



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 11

ACCOUNTING

EXEMPLAR 2013

MEMORANDUM

MARKS: 300

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 item). No double penalty applied.
2. Full marks for correct answer. If answer 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 penalties are applied, the marks for that section of the question cannot be a final negative.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
8. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.

This memorandum consists of 16 pages.

QUESTION 1

1.1

Calculate the VAT amount owing to SARS at the end of June 2013.

CRJ	✓✓ 197 820
CPJ	✓ -173 880
DJ	✓✓ +73 290
DAJ	✓ -10 395
CJ	✓ -87 255
CAJ	✓ +10 815
Bad debt	✓✓ -840
Drawings	✓✓ +1 890
	✓ 11 445

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1.2

**LEDGER OF DURBAN DARTS CLUB
MEMBERSHIP FEES**

2012 Jan	1	Income receivable	✓ 3 150	2012 Jan	1	Deferred income	✓ 1 750
Dec	31	Deferred income✓	✓ 1 400	Dec	31	Bank✓	✓ 31 500
		Income and expenditure✓	✓ 31 150			Membership fees written off✓	✓ 1 050
						Income receivable✓	✓ 1 400
			35 700				35 700

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- 1.3.1 List the changes that Max Traders will make in the Creditors' Ledger Account of Boo Wholesalers to arrive at the correct balance.

Balance per Creditors' Ledger Account	24 880
Correction of Debit Note 40	✓✓ +180
Correction of Debit Note 48	✓✓ -70
Correct balance	✓ 24 990

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- 1.3.2 Prepare a Creditors' Reconciliation Statement on 31 May 2013.

	Debit	Credit
Balance per statement	✓ 25 360	
Correction of Invoice 164	✓✓ 5 600	
Correction of Invoice 175		✓✓ 10 400
Debit Note 48 not processed		✓✓ 670
Invoice 182 not yet processed	✓✓ 5 100	
Balance per Creditors' Ledger Account		☑ 24 990
	<u>36 060</u>	<u>36 060</u>

OR SINGLE COLUMN METHOD:

Balance per statement	✓ 25 360	
Correction of Invoice 164	✓✓ +5 600	
Correction of Invoice 175	✓✓ -10 400	
Debit Note 48 not processed	✓✓ -670	
Invoice 182 not yet processed	✓✓ 5 100	
Balance per Creditors' Ledger Account	☑ 24 990	

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TOTAL MARKS
40

QUESTION 22.1 **List the THREE FIXED COSTS from the list of costs provided.**

Fixed Cost 1	Salary: Factory Foreman ✓
Fixed Cost 2	Factory Rental cost ✓
Fixed Cost 3	Salary: Accountant ✓

3

2.2.1

RAW MATERIALS STOCK ACCOUNT

2012 Mar	1	Balance b/d	✓ 80 000	2013 Feb	28	Raw materials issued ✓	✓ 155 500
2013 Feb	28	Bank ✓ (120 000+ 10 500)	✓✓130 500			Balance c/d	✓ 55 000
			210 500				210 500
2013 Mar	1	Balance b/d	✓ 55 000				

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2.2.2

WORK-IN-PROCESS STOCK ACCOUNT

2012 Mar	1	Balance	✓ 25 000	2013 Feb	28	Finished goods stock✓	☑ 1 032 150
2013 Feb	28	Direct labour cost ✓	✓ 550 000			Balance	✓ 40 000
		Direct materials cost ✓	☑ 155 500				
		Factory overhead cost ✓	☑ 341 650				
			see 2.2.3				
			1 072 150				1 072 150
2013 Mar	1	Balance	☑ 40 000				

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2.2.3

FACTORY OVERHEADS COST

2012 Feb	28	Water and electricity (27 000 x $\frac{2}{3}$)	✓✓ 18 000	2012 Feb	28	Work-in-process stock ✓	☑ 341 650
		Rent (39 600 x $\frac{2}{3}$)	✓✓ 46 400				
		Indirect materials (7 500✓ + 22 300✓ + 700✓ – 5 300✓ = R25 200 x $\frac{3}{4}$ ✓)	✓ 18 900				
		Factory foreman's salary	✓ 120 000				
		Cleaner's wages (37 800 x 75%)	✓✓ 28 350				
		Sundry expenses	✓ 110 000				
			341 650				341 650

