



DEPARTMENT OF EDUCATION
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION - 2005

ACCOUNTING
STANDARD GRADE
FEBRUARY/MARCH 2005

MARKS: 300

3 Hours

This question paper consists of 17 pages.



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INSTRUCTIONS

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings for part-marks to be allocated.
4. Read the instructions carefully and follow them precisely.
5. Candidates will forfeit marks for:
 - Important dates which are omitted
 - Use of non-standardised abbreviations
 - Over-writing of figures
 - Superfluous entries/foreign items/errors of principle
6. Non-programmable calculators may be used.
7. No pages must be removed from the answer book. The answer book caters for alternative formats of financial statements.
8. Use the information given in the table below as a guide when answering the question paper and try not to deviate from it.

QUESTION	TOPIC	MARKS	TIME GUIDE
1	Sports club	61	37 minutes
2	Close corporation	30	18 minutes
3	Budget	39	23 minutes
4	Company	55	33 minutes
5	Partnership	33	20 minutes
6	Ledger accounts	40	24 minutes
7	Bank reconciliation	42	25 minutes
TOTAL		300	180 minutes

QUESTION 1**CLUB****(61 marks; 37 minutes)**

The information given below was extracted from the books of Newhaven Sports Club. The accounting period of the club ends on 31 December.

REQUIRED:

- 1.1 Membership Fees Account for the year ended 31 December 2003. (13)
- 1.2 Calculate the cost of refreshments bought on credit during the 2003 financial year. (4)
- 1.3 Refreshments Trading Account for the year ended 31 December 2003 (this account must reflect the profit/loss on the sale of refreshments). (12)
- 1.4 Statement of Income and Expenditure for the year ended 31 December 2003. (32)

INFORMATION:

- **Opening balances on 1 January 2003**

	Debit R	Credit R
Accumulated fund/Capital fund		196 000
Land and buildings at cost	190 000	
Equipment at cost	17 400	
Accumulated depreciation on equipment		6 800
Mortgage loan at Phambili Bank (15% p.a.)		24 000
Fixed deposit at Glenwood Bank (11% p.a.)	10 000	
Income received in advance/Deferred income (Membership fees)		400
Expense accrued/payable (Water and electricity)		180
Income accrued/receivable (Membership fees)	560	
Stock of refreshments on hand	1 050	
Creditors for refreshments		2 620
Bank	990	
	230 000	230 000

- **Summary of receipts and payments for the year ended 31 December 2003**

RECEIPTS	R
Membership fees	5 600
Tournament income	3 700
Entrance fees	1 750
Interest on fixed deposit	1 100
Donations	14 700
Refreshment sales	9 850
PAYMENTS	
Tournament expenses	4 200
Wages	16 900
Stationery	760
Water and electricity	2 100
Mortgage loan repayment (1 July 2003)	4 000
Bank charges	840
Equipment (30 September 2003)	5 600
Interest on mortgage loan	2 700
Refreshments purchased for cash	4 900
Interest on overdraft	540
Creditors for refreshments	3 870

- **Additional information and adjustments:**

1. Each new member pays an entrance fee of R250. Entrance fees are regarded as current income. All the new members joined at the beginning of the year.
2. Membership fees
 - 2.1 Membership fee is R80 per member per year.
 - 2.2 There were 75 members registered with the club as at 31 December 2002.
 - 2.3 Three members who had not yet paid their membership fees for 2002 were expelled from the club with effect from 1 January 2003. It was decided to write off the fees owed by them.
 - 2.4 Nine members have paid their 2004 fees in advance during 2003.
 - 2.5 17 members have not yet paid their membership fees for 2003.
3. A part repayment on the mortgage loan from Phambili Bank was made on 1 July 2003. Provide for the outstanding interest on mortgage loan.

4. On 31 December 2003 the following stock was on hand:
 - 4.1 Stationery, R100
 - 4.2 Refreshments, R800
5. Refreshments are bought for cash as well as on credit. An amount of R200 is owed to creditors for refreshments as at 31 December 2003. All refreshments are sold for cash.
6. Additional equipment was purchased on 30 September 2003. Equipment is depreciated at 10% p.a. on the diminishing balance.
7. The water and electricity account for December 2003 of R240 has not yet been paid.
8. The club employs only one worker on a part-time basis. The wages were paid for 13 months.
9. The tournament showed a loss even though a sponsorship had been received and included in tournament income.

QUESTION 2**CLOSE CORPORATION****(30 marks; 18 minutes)**

You are provided with information relating to Woodward CC, owned by members W. Wood and W. Ward. The financial year-end is 29 February 2004.

REQUIRED:

Draw up the following accounts in the General Ledger for the period 1 March 2003 to 29 February 2004. Balance/close off the accounts properly.

- | | | |
|-----|---|------|
| 2.1 | Members' contributions | (7) |
| 2.2 | South African Revenue Services (Income tax) | (12) |
| 2.3 | Loan from W. Wood | (5) |
| 2.4 | Distribution to members (Nominal section) | (6) |

INFORMATION:**Balances on 1 March 2003:**

Members' contributions	R290 000	Credit
South African Revenue Services (Income tax)	2 070	
Loan from W. Wood	28 500	
Distribution payable to members	23 800	

Transactions during the financial year:

March 2003

- 3 Paid the distribution of net income due to members, by cheque.
 20 Received the income tax assessment of R2 070. Paid by cheque.
 27 W. Wood provided a vehicle in order to increase his contribution to the business, R72 000.

