

**GRADE 11 ACCOUNTING  
JUNE EXEMPLAR PAPER**

**PAPER 2**

**MARKS: 150**  
**TIME: 120 minutes**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn 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. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

<b>QUESTION 1: 24 marks; 20 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
VAT	<b>Financial accounting</b> VAT terminology VAT calculations Ethics

<b>QUESTION 2: 45 marks; 35 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Reconciliations and internal control	<b>Financial accounting</b> Bank reconciliation Creditors reconciliation Debtors' age analysis – internal control

<b>QUESTION 3: 46 marks; 35 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Fixed assets	<b>Managing resources</b> Asset disposal Fixed asset note

<b>QUESTION 4: 35 marks; 30 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Ratio and analysis	<b>Financial accounting</b> Concepts and Analysis and interpretation of financial statements

### QUESTION 1 VAT (24 marks; 20 minutes)

VAT is levied at 15% where applicable, on all calculations below.

1.1 State whether each of the following statements are **TRUE** or **FALSE**. (5)

- (a) VAT on goods sold for cash is treated as an input VAT.
- (b) Writing off a bad debt of a debtor decreases the amount of VAT owing to SARS.
- (c) VAT is charged on school fees.
- (d) VAT is paid to SARS monthly.
- (e) A Dr balance on the VAT control account means SARS owes the business money.

1.2 Complete the table below by filling in the missing figures. (8)

	<b>VAT EXCLUSIVE</b>	<b>VAT</b>	<b>VAT INCLUSIVE</b>
1.2.1	R6 500	*	*
1.2.2	*		R14 260
1.2.3	*	R3 690	*

1.3 Calculate the amount of VAT owing to/owed by SARS (8)

<b>DETAILS</b>	<b>AMOUNT</b>
VAT on purchases of goods	R40 000
VAT on credit sales of goods	R115 000
VAT on stationery bought on credit	R2 200
Vat on discount allowed to debtors	R575
Bad debts written off	R10 120

1.4 The owner has instructed the staff not to ring up cash sales on the cash register but rather just put the money straight in the till and if necessary give change. The bookkeeper is not happy with this arrangement at all. (6)

- In your opinion, why do you think the owner has given this instruction? Discuss two possibilities.
- In your opinion, why do you think the bookkeeper is not happy with the situation? Discuss two possibilities.

## QUESTION 2: RECONCILIATION (45 marks; 35 minutes)

**2.1 The following information was taken from the books of Fred & Sons on 31 March 20.9. (20)**

### REQUIRED:

- 2.1.1 Calculate the correct Cash Receipts and Cash Payments totals for the month of March 20.9 (6)
- 2.1.2 Calculate the bank account balance on 31 March 20.9. (5)
- 2.1.3 Prepare the bank reconciliation statement on 31 March 20.9 (6)
- 2.1.4 Refer to the deposit of R13 500:
- Which GAAP principle informs the bookkeeper as to whether to make an entry or not? (1)
  - Explain why an entry had to be made. (2)

### INFORMATION:

1. The following bank reconciliation appeared in the books on 28 February 20.9:
- |  |        |
|--|--------|
| Overdrawn balance as per bank statement    | 3 600  |
| Outstanding deposits:                      | 13 500 |
|  | 8 600  |
| Outstanding EFT's                          | 5 200  |
|  | 1 800  |
| Incorrect deposit – error made by the bank | 4 200  |
|  |        |
| Balance as per bank account                | ?      |
2. The following totals appeared in the cash journals on the 31 March 20.9 before taking the following into account:
- CRJ R125 000
  - CPJ R78 000
3. The following appeared on the bank statement in March:
- Deposit of R8 600
  - EFT of R5 200
  - EFT of R1 800
  - Correction of error for R4 200
4. An investigation revealed that the deposit for R13 500 was not banked. The driver said that he was attacked on the way to the bank and the cash was stolen.
5. The bank statement for March revealed the following that did not appear in the journals:
- Bank charges of R250.
  - Interest on overdraft of R1 200.
  - Debit order to pay for the electricity of R6 400.
  - An EFT deposit on the 31 March from a debtor of R2 800 in settlement of a debt of R3 000.
  - A stop order to the insurance company of R880. An investigation revealed that this was for Fredrick and Sons.
6. The following appeared on the cash journals but not the bank statement for March 20.9:
- A deposit of R10 100
  - An EFT payment for R7 350
7. The bank statement showed a balance of ? on 31 March 20.9

**2.2 Fred compared the statement received from their supplier Archie Bros with their creditor's ledger account and noticed several difference. (13)**

**REQUIRED:**

- 2.2.1 Calculate the correct balance in the creditors ledger account of Archie Bros. (8)  
 2.2.2 Prepare the Creditors reconciliation statement on 31 March 20.9 (5)

**INFORMATION:**

**The following differences were noted:**

1. The statement showed a Dr balance of R18 600 and the Creditors ledger a Cr balance of R7 350 on the 31 March 20.9.
2. The statement showed invoice no 101 for R2 300. An enquiry revealed this was for goods that Archie sold to another supplier.
3. Fred paid Archie an amount of R4 320 after deducting 10% discount. Archie only allowed 5% discount.
4. Fred recorded a return of goods with a value of R2 840 to Archie. The statement showed this return as R2 480. The statement was correct.
5. An invoice for goods purchased for R2 900 was recorded on the Dr side of the creditors account and on the Dr side of the statement.
6. Archie charged Fred delivery charges of R600.
7. The ledger account showed a payment of R1 450 and discount of R150 on the 29 March 20.9. The statement was dated the 25 March 20.9.
8. Fred claimed an allowance of R350 for inferior goods on 30 March that Archie accepted.

