

**ALEXANDER ROAD HIGH SCHOOL****JUNE 2024****2 HOURS****EXAMINER: MK****ACCOUNTING PAPER 2****MODERATORS: GO, UM****TOTAL = 200****GRADE 11****INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. Write neatly and legibly. Correction fluid is not permitted.
3. You may use only blue/black ink to answer the questions.
4. A special ANSWER BOOK is provided in which to answer ALL the questions.
5. Show ALL workings to earn part-marks. Where applicable, show all calculations to ONE decimal point.
6. You may use the financial indicator formula sheet which is attached at the end of this question paper. Use of this formula sheet is not compulsory.
7. Use the information in the table below as a guide when answering.

QUESTION	TOPIC	MARKS	MINUTES
1	Bank Reconciliation Statement	50	30
2	Creditors Reconciliation Statement	20	12
3	Fixed assets	45	27
4	Financial Statements and notes	65	39
5	Ratios and Interpretations	20	12
TOTAL		200	120

This question paper consists of 11 pages, including this one.

QUESTION 1: BANK RECONCILIATIONS**(50 marks; 30 minutes)**

1.1 Indicate whether the statements below are TRUE or FALSE. Write only TRUE or FALSE next to the question number (1.1.1–1.1.5) in the ANSWER BOOK.

1.1.1 An unfavourable balance in the bank account appears on the credit side in the Ledger account.

1.1.2 Payments made using an EFT are a safer way of payment.

1.1.3 Interest credited on the bank statement must be recorded in the Cash Payment Journal.

1.1.4 Errors made by the bank are corrected in the Journals.

1.1.5 An unfavourable balance on the bank statement appears on the debit side of the Reconciliation statement. (10)

1.2 SIX GUN STORES

The following information relates to Six Gun Stores for April 2024.

The business uses the bank statement which is received on the 26th of each month.

REQUIRED:

1.2.1 Complete the Cash Journals for April 2024. (23)

1.2.2 Calculate the Bank Account balance in the General Ledger of the business on 30 April 2024. (4)

1.2.3 Prepare the Bank Reconciliation Statement on 30 April 2024. (11)

1.2.4 Explain ONE strategy that the business can use to address the problem of missing cash. (2)

INFORMATION:

A. Extract from the Bank Reconciliation statement on 31 March 2024:

Outstanding deposits: 19 March 2024	R33 200
24 March 2024	10 200
Outstanding EFT: No. 321	9 765
No. 322	5 678
Favourable balance as per Bank account	13 912

NOTE:

- A.**
- The outstanding deposit of R33 200 and EFT 322 for R5 678 appeared on the April 2024 bank statement.
 - The outstanding deposit of R10 200 on the Bank Reconciliation Statement was in respect of sales. It did not appear on the Bank Statement for April. After investigation the business discovered that the bookkeeper has not deposited the money. He is not working for the business anymore. It was decided to write-off the deposit as a loss.
 - EFT 321 was correctly reflected as R7 965 on the April Bank Statement. This was for the purchasing of trading stock from Makro.
- B.** Provisional totals from the Cash Journals on 30 April 2024:
- Cash Receipt Journal, R125 600
 - Cash Payment Journal, R131 300
- C.** The following information on the April 2024 Bank Statement received from Snap Bank did NOT appear in the April 2024 Cash Journals of Six Gun Stores:
- Debit orders:
 - A debit order for R6 955 was wrongly reflected on the Bank Statement. It was not a payment authorised by Six Gun Stores. The bank will rectify the error in May.
 - MTN for R5 600 for the telephone cost of the business
 - Quick Insurers, R9 800 (R7 300 for the business and the rest for partner's personal vehicle.)
 - An EFT payment to BC Traders, R7 900 as partial payment of our account.
 - EFT Fees, R412
 - Cash handling fee, R156
 - Service Fees, R252
 - Interest on fixed deposit, R535.
 - A direct deposit of R4 790 was wrongly reflected on Six Gun Stores' Bank Statement. The bank will rectify the error in May.
 - A deposit from P. Patriot for R7 500 for settlement of his account.
 - A deposit from N. Naidoo, R15 400, for his monthly rent.
- D.** The owner withdrew R13 500 from an ATM to pay wages on 29 April 2024, but did not inform the bookkeeper.
- E.** The following information in the April 2024 Cash Journals did NOT appear on the Bank Statement for April 2024:
- Outstanding deposit, R12 680
 - EFT 636 payment for R9 655.