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2.3.1 Use the figures you calculated in QUESTION 2.2.3 to calculate the unit cost of production of a 1 kg packet of cat food. Show your workings.

$$R1\ 032\ 150 \checkmark / 50\ 000 \text{ packets } \checkmark = R20,64 \checkmark$$

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2.3.2 Calculate the break-even point. Show your workings.

$$\frac{\overset{\checkmark\checkmark}{841\ 200}}{\underset{\checkmark}{41,28} - \underset{\checkmark}{19,17}} = 38\ 046 \checkmark$$

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2.3.3 Explain the advice you would give to the owners about the proposal that will be discussed at the management meeting. Explain TWO points.

Two valid points $\checkmark\checkmark$ $\checkmark\checkmark$

Possible responses:

- Although this will reduce costs per packet and decrease the break-even point, it is not ethical.
- Consumers will get wise to this strategy and move to competitors' products.
- Rather look at other strategies, e.g. ensure that workers are efficient (better training); negotiate better prices on raw materials; ensure that there is no wastage of raw materials.

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TOTAL MARKS
50

QUESTION 3**KAYDEE TRADERS
NOTES TO FINANCIAL STATEMENTS****3.1.1 FIXED ASSETS**

	Land and Buildings	Equipment
Carrying value at the beginning of the year	2 296 920	340 000
Cost price (2 465 920 – 169 000)	✓ 2 296 920	620 000
Accumulated depreciation	-	(280 000)
Movements		
Additions at cost	✓ 140 000	
Disposals at carrying value		✓✓ (6 000)
Depreciation for the year (E: 120 400 ✓ + 3 000 ✓✓) operation if one part correct		☑ (123 400)
Carrying value at the end of the year operation	2 436 920	☑ 210 600
Cost price	✓ 2 436 920	✓ 602 000
Accumulated depreciation	-	✓✓ (391 400)

3.1.2 CURRENT ACCOUNTS

	Kay	Dean
Net profit as per Income Statement both columns <input checked="" type="checkbox"/>	480 000	540 000
Partners' salaries	✓ 240 000	✓ 240 000
Interest on capital	✓ 180 000	✓✓ 105 000
Partners' bonuses	-	✓ 175 000
Primary distribution of profit operation	<input checked="" type="checkbox"/> 420 000	<input checked="" type="checkbox"/> 520 000
Final distribution of profit	✓✓ 60 000	✓✓ 20 000
Drawings for the year K:270 000 ✓ + 32 000 ✓	✓ (302 000)	✓ (320 000)
Retained income for the year operation, both columns <input checked="" type="checkbox"/>	178 000	220 000
Balance at the beginning of the year	✓ (55 000)	✓ 160 000
Balance at the end of the year operation	<input checked="" type="checkbox"/> 123 000	<input checked="" type="checkbox"/> 380 000

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3.2 KAYDEE TRADERS BALANCE SHEET AS AT 28 FEBRUARY 2013

Balance Sheet totals do not have to agree to get method marks for totals

ASSETS			
Non-current assets	operation if one part correct	<input checked="" type="checkbox"/>	3 437 520
✓ Fixed assets	Inspect reasonable see 3.2.1	<input checked="" type="checkbox"/>	2 647 520
✓ Financial assets (850 000 - 60 000)		<input checked="" type="checkbox"/>	790 000
	6		
Current assets	operation if one part correct	<input checked="" type="checkbox"/>	851 480
✓ Inventories (695 130 ✓ - 32 000 ✓)		<input checked="" type="checkbox"/>	663 130
✓ Trade and other receivables (128 000 ✓ - 6 000 ✓ - (12 500 ✓ - 5 180 ✓) + 11 670 ✓)	operation if one part correct	<input checked="" type="checkbox"/>	126 350
✓ Cash and cash equivalents (60 000 ✓ + 2 000 ✓)	operation if one part correct	<input checked="" type="checkbox"/>	62 000
TOTAL ASSETS	operation	<input checked="" type="checkbox"/>	4 289 000
	17		
EQUITY AND LIABILITIES			
Partners' equity	operation if one part correct	<input checked="" type="checkbox"/>	3 503 000
Capital		<input checked="" type="checkbox"/>	3 000 000
Current	Inspect reasonable see 3.2.2	<input checked="" type="checkbox"/>	503 000
	3		
Non-current liabilities			388 125
Loan: Goodwill Bank (430 000 ✓ + 78 125 ✓ - 120 000 ✓)	operation if one part correct	<input checked="" type="checkbox"/>	388 125
	4		
Current liabilities	operation if one part correct	<input checked="" type="checkbox"/>	397 875
✓ Trade and other payables (244 375 ✓ + 12 200 ✓ + 6 600 ✓ + 7 400 ✓✓)	operation if one part correct	<input checked="" type="checkbox"/>	270 575
✓ Bank overdraft (9 800 ✓ - 2 500 ✓)		<input checked="" type="checkbox"/>	7 300
✓ Current portion of loan		<input checked="" type="checkbox"/>	120 000
	15		
TOTAL EQUITY AND LIABILITIES	operation	<input checked="" type="checkbox"/>	4 289 000

