



Province of the
EASTERN CAPE
EDUCATION

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REPUBLIC OF SOUTH AFRICA

CHIEF DIRECTORATE – CURRICULUM MANAGEMENT

**GRADE 12 LEARNER SUPPORT
PROGRAMME**

**REVISION AND REMEDIAL TEACHING
INSTRUMENT:
ANSWERS**

SUBJECT: ACCOUNTING

June 2009

This document consists of 10 pages.

Strictly not for test/examination purposes

QUESTION 1**1.1 Bank reconciliation**

- 1.1.1 It is important as deposits might be outstanding and cheques will not necessarily be cashed on the day it was issued. ✓✓
For this reasons the Bank account balance in the General Ledger and the Bank statement balance will not be the same. ✓✓ (4)
- 1.1.2 Favourable ✓ (2)
- 1.1.3 Was deposited on last day of month; deposits are reflected the next day. ✓✓ (2)
- 1.1.4 Could be a mistake by the bank (debit Sharu's account instead of someone else's account) ✓✓✓ (3)
- 1.1.5 Cheque will be cancelled (stale cheque) ✓✓ and replaced with another. ✓✓ (4)
- 1.1.6 This is post-dated cheque. ✓✓ It will recorded in a register and will be entered and receipted according to the date on the cheque. ✓✓ (4)
- 1.1.7 This cheque will form part of the amount for trade and other payables. ✓✓ (3)

1.2 Creditors reconciliation

	Balance according to Creditors control	✓36 210
1.2.1	Mistake in Creditors journal (overcasted)	✓✓ (360)
1.2.2	Debit note not entered in Creditors Allowances Journal	✓✓275
1.2.5	Posting of Debtors column in Cash Payments Journal	✓✓195
		✓☑36 315

(9)

	Incorrect balance according to Creditors list	✓36 471
1.2.3	Balance of debtor incorrectly included in list	✓✓ (135)
1.2.4	Amount of R309 posted as R390 in Creditors account	✓✓ (81)
1.2.6	Transfer of credit balance in Debtors Ledger to Creditors Ledger	✓✓60
		✓☑36 315

(9)

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QUESTION 2

Any valid points ✓✓✓

figures ✓✓✓

2.1 (a) One point in favour of each machine

Machine 1 – Though it is old it has brought high income. ✓ Maintenance is 50% of income.	
Machine 2 – Brought higher income than machine 1. ✓ Maintenance is low.	
Machine 3 – Cheaper than machine 2. ✓ Brought higher income than machine 1.	
	3

(b) Support in figures

Machine 1 – Income R240 000. ✓ Maintenance is R110 000.	
Machine 2 – Income is R400 000. ✓ Maintenance is R90 000.	
Machine 3 – Income R320 000. ✓ Maintenance is R85 000. Cost is R130 000.	
	3

2.2.1 Is Mr. Ventura's decision correct? Supply TWO reasons.

Yes ✓	
Maintenance high – R110 000 ✓✓	
Fully depreciated – Accumulated depreciation is R69 999 ✓✓	
	5

2.2.2 ASSET DISPOSAL ACCOUNT

2008			2008				
Jan	1	Machinery ✓	✓70 000	Jan	1	Acc. Dep. on machinery ✓	69 999 ✓✓
		Profit on sale of asset ✓	✓✓ 499			Bank ✓	500 ✓
			70 499				70 499
							11

2.3 Calculate pro rata depreciation for Machine 3.

Machine 3

$$130\,000 \times 20/100 \times 6/12$$

$$= 13\,000 \checkmark \checkmark \checkmark$$

3

2.4 Calculate depreciation for Machine 2.

Machine 2

$$180\,000 \times 20/100 = 36\,000 \checkmark \checkmark$$

2

2.5 List of internal control measures.

Asset register ✓✓

Update inventory list ✓✓

Appoint an asset manager

Secure and insure assets

Service and maintain assets

4

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QUESTION 3

3.1

Funky Stores Ltd
Income Statement for the year ended 28 February 2009.