QUESTION 2: CREDITORS' RECONCILIATION**(20 marks; 12 minutes)**

2.1 Willow Traders buys goods on credit from Mienkie Stores.

REQUIRED:

2.1 Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points. (4)

2.2 Use the table provided to indicate the changes that must be made in the Creditors' Ledger Account in the books of Willow Traders and in the Creditors' Reconciliation Statement on 29 February 2024. **Remember to clearly indicate whether it is an increase (+) or a decrease (-).** (14)

2.3 An investigation into the transaction on 2 February 2024 for Invoice 560 revealed that Sakkie Skelm (purchasing manager) ordered goods for himself. These goods were not taken into stock.

State ONE internal control measure that the business can use to prevent similar incidents from happening in future. (2)

INFORMATION:**A. Creditors' Ledger of Willow Traders
Mienkie Stores**

DATE		DETAILS	FOL.	DEBIT	CREDIT	BALANCE
2024						
Feb.	01	Balance	b/d			62 200
	02	Invoice 520	CJ		44 200	106 400
	04	Debit Note 52	CAJ	2 700		103 700
	07	EFT 443	CPJ	31 350		72 350
		Discount received	CPJ	3 300		69 050
	20	Invoice 238	CJ		21 100	90 150
	23	EFT 575	CPJ	13 200		76 950
	24	Invoice 599	CJ		24 000	100 950
	28	EFT 580	CPJ	13 900		87 150
		Discount received	CPJ	1 280		85 770
	29	Invoice 592	CJ		44 700	130 470

B. Statement of account received from Mienkie Stores

		MIENKIE STORES		No. 1543	
		211 Calla street Parys 9 300			
		Debtor: Willow Traders		25 February 2024	
DATE		DETAILS	DEBIT	CREDIT	BALANCE
Jan.	25	Balance			77 200
	28	Receipt 110		15 000	62 200
Feb.	02	Invoice 520	49 200		111 400
	04	Credit Note 9	2 700		114 100
	07	Receipt 122		31 350	82 750
		Discount allowed		1 650	81 100
	18	Invoice 581	38 800		119 900
	23	Receipt 138		13 200	106 700
	24	Invoice 599	21 600		128 300
	25	Delivery charges	3 600		131 900

C. An investigation revealed the following errors and omissions:

- (a) Invoice 238 was for goods that Willow Traders bought from another supplier, Mashiane Suppliers.
- (b) Invoice 520 was recorded correctly on the statement of account.
- (c) Invoice 581 was an error on the statement. This was for goods supplied to another business.
- (d) The discount allowed on 7 February 2024 is correct as per the statement of account.
- (e) Willow Traders omitted to deduct the trade discount allowed on Invoice 599.
- (f) Goods for R2 700 were returned by Willow Traders to Mienkie Stores on 4 February 2024.
- (g) In terms of the contract Mienkie Stores charges a delivery fee to all its customers.
- (h) The statement of account only includes transactions up to 25 February 2024.

QUESTION 3: FIXED ASSETS AND ASSET DISPOSALS (45 marks; 27 minutes)**3.1 CONCEPTS**

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

- 3.1.1 The contra account in the Asset Disposal account when an asset is sold on credit is the (Debtors/Creditors) Control. (8)
- 3.1.2 The (Asset Disposal/Trading) account is where the sale of an asset is recorded, and the profit or loss on sale is determined.
- 3.1.3 Calculating depreciation on the carrying value of a vehicle is the (Diminished Balance/ Straight line) method.
- 3.1.4 (Depreciation/Insurance) is written off from an asset on an annual basis. (8)

3.2 MAVISLINDE STORES

The following information relates to Mavislinde Stores. The financial year ended on 29 February 2024. (Partners: M. Mavis and L. Linde)

REQUIRED:

- 3.2.1 Prepare the Asset Disposal account in the General Ledger of the business for Equipment sold. (10)
- 3.2.2 L. Linde decided to buy the equipment for R2 000 without informing his partner. Explain a consequence that partner Linde could be facing. (2)
- 3.2.3 Calculate the following amounts:
- The balance of Land and building on 29 February 2024. (3)
 - Total depreciation on vehicles on 29 February 2024. (9)
 - The depreciation on the remaining equipment on 29 February 2024. (9)
- 3.2.4 Mention TWO procedures that the business can apply to improve their internal control over the vehicles. (4)

INFORMATION:**A. Extract from Trial Balances on 29 February:**

	2024	2023
Balance Sheet accounts section	R	R
Land and buildings	?	4 800 000
Vehicle	1 596 000	876 000
Accumulated depreciation on vehicles	?	515 400
Equipment	510 000	480 000
Accumulated depreciation on equipment	167 040	180 000

B. Land and buildings:

A new storeroom was built during the year for R750 000.

C. Equipment:

The depreciation rate is 20% p.a. on the diminishing-balance method.

New equipment of R66 000 was purchased on 1 February 2024.