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TOTAL MARKS
80

QUESTION 4

4.1

4.1.1	D ✓
4.1.2	C ✓
4.1.3	A ✓
4.1.4	E ✓
4.1.5	B ✓

5

4.2.1

Calculate the following financial indicators for 2013:**(a) Acid-test ratio**

$$\overset{\checkmark}{(1\ 320\ 000 - 920\ 000)} : \overset{\checkmark}{440\ 000} = \overset{\checkmark}{400\ 000} : \overset{\checkmark}{440\ 000} = 0,9 : 1$$

(b) Average debtors collection period

$$\frac{\overset{\checkmark}{\frac{1}{2}(280\ 000 + 130\ 000)}}{\overset{\checkmark}{(60\% \times 3\ 900\ 000)}} \times \overset{\checkmark}{\frac{365}{1}} = \frac{\overset{\checkmark}{205\ 000}}{\overset{\checkmark}{2\ 340\ 000}} \times \overset{\checkmark}{\frac{365}{1}} = 32,0 \text{ days}$$

(c) Debt-equity ratio

$$\overset{\checkmark}{900\ 000} : \overset{\checkmark}{2\ 110\ 000} = \overset{\checkmark}{0,4} : 1$$

(d) Operating expenses on sales

$$\frac{\overset{\checkmark}{680\ 000}}{\overset{\checkmark}{3\ 900\ 000}} \times \overset{\checkmark}{\frac{100}{1}} = \overset{\checkmark}{17,4\%}$$

(e) % return on average partners' equity

$$\frac{\overset{\checkmark}{603\ 000}}{\overset{\checkmark}{\frac{1}{2}(2\ 110\ 000 + 1\ 940\ 000)}} \times \overset{\checkmark}{\frac{100}{1}}$$

$$= \frac{\overset{\checkmark}{603\ 000}}{\overset{\checkmark}{2\ 025\ 000}} \times \overset{\checkmark}{\frac{100}{1}}$$

$$= 29,8\% \checkmark$$

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4.2.2 **The partners are satisfied with the manner in which they have controlled the operating expenses in 2013. Quote TWO financial indicators (actual figures or percentages) to support their opinion.**

Expected responses: Any two responses ✓✓ ✓✓

- Although the operating expenses increased by R20 000 (from R660 000 to R680 000), the sales increased by R700 000 (from R3,2m to R3,9m).
- The % operating expenses on sales decreased from 20,6% to 17,4% indicating that the operating expenses were well controlled considering the increase in customers.
- The % operating profit on sales improved from 16,9% to 18,5% indicating that the good control of expenses resulted into an improved net profit (the business is now earning 18,5c in each R1,00 of sales compared to 16,9c in the previous year).