Sales (1 111 560✓ – 43 120✓)			✓✓1 068 440
Cost of sales			✓ (509 360)
Gross profit			☑559 080
Other operating income			☑23 680
Discount received		✓1 240	
Rent income (26 180✓– 3 740✓)		✓✓22 440	
Gross operating income			☑582 760
Operating expenses			☑ (419 734)
Salaries (287 340✓+12 500✓)		✓299 840	
Packing material		✓5 096	
Discount allowed		✓650	
Advertising (4 940✓+ 1 840✓✓)		✓6 780	
Insurance (11 240✓– 920✓✓)		✓10 320	
Stationery (8 516✓– 870✓)		✓7 646	
Pension fund contributions (3 750✓+ 1 500✓✓)		✓5 250	
Medical aid contributions (1 930✓+ 640✓)		✓2 570	
Depreciation (15 744✓✓+ 60 000✓)		✓75 744	
Trading stock deficit		✓✓4 060	
Bad debts (930✓+ 700✓)		✓1 630	
Provision for bad debts adjustment		✓✓✓148	
Operating profit			☑163 026
Interest income			✓974
Profit before interest expense			☑164 000
Interest expense			✓✓(6 000)
Net profit before tax			☑158 000
Income tax			✓☑ (39 500)
Net profit after tax for the year			✓☑118 500

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3.2 3.2.1 **Stock**

Trading stock		✓65 080
Consumable stores on hand		✓870
		✓65 950

(3)

3.2.2 Trade and other receivables

Trade debtors (47750✓– 930✓)	✓46 820
Provision for bad debts	✓ (1 828)
Net trade debtors	44 992
Prepaid expenses	✓920
SARS-income tax	✓✓1 954
	<u>✓47 867</u>

(8)

3.2.1 Trade and other payables

Trade creditors (37 300✓+1 500✓+ 5 520✓)	✓44 320
Deferred income	✓3 740
SARS-PAYE (2 698✓+ 4 500✓)	✓7 198
Shareholders for dividends	✓✓25 000
Pension fund	✓850
Medical aid fund	✓640
Creditors for salaries (12 500✓– 4 500✓– 1 000✓– 640✓)	✓6 360
Accrued expenses	✓✓6 000
	<u>✓94 108</u>

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3.2.4 Retained income/Accumulated profits

Balance on 1 March 2008		✓92 498
Net profit for the year		✓✓118 500
		✓210 998
Ordinary share dividends		✓✓ (75 000)
Paid	✓50 000	
Recommended	✓✓25 000	
Balance on 28 February 2009		<u>✓✓135 998</u>

[11]

3.2.4 Share capital

Authorised		
1 000 000 ordinary shares of R1 each		✓R1 000 000
Issued		
500 000 shares issued at R1 each on last day of previous year		✓R500 000

(2)
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QUESTION 4

4.1 Directors ✓✓ (2)

4.2 Calculate the proceeds on the disposal of the vehicle.

Carrying value at the beginning	183 360
Less: Depreciation	32 800
Less: Proceeds from sale of asset	✓✓✓✓ 19 200
Plus: Purchases	–
Less: Carrying value at the end	131 360

(4)

4.3 4.3.1 Cash generated from operations.

Net profit before tax	✓ 97 860
Adjustment for:	☑ 96 460
Depreciation	✓ 32 800
Interest expense	✓ 63 360
Operating profit before changes in working capital	☑ 194 320
Changes in working capital	☑ (139 760)
Decrease in inventories	☑ ✓ ✓ 2 880
Increase in Trade and other receivables	✓ ✓ (131 520)
Decrease in Trade and other payables	✓ ✓ (11 120)
	☑ 54 560

(14)

4.3.2 Taxation paid

Amount owing at the beginning	✓ ✓ (15 200)
Amount in income statement	✓ ✓ (46 980)
Amount owing at the end	✓ ✓ (7 360)
	☑ (69 540)

(4)

4.4 Proceeds from sale of asset ✓✓
Increase in loan ✓✓

(4)

4.5 4.5.1 The number of shares issued during the year.

Increase in capital (216 000 – 316 000)	✓ ✓ 100 000
Par value of a share	1
No. of shares issued (R100 000/1)	✓ ✓ 100 000 shares

(4)

4.5.2 The price that the shareholders paid for these shares.

$R20\ 000 / R100\ 000 \times 100 / 1 \checkmark = 20c \checkmark$
$R1 + 20c = R1,20 \checkmark \checkmark$

(4)

4.6 4.6.1 Calculate the current ratio for 2009.

