



**HILLCREST HIGH SCHOOL
ACCOUNTING EXAM
PAPER 2
NOVEMBER 2019
GRADE 11**

MARKS: 150

TIME: 2 HOURS

INSTRUCTIONS AND INFORMATION:

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions
3. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black 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: 26 marks; 20 minutes	
Topic of the question:	This question integrates:
<i>Reconciliation VAT calculations</i>	Bank reconciliation VAT Calculations
QUESTION 2: 45 marks; 40 minutes	
Topic of the question:	This question integrates:
<i>Manufacturing</i>	Concepts Ledger Accounts Interpretation of unit costs
QUESTION 3: 54 marks; 40 minutes	
Topic of the question:	This question integrates:
<i>Projected Income Statement</i>	Debtors Collection Schedule Projected Income Statement
QUESTION 4: 25 marks; 20 minutes	
Topic of the question:	This question integrates:
<i>Control of working capital</i>	Analysis and interpretation of cash, stock, debtors and creditors

QUESTION 1: BANK RECONCILIATION AND VAT (26 marks; 20 minutes)

The following information relates to BRAZILIA Traders for July 2019.

REQUIRED:

- 1.1.1 Calculate the correct balance of the Bank Account in the General Ledger on 31 July 2019. State if this balance is favourable or unfavourable. (8)
- 1.1.2 Prepare the Bank Reconciliation Statement on 31 July 2019. (6)
- 1.1.3 Refer to Information C. Explain ONE internal control measure that the business should implement to ensure that this will not happen in the future. (2)

INFORMATION:

- A. Extract from the Bank Reconciliation Statement on 30 June 2019:

Favourable balance as per Bank Statement	R42 555
Outstanding deposit: (dated 11 June 2019)	R37 800
Outstanding cheques:	
No. 186 (dated 22 January 2019)	R450
No. 305 (dated 30 August 2019)	R8 400

- B. The balance in the Bank Account was provisionally calculated as a favourable balance of R16 785 on 31 July 2019, before taking into account the items listed below.
- C. Cheque No. 186 does not appear on the Bank Statement for July 2019.
- D. The following items appeared only on the July Bank Statement:
- Interest earned on favourable bank balance, R285
 - Bank charges, R950
 - Unidentified debit order of R1 950. The bank promised to correct this error on the August 2019 Bank Statement.
- E. Cheque No. 374 appeared correctly on the Bank Statement as R8 450. The Cash Journal shows it as R4 850.
- F. The outstanding deposit of R37 800 does not appear on the Bank Statement for July 2019. An investigation revealed that this money was never deposited. The cashier has disappeared.

G. The following entries were only in the Cash Journals for July 2019:

- A deposit of R27 180 made on 31 July 2019
- Cheque No. 401 (dated 18 July 2019), R18 600

H. The balance on the Bank Statement on 31 July 2019 is the missing figure.

1.2 VAT

1.2.1 Explain the following concepts:

- Standard rated items (1)
- Zero – rated items (1)
- VAT exempted items (1)

1.2.2 Complete the following table in your ANSWER BOOKLET. Assume all goods and services are subject to VAT at 15%. (Round off to the nearest rand) (7)

Value exclusive of VAT	VAT amount	Value inclusive of VAT
16 200	A	?
B	?	36 937
C	252	D
300	?	E
F	G	457

TOTAL MARKS: 26

QUESTION 2: MANUFACTURING**(45 marks; 40 minutes)**

2.1 Give ONE term for each of the following descriptions by choosing a cost category from the list below. Write only the cost category next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

selling and distribution cost; direct labour cost; direct material cost;
administration cost; factory overhead cost

2.1.1 Salary of the factory foreman

2.1.2 Bad debts

2.1.3 Stationery and telephone expenses

2.1.4 Wages paid to workers in the production process (4)

2.2 GALANE MANUFACTURERS

Galane Manufacturers manufacture towels. The information below is from their financial records for the financial year ended 28 February 2019.

REQUIRED:

Use the information provided to complete the following accounts in the General Ledger:

2.2.1 Work-in-Progress Stock Account (10)

2.2.2 Finished Goods Stock Account (7)

2.2.3 Factory Overhead Account (15)

INFORMATION:**A. Balances taken from the records of Galane Manufactures:**

	28 February 2019	1 March 2018
	R	R
Factory indirect material	2 630	3 480
Work-in-progress stock	38 300	33 150
Finished goods stock	34 100	15 250

B. Summary of transactions for the year ended 28 February 2019

	R
Raw materials purchased (all issued to factory)	516 000
Factory indirect materials purchased	21 560
Direct labour	?
Indirect labour	24 350
Factory manager's salary	65 060
Rent expense	39 200
Insurance	8 700
Water and electricity	16 500
Bad debts	2 980
Sundry factory expenses	25 750
Sales net of trade discount	1 800 000

C. Additional Information:

- (a) The mark-up % used in pricing goods is 60%. Trade discounts of R100 000 were granted.
- (b) Raw materials:
- R16 000 was paid for transporting raw materials.
 - Raw materials were returned to the suppliers, R20 000.