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4.2.3 **Comment on the liquidity situation of the business for 2013. Quote financial indicators (actual figures or percentages) to support your answer. State FIVE points.**

Expected responses: Any five responses ✓✓ ✓✓ ✓✓ ✓✓ ✓✓

- The current ratio increased from 1,6: 1 to 2,9 : 1. It is now too high as it is wasteful to keep so many current assets which do not earn a return.
- The acid-test ratio has been maintained at 0,9 : 1 for both years indicating that the business, being a clothing store, can operate successfully at this level. However, the big difference between the current ratio and acid-test ratio indicates that high levels of stock are a problem. The business must aim to maintain stock at a more efficient level.
- The stock turnover rate has decreased from 9 times per year to 4 times per year indicating that now there is too much stock on hand which might not be sold. The stock level has increased from 44 days to 84 days (stock has increased from R230 000 to R920 000).
- The debtors are settling their accounts reasonably well, in 32 days compared to 30,4 days the previous year. The business must ensure that this is kept below the normal credit terms of 30 days.
- The creditors' payment period has increased from 22 days to 32 days which is the same as the debtors' collection period. However, the business must ensure that this is also brought to below 30 days so as not to upset the suppliers.

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4.2.4 **The partners thought it was a good idea to use more loans in 2013. Quote TWO financial indicators (actual figures or percentages) to support their opinion. What did they do with the money that they borrowed and how did this benefit the business?**

Expected responses:

- The debt-equity ratio has increased from 0,1:1 to 0,4:1. Although this is a significant increase the business is not in a risky situation as the equity is still more than double the loans. ✓✓
- The interest rate on the loans has not increased and is still at 13% which is lower than the % return the business is earning. ✓✓
- They borrowed an extra R700 000. ✓
- The non-current (fixed) assets increased by R200 000 which will help the business grow in future. ✓✓
- The stock went up by R690 000 but this was not necessary as there is now too much stock on hand which might go out of fashion quickly. ✓✓

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4.2.5 **Comment on the % returns earned by the business. Temba is very satisfied with his returns, but Jolene is quite disappointed. Explain why they feel this way. Quote financial indicators (actual figures or percentages) to support your answer.**

Expected responses:

- The % return of the business improved from 26,4% to 29,8%. This significantly exceeds the returns that can be earned on alternative investments such as fixed deposits or shares. ✓✓
- Temba's return has increased significantly from 24% to 38,1% which greatly exceeds the returns on alternative investments. This is due to the fact that his salary increased by R60 000 and he is also now earning a bonus of R83 000. ✓✓✓
- Jolene's return has dropped from 28,9% to 23,1%. She will be disappointed by this as she has increased her capital by R200 000 and she now provides the same capital as Temba and is presumably working the same hours as Temba as their salaries are now equal. ✓✓✓

8

TOTAL MARKS
55

QUESTION 5

5.1 **Explain ONE similarity between a Cash Budget and a Projected Income Statement:**

Valid explanation ✓✓

Both estimate or project figures for the future (expected figures).
Both are important forms of internal control in a business.

Explain one difference between a Cash Budget and a Projected Income Statement:

Valid explanation ✓✓

The Cash Budget reflects the expected cash receipts and payments.
The Projected Income Statement reflects expected income, expenses and profit.

4

5.2 **Debtors' Collection Schedule:**

	Credit sales	Dec 2013	Jan 2014	Feb 2014
Sep 2013	30 000	2 100		
Oct 2013	40 000	14 000	2 800	
Nov 2013	40 000	12 000	14 000	2 800
Dec 2013	64 000✓	12 160✓✓	19 200✓✓	22 400✓✓
Jan 2014	36 000		6 840	10 800
Feb 2014	36 000			6 840
	operation ✓	40 260	42 840	42 840

8

5.3 **Identify the figures in the Cash Budgeted denoted A to H.**

A = R538 ✓	E = R700/0,06 x 12 = R140 000 ✓✓✓ <small>one part correct</small>
B = R26 798 ✓	F = 96 000 x 100/160 = R60 000 ✓✓
C = R26 798 ✓ <small>see B above</small>	G = R19 200 ÷ 4 x 3 x 1,03 = R14 832 ✓✓✓ <small>one part correct</small>
D = 33⅓% x R96 000 = R32 000 ✓✓	H = R900 x 1,1 x 1,1 = R1 089 ✓✓

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5.4 **Why would the staff members feel this way? State TWO points.**

Any two valid points, e.g. ✓✓ ✓✓

- Their salaries have gone up by only 3% which does not meet inflation
- They will probably have to work harder or longer hours because one staff member has not been replaced
- They worked over the December period without a break and they might feel that they are not appreciated.

What could Wesley say to them to resolve the problem? State ONE point.

