



HILLCREST HIGH SCHOOL

ACCOUNTING EXAM

PAPER 2

JUNE 2019

GRADE 11

MARKS: 150

TIME: 2 HOURS

INSTRUCTIONS AND INFORMATION:

1. You are provided with a question paper, **FORMULA SHEET** and an **ANSWER BOOK**.
2. This question paper comprises of 3 compulsory questions. Answer ALL the questions.
3. **Calculations must be shown in order to achieve part-marks.**
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 50 marks; 45 minutes	
Topic of the question:	This question integrates:
<i>Reconciliations</i>	Concepts Bank Reconciliation Interpretation
QUESTION 2: 60 marks; 50 minutes	
Topic of the question:	This question integrates:
<i>Manufacturing</i>	Concepts Ledger Accounts Break-even Point
QUESTION 3: 40 marks; 25 minutes	
Topic of the question:	This question integrates:
<i>Ratios and analyses and interpretations</i>	Ratios Analysis Interpretations

**QUESTION:1 Concepts, Bank Reconciliation and Interpretation
(50 Marks; 45 Mintues)**

- 1.1 Indicate whether the following statements are TRUE OR FALSE
- 1.1.1 An internal auditor will want to inspect the Bank Reconciliation Statement at the end of each month.
 - 1.1.2 Service fees and interest on an overdraft will be recorded as bank charges in the Cash Payments Journal.
 - 1.1.3 A debit balance on the Bank Statement reflects an unfavourable balance.
 - 1.1.4 A post-dated cheque issued in June 2019, but dated July 2019, will be entered in the Cash Payments Journal for June 2019. (4)
- 1.2 TLALI TRADERS
REQUIRED:
The information has been taken from the books Tlali Traders on 31 May 2019.
- 1.2.1 Use the given information to complete the Cash Receipts Journal and Cash Payments Journal for May 2019.
NOTE: You are required to give the details and the amounts. (19)
 - 1.2.2 Prepare the Bank Account in the General Ledger on 31 May 2019. (9)
 - 1.2.3 Prepare the Bank Reconciliation Statement on 31 May 2019. (7)
 - 1.2.4 T Tall is the owner of Tlali Traders. A new bookkeeper, A Nuttall, has recently been employed and she is not sure why it is important to prepare a Bank Reconciliation Statement at the end of every month.
Provide THREE reasons (6)
 - 1.2.5 Give THREE advantages of internet banking. (3)
 - 1.2.6 Why does cheque 117 still appear on the bank reconciliation statement of May 2019. Give ONE reason. (2)

INFORMATION:

1. The following items appeared in the Bank Reconciliation Statement on 30 April 2019:

Unfavourable balance on the bank statement	2 860
Outstanding deposit	2 000
Outstanding cheques:	
No. 015 (20 November 2018)	150
No. 100	500
No. 117 (1 July 2019)	1 320
No. 118	460
Credit correction of error	1 640
Balance as per Bank Account	?

2. Before receiving the May 2019 Bank Statement, the following provisional totals appeared in the Cash Journals:

- CRJ R49 926
- CPJ R49 800

3. The Bank Statement for May 2019 shows the following items which do not appear in the Cash Journals:

- A deposit of R2 000 was received from a tenant, J Kelly on 30 April 2019.
- On 20 May 2019, a new cheque, no. 121 for R300, to replace cheque no. 015 was issued to Woodco, for trading stock purchased.
- Tlali Traders recorded cheque. No. 118 incorrectly as R640 instead of R460. It had been issued to The Highway Mail for an advert placed in the local newspaper. The error must be corrected.
- Cheque no. 100 has been outstanding for some time. It had been issued to PNA Stationers. This cheque must be cancelled as PNA Stationers are no longer in existence.
- A stop order in favour of BuzzBee Insurers for insurance, R1 520
- Interest on a favourable Bank balance, R400
- Bank charges totalling R786
- The error made by the bank was corrected, R1 640.

- A direct deposit made by Hopkins (a debtor), R4 100 in settlement of his account of R4 150.
4. The following items appeared in the Cash Journals but not in the May Bank Statement:
- Cheque no. 112 for R800 (dated 5 June 2019)
 - Cheque no. 113 for R400 (dated 15 June 2019) for a deposit on computer equipment bought from Incredible Connections
 - A deposit of R2 500 made on 31 May 2019
5. Calculate the Bank Statement balance on 31 May 2019.

Question 2: Manufacturing (60 Marks; 50 Minutes)

2.1 COST CONCEPTS

Match the description in COLUMN B with the concept in COLUMN A. Write only the letter (A–E) next to the question number (2.1.1 – 2.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.1.1	Fixed costs	A	Wages in the production process.
2.1.2	Direct Labour cost	B	Raw materials issued for production
2.1.3	Selling and Distribution cost	C	Cost stay the same although more units are produced
2.1.4	Direct material cost	D	Salary of Factory cleaner
2.1.5	Indirect Labour cost	E	Commission paid

(5)

2.2 PASELLA MANUFACTURERS

Pasella Manufacturers manufacture school clothes. The financial year ends on the last day in March.