Current assets : current liabilities
$40\ 640 + 250\ 400 + 4\ 320 + 7\ 360 : 91\ 520 + 8\ 160 + 2\ 240 \checkmark \checkmark$
$302\ 720 : 101\ 920$
$3 : 1 \checkmark \checkmark$

(4)

4.6.2 Calculate acid-test ratio for 2009.

Current assets–stock : current liabilities
$302\ 720 - 40\ 640 : 101\ 920 \checkmark \checkmark$
$262\ 080 : 101\ 920$
$2,6 : 1 \checkmark \checkmark$

(4)

4.6.3 Comment briefly on the liquidity position. Do you agree with the director's opinion?

A comparison of the current ratios for 2009 and 2008 indicate that there is an improvement of the current ratios. $\checkmark \checkmark$ This is above the norm 2 : 1. $\checkmark \checkmark$
Therefore the current ratio is satisfactory. \checkmark
A comparison of the acid-test ratios for 2009 and 2008 indicate that there is an improvement of the acid-test ratios. $\checkmark \checkmark$
This is above the norm 1 : 1. $\checkmark \checkmark$
Therefore the acid-test ratio is satisfactory. \checkmark
I agree with the directors that the liquidity is satisfactory. \checkmark

(11)

4.7 4.7.1 Calculate earnings per share for 2009.

Net profit after tax x 100 \checkmark
No. of shares issued
$50\ 880 \times 100 \checkmark$
316 000
16,10 cents $\checkmark \checkmark$

(4)

4.7.2 Calculate the dividends per share for 2009.

<u>Total dividends</u>	x 100✓
No. of shares issued	
12 640 x 100✓	
316 000	
4 cents✓✓	

(4)

4.8 4.8.1 Calculate the return on capital employed for 2009.

<u>Net profit before tax + interest on loan</u>	x 100✓
Average capital employed	
97 860✓+63 360✓	x 100
½ (421 120✓+707 360✓)	
161 220 x 100 ✓	
564 240	
28,52%✓☑	

(4)

4.8.2 The borrowing rate is 30%

Return on capital employed is 28,52% ✓✓

No. Shareholders would not agree. ✓✓

(4)

4.8.3 – High operating expenses ✓✓

– High interest expense ✓✓

(4)

4.9 4.9.1 $(1\,289\,600 - 644\,800) \checkmark \div 644\,800 \times 100\% = 100\% \checkmark$

(2)

4.9.2 $\frac{97\,860}{1\,289\,600} \times \frac{100}{1} \checkmark = 7,59\% \checkmark$

(2)

4.10 4.10.1 – Appointment of directors ✓✓

4.10.2 – Voting of their appointment and fees ✓✓

4.10.3 – Review of dividend policies. ✓✓

4.10.4 – Shareholders to protect their interest. ✓✓

(Any other valid reason)

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QUESTION 5

- 5.1 (A) $R300\,000 \times 85\% \checkmark = R225\,000 \checkmark\checkmark$ (3)
- (B) $R300\,000 \times 50\% \checkmark = R150\,000 \checkmark$
 Cash purchases = 60% of R150 000 $\checkmark\checkmark$
 = R90 000 \checkmark (5)
- (C) Salary budget = $R(33\,600\checkmark\checkmark) + (33\,600 \div 12 \checkmark\checkmark)$
 = $R33\,600 + 2\,800 \checkmark$
 = R37 400 \checkmark (6)
- (D) 37 400 $\checkmark\checkmark$ (2)
- 5.2 – Stock shortage $\checkmark\checkmark$
 – Advertising not carried out as per budget $\checkmark\checkmark$ (4)
- 5.3 – Not budget correctly $\checkmark\checkmark$
 – Payments not recorded $\checkmark\checkmark$ (4)
- 5.4 Although July was efficiently controlled \checkmark
 In August it was not \checkmark – overspent by R9 500 \checkmark
 - reckless driving \checkmark
 - vehicle could be involved in accident \checkmark (5)
- 5.5 – Increase in cash surplus \checkmark
 – Increase in working capital \checkmark (2)
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TOTAL: 300