NOTE: No entry has been recorded for these items.

- (c) Two-thirds of the insurance expense relates to the factory.
- (d) Water and electricity must be allocated to the factory, sales department and the office in the ratio 4 : 1 : 1 respectively.
- (e) 65% of the rent expense must be allocated to the factory.

2.3 MOTHO SHOE FACTORY

Motho Shoe Factory manufactures one type of sport shoes. The factory produced 13 800 pairs of shoes during the year and all pairs were sold. There was no work-in-progress stock at the beginning nor at the end of the year.

2.3.1 Calculate the direct material cost per unit. (2)

2.3.2 Calculate the break-even point on 31 May 2019. (4)

2.3.3 Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators. (3)

	R
Direct material cost	2 070 000
Direct labour cost	2 992 000
Factory overhead cost	872 000
Fixed costs	1 514 000
Variable cost per unit	155
Sales per unit (pair)	259

TOTAL MARKS: 45

QUESTION 3: PROJECTED INCOME STATEMENT (54 marks; 40 minutes)

MM Stores is a clothing retailer situated in Bergville.

REQUIRED:

- 3.1 Explain the difference between a Cash Budget and Projected Income Statement. (4)
- 3.2 Complete the Debtors Collection Schedule for July and August 2019. (16)
- 3.3 Complete the missing amounts labelled A to K in the Projected Income Statement for July and August 2019. SHOW calculations to earn part marks in your ANSWER BOOKLET. (34)

INFORMATION

	June 2019	July 2019	August 2019
Sales	240 000	252 000	A
Cost of Sales	(150 000)	B	C
Gross Profit	90 000	?	?
Operating Income	13 000	13 200	13 400
Rent Income	8 000	8 000	8 000
Commission Income	5 000	5 200	5 400
Gross Operating Income	103 000	?	?
Operating Expenses	(56 250)	?	?
Water and Electricity	5 000	5 000	5 000
Bad Debts	4 200	D	E
Salaries and Wages	31 000	31 000	F
Sundry Expenses	6 760	6 760	G
Advertising	7 200	H	I
Depreciation	2 100	2 100	J
Operating Profit	46 750	?	?
Interest Income	875	875	K
Net Profit for the year	47 625	?	?

Additional information:

- Sales are expected to increase by 5% per month.
- Credit Sales account for 40% of total sales.
- Debtors are expected to settle their accounts as follows:
 - 50% settle accounts in the month of sale and receive 5% discount
 - 45% settle accounts in the month following the sale
 - Provision is made for 5% bad debts
- The business applies a 60% mark up on all items sold.
- The business currently employs one manager at a gross salary of R15 000 as well as two shop assistants who are paid equally. The business plans to employ a third shop assistant from 1 August 2019 at the same rate as the two current shop assistants.
- Sundry expenses are expected to increase by R200 from 1 August 2019.
- Advertising costs will remain fixed at 3% of sales.
- The current fixed deposit of R210 000 at an interest rate of 5% per annum, will mature on 31 July 2019. R60 000 will be withdrawn to purchase additional equipment on 1 August 2019.
- Depreciation will be provided at 20% per annum on cost. The business has equipment valued at R126 000 on 1 June 2019.

TOTAL MARKS: 54

QUESTION 4: CONTROL OF WORKING CAPITAL (25 marks; 20 minutes)

You are provided with information from the records of Umgeni Furnishers for the past two financial years ended 28 February. The business sells tables and chairs.

The owner, Mary Benn, requires your advice regarding the control of her working capital. Refer to the questions below and quote figures or financial indicators to support your comments.

REQUIRED:

4.1 Cash in current bank account:

Comment on the cash in the current bank account. What advice would you give to Mary? Provide ONE point. Quote figures. (4)

4.2 Trading stock:

4.2.1 Calculate the stockholding period for 2019. Use average stock in your calculation. (4)

4.2.2 Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this. What advice would you give to Mary? Provide ONE point. (5)

4.3 Sales strategies:

4.3.1 Mary used two deliberate strategies to improve sales in 2019. (4)

4.3.2 Identify the TWO strategies. Quote the relevant figures. Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures. (4)

4.4 Debtors and creditors:

Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures. How would this affect the business? (4)

INFORMATION:

A. Figures from the Ledger:	2019	2018
Total sales	R667 000	R512 000
Cash sales	R220 000	R270 000
Credit sales	R447 000	R242 000
Cost of sales	R460 000	R320 000
Gross profit	R207 000	R192 000
Fixed deposit at Ace Bank (11% p.a.)	R80 000	R300 000
Cash in the current bank account	R405 000	R120 000
Trading stock	R170 000	R85 000
B. Financial indicators:		
Mark-up %	45%	60%
Stock turnover rate	3,6 times	5,6 times
Average stockholding period	?	66 days
Average debtors' collection period	40 days	26 days
Average creditors' payment period	38 days	30 days

TOTAL MARKS: 25**TOTAL: 150**

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	