A laptop was sold on 1 December 2023 for R2 000 cash to partner L. Linde. This has been recorded. The fixed asset register reflected the following for the laptop that was sold:

Fixed asset register:

Category:	Laptop		
Model:	Predator		
Date purchased:	1 March 2021		
Cost price:	R36 000		
Depreciation rate:	20% on diminishing-balance method		
	Date	Depreciation	Carrying value
	28 February 2022	R7 200	R28 800
	28 February 2023	R5 760	R23 040
	1 December 2023	?	?

D. Vehicles:

Extract from the vehicle register:

	Car 1	Car 2	Car 3
Purchase date	1/6/2018	1/3/2021	1/12/2023
Purchase price	R300 000	R576 000	?
Accumulated depreciation 1/3/2023	R285 000	R230 400	

- No vehicles were sold during the year.
- A new vehicle was purchased on 1 December 2023.
- Depreciation on vehicles is calculated at 20% p.a. on the cost price method.

QUESTION 4: FINANCIAL STATEMENTS AND NOTES**(65 marks; 39 min)****LEEZEE TRADERS**

You are provided with information taken from the books of Leezee Traders. The financial year ended on 29 February 2024.

REQUIRED:

- 4.1 Prepare the Statement on Comprehensive Income (Income Statement) for the year ended 29 February 2024. **SHOW ALL WORKINGS IN BRACKETS.** (50)
- 4.2 Prepare the Current Account note for the year ended 29 February 2024. (15)

INFORMATION:**Extract of the Pre - adjustment Trial Balance on 29 February 2024**

	Debit	Credit
Balance Sheet accounts section		
Current Account: Lee (1/03/3023)	14 000	
Current Account: Zee (1/03/3023)		20 000
Trading stock	300 000	
Debtors control	180 000	
Drawings: Lee	30 000	
Drawings: Zee	25 000	
Provision for bad debts		9 000
Nominal account section		
Sales		800 000
Cost of sales	500 000	
Debtors Allowances	20 000	
Depreciation	30 000	
Salaries and wages	100 000	
Interest on fixed deposit		100 500
Interest on loan	8 000	
Discount received		30 000
Bad debts recovered		51 000
Discount allowed	7 000	
Repairs	15 000	
Bank charges	11 700	
Packing material	21 000	
Bad debts	28 000	
Rent income		288 500
Advertising	32 785	
Insurance	52 500	

Adjustments and additional information:

- A.** A debtor returned goods to the value of R3 000. The mark-up on these goods was 60% on cost. No entry has been made.
- B.** Repairs of R5 000 to Land and Buildings has been debited to Land and Buildings in error.
- C.** A debtor owing R2 000 must be written off.
- D.** Partner Zee took Stock of R3 500 for personal use. No entry has been made.
- E.** The Provision for bad debts must be adjusted to 5% of Debtors.
- F.** A physical stock count on 29 February 2024 revealed the following on hand:

- Trading Stock R298 000
- Packing material 3 000

G. Distribution of profit:**Salaries**

- Lee receives an annually salary of R120 000.
- Zee receives R2 000 per month more than Lee.

Interest on capital

- Lee and Zee are entitled to R10 000 each for the year.

Bonusses

- Zee receives a bonus of R30 000 for the year.

The remaining profit must be divided in the ratio 4:1 to Lee and Zee.

QUESTION 5: ANALYSIS AND INTERPRETATIONS**(20 marks; 12 minutes)****PETTIES VEGETABLE STORES**

You are provided with the following information relating to Petties Vegetable Stores for the year ended 29 February 2024. The shelf life of the product is 12 days.

REQUIRED:

- 5.1 Calculate the missing financial indicators for 2024:
- Mark-up percentage (3)
 - Net profit on sales (3)
 - Debtors' average collection period (5)
- 5.2 The business decreased the mark-up percentage. Was this strategy successful? Quote ONE figure. (2)
- 5.3 Will the partners be satisfied with their Debtors collection period. Quote a figure and comment. (3)
- 5.4 The partners are concerned about the stock holding period. Comment on the trend. (4)

INFORMATION

A	2024	2023
Sales	9 900 000	8 000 000
Gross profit	3 300 000	3 000 000
Operating expenses	1 980 000	1 920 000
Net profit	1 782 000	960 000
Stock	222 000	168 000
Debtors	95 000	85 000
Credit purchases	3 600 000	3 300 000

- 10% of the sales were on credit.

B Financial indicators as on 28 February:

	2024	2023
% Mark-up	(i)	70%
% Operating expenses on sales	20%	24%
% Net profit on sales	(ii)	12%
Debtors' collection period	(iii)	39 days
Stock holding period	18 days	9 days

20**TOTAL MARKS: 200**

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		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Owners' equity	Total assets: Total liabilities	