**2.3 Fred has provided you with his Debtors' age analysis on the 31 March 20.9. His bookkeeper has told him that the average debtors' collection period is 29 days, which is within his credit terms of 30 days and therefore is of the opinion that the control of the debtors has been well managed. Fred, however, is not happy, as he has been experiencing cash flow problems. (12)**

**REQUIRED:**

Study the age analysis and answer the following questions:

- 2.3.1 Identify two debtors that are problems. Quote figures to support your answer. (4)  
 2.3.2 Explain why the debtors' collection period is acceptable but there are problem debtors. Quote figures to support your answer. (4)  
 2.3.3 What advice can you give Fred to improve his cash flow problem? Discuss two possible measures. (4)

DEBTOR	CREDIT LIMIT	CURRENT BALANCE	30 DAYS	60 DAYS	90 DAYS
A Hall	80 000	75 000	75 000	0	0
B Bheki	20 000	34 000	7 000	10 000	17 000
A Singh	30 000	30 000	5 000		25 000
B Mecer	100 000	8 000	1 000	7 000	
		<b>147 000</b>	<b>88 000</b>	<b>17 000</b>	<b>42 000</b>
			<b>60%</b>	<b>12%</b>	<b>29%</b>

**QUESTION 3 FIXED ASSETS (46 marks; 35 minutes)**

- 3.1 Choose the correction explanation from column B to match the term in column A. (5)

COLUMN A		COLUMN B	
1	Prudence	A	Method of depreciating on the cost price
2	Historical cost	B	Calculated figure by subtracting accumulated depreciation from the cost price
3	Fixed instalment	C	Assets must be shown at their realistic value
4	Diminishing balance	D	Depreciation calculated on the book value
5	Book value	E	Asset recorded at its purchase price less trade discount, plus any other fixtures

- 3.2 Complete the Asset Disposal account in the general ledger of Rover Stores to record an old vehicle traded in against a new vehicle on 30 June 20.8. (13)
- 3.3 Show all calculations for depreciation on both vehicles and equipment. (18)
- 3.4 Complete the Fixed asset note from the financial statements on 31 March 20.9. (10)

**INFORMATION:**

1. The following was extracted from the books on 31 March 20.9

**GENERAL LEDGER OF ROVER STORES  
ASSET DISPOSAL**

Jun	30			June	30		

**FIXED ASSET NOTE TO THE FINANCIAL STATEMENT ON 31 MARCH 20.9**

	VEHICLES	EQUIPMENT
Book value 1 April 20.8	<b>480 000</b>	*
Cost	<b>720 000</b>	<b>390 000</b>
Accumulated depreciation	*	<b>(200 000)</b>
<b>MOVEMENTS</b>		
Additions	<b>280 000</b>	<b>80 000</b>
Disposals	*	<b>0</b>
Depreciation	*	*
Book value 31 March 20.9	*	*
Cost	<b>840 000</b>	*
Accumulated depreciation	*	*

2. Depreciation is written off as follows:
  - Vehicles 20% p.a. on cost
  - Equipment ? on diminishing balance method. (**NOTE:** You need to calculate this depreciation rate)
3. On 30 June an old vehicle was traded in against a new vehicle such that R202 000 was still owing to the creditor. The book value of the traded in vehicle on the 1 April 20.8 was R70 000
4. The bookkeeper calculated the depreciation on the old equipment as R28 500 but forgot to calculate on the new equipment bought on 31 January 20.9

#### QUESTION 4 RATIO AND ANALYSIS (35 marks; 30 minutes)

You are provided with extracts of figures taken from the books of TWO different businesses. Tom has approached you for assistance as he has been asked to invest in BOTH businesses but is only prepared to invest in ONE.

#### REQUIRED:

Answer the following questions to assist Tom in choosing which business to invest in. All comments are to be supported by figures/ratios. All calculations to be made to one decimal place.

- 4.1 Calculate the following for Zebra Stores for 20.9:
- Debtors' collection period in days. (5)
  - Creditors' payment period in days. (4)
  - Stock turnover rate (4)
- 4.2 Tom is of the opinion that Lion Stores has a better liquidity situation as their current and acid test ratios are higher. You do not agree. Explain using your answers from 4.1 to support your answer. (9)
- 4.3 Which business has a better profitability position? Quote at least 3 figures/indicators from both businesses to support your answer. (7)
- 4.4 Which business is making better use of the owner's capital investment in the business? Explain by quoting two financial indicators from the table below. (6)

#### INFORMATION:

The following figures/calculations/ratios have been extracted from the books at the financial year-end 28 February

	ZEBRA STORES		LION STORES	
	20.9	20.8	20.9	20.8
Sales (60% on credit)	3 600 000		5 500 000	
Cost of sales (all on credit)	2 400 000			
Mark-up %	50%		80%	
Operating expenses on turnover	35%		28%	
Net profit on turnover	15%		22%	
Debtors control	200 000	131 400		
Creditors control	283 013	216 713		
Trading stock	200 000	600 000		
Current ratio	1.8 : 1		3 : 1	
Acid test ratio	0.9 : 1		1.8 : 1	
Debtors collection period	?		35 days	
Creditors payment period	?		20 days	
Stock turnover rate	?		3 times	
Return on owner's equity	18%		12%	

**GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET**

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$	
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	