written off in 2007 Only 3 members joined the club in 2007</p> <p>Provide two suggestions to solve the problem.</p> <p><i>(Any two valid suggestions) ✓✓ ✓✓</i></p> <p>Withdraw privileges from members who have not paid. Give incentives for early payment. Improve the club's facilities to keep members happy and to attract new members.</p>	(8)
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Marks
30

QUESTION 7

7.1.1	<p>Calculate the selling price of the shower gel excluding VAT.</p> $R27 \checkmark \times \frac{133,3 \checkmark}{100}$ $= R36 \text{ ^^} \checkmark$ <p>^^ method mark – if at least one aspect correct</p>	(3)
7.1.2	<p>Calculate the amount of VAT that the business has to charge on this item.</p> $R36 \text{ \$} \checkmark \times 14\% \checkmark$ $= R5,04 \text{ ^^} \checkmark$ <p>\$ method mark for transfer of figure from 7.1.1 ^^ method mark – if at least one aspect correct</p>	(3)
7.1.3	<p>Calculate the amount that will be reflected on the price tag for this article when it is displayed in the shop.</p> $R36 \checkmark \times \frac{114 \checkmark}{100}$ $R41,04 \checkmark$	(3)

7.2.1	<p>Give two examples of zero-rated items.</p> <p><i>(Any two items) ✓ ✓</i> Bread Milk Vegetables, etc.</p>	(2)
7.2.2	<p>Explain why the items in 7.2.1 are zero-rated.</p> <p><i>Reason ✓✓</i> Essential basic items (any other reasonable explanation)</p>	(2)
7.2.3	<p>Calculate the total VAT that was included in the sales amount for the year.</p> <p>R2 311 800 ✓ – R905 610 ✓</p> <p>= R1 406 190 ✓ $\times \frac{14}{114}$ ✓</p> <p>= R172 690 ^{^^}✓</p> <p>^{^^} method mark – if at least one aspect correct</p>	(6)
7.3.1	<p>Give a brief explanation of the nature of your job as internal auditor.</p> <p><i>Simplistic answer - ✓</i> <i>Evidence of understanding / Further clarification ✓✓</i></p> <p>Possible answers: To check the financial records of a business. To ensure that there are effective internal controls in place.</p>	(3)
7.3.2	<p>Briefly explain two problems that could occur in a business regarding VAT.</p> <p><i>(Any two valid points) ✓✓ ✓✓</i></p> <p>Possible answers:</p> <ul style="list-style-type: none"> ▪ Charging VAT on zero-rated items ▪ Underpay SARS for VAT collected ▪ Errors in calculation of VAT ▪ Errors in programming of cash registers re calculation of VAT 	(4)

7.4.3 **The manager director of the business has approached you for advice. In your opinion, should he close down this department? Explain two points to support your opinion.**

Yes / No ✓ Reasons to support opinion – Any two valid points ✓✓ ✓✓

Possible reasons:

- The department is earning a profit / Maybe the profit does not justify the extra overhead expenses such as the salary of the assistants in this department.
- Buy smaller quantities of stock more often to keep stock fresh – profit can be increased further by adopting this approach.
- The fruit & vegetables department attracts customers who will generate profits in the other departments.

(5)

Marks
45