Any one valid point, e.g. ✓✓

- He could say that he will review the salaries later in the year and give them a further increase later or a bonus if the sales increase
- The cash flow of the business is under strain because he has increased the loan
- They must understand that the business cannot afford to give a large increase; if the business incurs more expenses it might well have to close down in which case they could all lose their jobs.

6

5.5 **In your opinion is Wesley controlling the collection from his debtors well? Explain, quoting figures to support your answer.**

Expected response:

No, because they should all settle their debts within 30 days. Only 50% of them are doing so. 8% of them are not paying at all and are being written off. Maybe he should not simply offer the 5% discount if they pay in the current month as the intention is to encourage the slow payers to settle their debts in the month after the sale transaction month.

Excellent answer = 3 marks; Good = 2; Satisfactory = 1; Incorrect = 0.

3

5.6 **Comment on Rent Income and offer ONE point of advice to Wesley.**

Any valid response, e.g. ✓✓

Wesley should be disappointed as this amount is R6 000 under budget. He must investigate why this is. Possibly the tenant is defaulting on the payment of rent, or the tenant might have moved out. Wesley should try to find a more reliable tenant.

Comment on Telephone Expense and offer ONE point of advice to Wesley.

Any valid response, e.g. ✓✓

This expense is R2 200 over-budget. Wesley must keep greater control over the use of the telephone. He could install codes on the phone to track who is using it and charge staff members for personal calls.

4

TOTAL MARKS
40

QUESTION 6: PERIODIC STOCK AND PROBLEM-SOLVING

6.1.1

**LEDGER OF ALPHA STATIONERY SHOP
FINAL ACCOUNTS SECTION
TRADING ACCOUNT**

F1

2013 Feb	28	Opening stock	✓ 245 000	2013 Feb	28	Sales	✓ 1 532 900
		Purchases (960 000 ✓ - 26 000 ✓ - 6 300 ✓ + 54 000 ✓ + 4 800 ✓)	✓ 978 500			Closing stock	✓ 302 000
		Carriage on purchases (35 000 ✓ + 4 800 ✓)	✓ 39 800				
		Customs duty	✓✓ 21 600				
		Profit and Loss (Gross profit)	☑ 550 000				
			<u>1 834 900</u>			<i>Details -1; Max -3</i>	<u>1 834 900</u>

15

6.1.2 **Calculate cost of sales. Show ALL workings.**

See 6.1.1 above

$$\begin{array}{cccccc} \checkmark & \checkmark & \checkmark & \checkmark & \checkmark & \checkmark \\ 245\,000 + 978\,500 + 39\,800 + 21\,600 - 302\,000 = R982\,900 \end{array}$$

6

6.1.3 **Calculate the mark-up % achieved.**

$$\begin{array}{ccc} \checkmark & & \checkmark \\ \frac{550\,000}{982\,900} \times \frac{100}{1} = 56\% \\ \checkmark & & \end{array}$$

3

6.1.4 **The business aims at a mark-up % of 65%. Give TWO possible reasons for the actual mark-up % being different to the intended mark-up %.**

Any two valid reasons e.g. ✓ ✓

- Trade discounts offered to customers
- Theft of stock
- Errors in pricing the stock

2

6.2

	Pete's shop	Jack's shop	Sam's shop
Problem identified (with figures)	Identify one problem ✓ Figures ✓ His sales income is R1 000 short. Should be R7,50 x 1 960 bottles = R14 700.	Identify one problem ✓ Figures ✓ His closing stock is 100 bottles short. Should be 600 + 1 600 – 1 820 = 380 bottles.	Identify one problem ✓ Figures ✓ He is not selling very much stock. Out of 1 300 bottles supplied, he sold only 400. Maybe he is not working hard enough. The gross profit on 400 bottles is only R1 000 which only just covers his wage.
Suggested solution to the problem	One valid solution ✓ Check his internal control over cash. Collect cash on a daily basis. Subtract the R1 000 from his wage.	One valid solution ✓ Check his internal control over stock. Subtract 100 x R5 = R500 from his wage.	One valid solution ✓ Check the shop every day at random hours to see if Sam is on duty. Issue smaller quantities to the shop. Investigate whether the shop should be relocated to another venue.

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TOTAL MARKS
35