Required:

- 2.2.1 Calculate the direct labour cost.

(7)

2.2.2 Complete the following Ledger Accounts and balance/close off the accounts on 31 March 2019:

- Raw Materials (8)
- Work in Progress account (8)
- Finished Goods Stock (6)
- Factory Overhead Cost Account (13)

Information:

A Balances on 1 April 2018

Raw Material Stock	R314 000
Work in Progress Stock	R286 450
Finished Goods Stock	R146 900

B **Transactions for the year ended on 31 March 2019**

- (i) Direct Material
- Bought for cash, R355 800
 - Bought on credit, R521 800
 - Returned to providers, R26 600
 - Paid cash for carriages on purchases, R33 400

(ii) Wages paid to Factory workers:

Number of factory workers	5
Normal time expected per worker per year	1 800 hours
Normal time rate	R60 per hour
Bonuses to workers: 25% of normal wages	

- Employer's contributions
 - 9% to the pension fund
 - 1% to UIF
- (iii) Salary paid to factory foreman, R116 950
- (iv) Consumable Stores issued to the production process amounted to R44 500

- (v) Paid maintenance on factory equipment R43 000. An amount of R4 800 for March 2019 is still outstanding for maintenance to the fabric.
- (vi) Total water and electricity paid, R36 000. It must be divided between the factory and the administrative block in the relation of 5:1
- (vii) Rent paid, R102 900 (it includes the rent for April and May 2019) On 1 November the rent increased with 10%. Each department pay rent according to the floor space covered – the factory covers 800 m² of the total surface area of 1 000²)
- (viii) Bad debts for the year amounts to R45 678
- (ix) Depreciation for the year:
 - Factory equipment, R86 000
 - Vehicles, R36 600
 - Office equipment, R13 600

C Balances on 31 March 2019

Raw Material Stock	R323 400
Work in Progress Stock	R277 550
Finished Goods Stock	R455 050

2.3

Dazzle Manufacturers

During the year ending 31 March 2019 Dazzle manufactured and sold 8 000 handbags to the public. Number of units produced in 2018 was 7 700 and the break-even point was 7 900 units.

Required:

- 2.3.1 Calculate the direct material cost per unit for 2019. (3)
- 2.3.2 Calculate the break-even point for the year ending 31 March 2019. (4)
- 2.3.3 Comment on the break-even point for 2019. (6)

Information:

The following information was taken from the books:

	TOTAL	PER UNIT
Sales	R3 600 000	R450
Total variable costs	R1 200 000	R150
Total fixed costs	R2 480 000	R310
Direct material costs	R1 040 000	?

**QUESTION 3: Analysis and Interpretation of Financial Statements
(40 Marks; 25 Minutes)**

The information provided was extracted from the Financial Statements of Tanda Traders. Partners are A Tanya and P Daniel.

All calculations in this question must be **rounded-off to 2 decimal places.**

Required:

- 3.1 Calculate the percentage return on the partnership's average equity. Comment and use figures to support your answer. (9)
- 3.2 Calculate the percentage return earned by A Tanya on her average equity. Should she be satisfied? Substantiate your answer. (9)
- 3.3 Calculate the Debt : Equity ratio for 2019 (3)
- 3.4 Comment on the liquidity position of the business. Quote THREE relevant financial indicators (actual figures / ratios / percentages) and their trends. (9)
- 3.5 Comment on the following financial indicators. Note that the intended mark-up is 50% on cost of sales.
 - % Gross profit on cost of sales (3)
 - % Operating expenses on sales (3)In each case, provide a reason for the improvement or the decline, with figures.
- 3.6 Was it a good idea to increase the loan? Use financial indicators with figures / percentages to support your answer. (4)

Information:

1. Extract from the Balance Sheet

	28 February 2019	28 February 2018
Owner's Equity	420 000	234 000
Capital: A Tanya	200 000	160 000
Capital: P Daniel	200 000	80 000
Current Account: A Tanya	8 000	2 000
Current Account: P Daniel	12 000	(8 000)
Non-current liabilities	360 000	280 000

2. **ADDITIONAL INFORMATION**

- a. The net profit for the year ended 28 February 2019 amounted to R58 000
- b. Partner A Tanya earned a total of R37 000 for the year ended 28 February 2019
- c. The following financial indicators were calculated for 2019:

RATIO	2019	2018
% Return earned on business equity	?	24%
% Return earned by A Tanya	?	26%
% Return earned by P Daniel	23%	23%
Debt : Equity ratio	?	1,2 : 1
Current ratio	2,29 : 1	1,6 : 1
Acid Test ratio	1,57 : 1	0,6 : 1
Average debtors' collection period	30 days	55 days
% Operating expenses on turnover	40%	50%
% Gross profit on cost of sales	50%	60%

- d. The debtors' payment period is 30 days as per the credit policy.
- e. Creditors are settled after 60 days as stated in the creditors' agreement.
- f. The interest rate on the loan from Rand Bank is 21% p.a. Interest paid during the current year amounted to R57 600.
- g. Money can be invested at 10% interest p.a.

GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Owners' equity	Total assets: Total liabilities	