August 2003

- 31 Issued a cheque to W. Wood for R6 500. R5 700 was for the part payment of the loan and the balance was for interest on loan.
 Paid the first provisional income tax by cheque, R37 600.
 An interim distribution of R50 000 was declared. Cheques were issued to the members.

February 2004

- 15 An amount of R10 000 was deposited by W. Ward into the account of the close corporation to increase his members' contribution.
 29 Issued a cheque for R63 200 to SARS in respect of the second provisional income tax payment.
 A further amount of R140 000 of the net income will be distributed equally between the members. This will be paid to the members in March 2004.

Additional information:

- Net profit for the year R320 000
- Income tax is levied at 30% of net profit.

QUESTION 3**CASH BUDGET****(39 marks; 23 minutes)**

The information below appeared in the records of Kimberley Traders.

REQUIRED:

Complete the following in respect of the financial period December 2004 and January 2005. Some of the figures have been entered for you. You are required to enter the missing figures.

- 3.1 Debtors Collection Schedule (6)
- 3.2 Cash Budget (total column not required) (33)

INFORMATION:

1. Extract from list of balances on 1 December 2004:

Bank overdraft	R 4 330
Fixed deposit: Bloem Bank (16% p.a.)	24 000
Loan: Spring Bank (20% p.a.)	36 000

2. Actual and budgeted figures:

	ACTUAL		BUDGETED	
	October	November	December	January
Credit sales	45 000	48 000	60 000	54 000
Cash sales	30 000	32 000	40 000	36 000
Credit purchases	22 000	23 000	30 000	25 000
Cash purchases	15 500	17 000	20 000	17 000

3. It is expected that amounts owed by debtors will be collected as follows:
- 30% in the same month in which the sales transaction takes place
 - 50% in the month after the sale takes place
 - 15% in the second month after the sale takes place
 - 5% to be written off in the third month after the sale takes place
4. Sundry operating expenses will be incurred as follows:
- December R18 400
 - January R19 000
5. The fixed deposit matures on 31 December 2004. Interest on fixed deposit is received at the end of every month.

6. The business will sell old equipment for R3 000 cash on 31 December 2004. New equipment will be purchased on credit for R34 000 on 2 January 2005. The suppliers will require a deposit of R4 000 on that day. The balance will be paid off over six months commencing February 2005.
7. Depreciation will amount to R11 000 per month from December 2004.
8. Credit purchases are paid in full in the month following the purchases transaction month. A discount of 5% is received for this payment.
9. On 1 September 2004 Kimberley Traders borrowed R36 000 from Spring Bank. Half of the loan will be repaid on 31 December 2004. Interest for December was calculated to be R600. Interest on the loan must be paid monthly.
10. The business employs three shop assistants at a salary of R4 000 each per month. On 31 December one of the assistants will leave the business. The other two assistants will receive increases in salary of R1 000 per month each with effect from 1 January 2005.
11. Part of the building is let at R2 500 per month. The rent received will increase by 15% on 1 January 2005.

QUESTION 4**COMPANY****(55 marks; 33 minutes)**

You are provided with information relating to Egoli Limited, a public company, registered with 500 000 ordinary shares of R2,00 each.

REQUIRED:

- 4.1 Balance Sheet on 29 February 2004 (16)
- 4.2 The following notes to the Balance Sheet on 29 February 2004:
- Fixed assets/Tangible assets (total column not required) (18)
 - Trade and other receivables (6)
 - Retained income (9)
 - Trade and other payables (6)

Where notes are not required, show workings in brackets.

INFORMATION:**1. Some balances appearing in the General Ledger on 1 March 2003**

Ordinary share capital (R2,00 each)	250 000
Retained income	70 000
Land and buildings	200 000
Equipment	112 500
Accumulated depreciation on vehicles	22 800

2. Some balances appearing in the General Ledger after the year-end adjustments on 29 February 2004

Ordinary share capital (R2,00 each)	250 000
Retained income	?
Loan: Lehumo Bank	188 000
Land and buildings	200 000
Accumulated depreciation on vehicles	43 740
Fixed deposit: Metro Bank (matures in 2006)	60 000
Trading stock	81 870
Debtors control	58 700
Provision for bad debts	2 900
Bank (Debit balance)	27 500
Petty cash	900
Creditors control	45 500
SARS (Income tax) (Credit balance)	9 500
Prepaid expenses	2 600
Expenses accrued/Expenses in arrears payable	3 300
Income received in advance/Deferred income	2 130
Income accrued/receivable	1 300
Shareholders for dividends	?
Consumable stores on hand	15 600

3. Extract of accounts from the General Ledger

Vehicles (at cost)

2003 Mar. 1	Balance b/d	120 000			
2004 Jan. 31	Creditors control	90 000			
		210 000			

Accumulated depreciation on equipment

2004 Feb. 29	Asset disposal	40 000	2003 Mar. 1	Balance b/d	67 500
	Balance c/d	50 000	2004 Feb. 29	Depreciation	22 500
		90 000			90 000
			2004 Mar. 1	Balance b/d	50 000

Asset disposal

2004 Feb. 29	Equipment	50 000	2004 Feb. 29	Accumulated depreciation on equipment	40 000
	Profit on sale of asset	500		Bank	10 500
		50 500			50 500

4. Other information

The following information has been recorded and is included in the balances above:

- Income tax for the year, R89 600.
- Interim dividends paid, 100 cents per share.
- Final dividends recommended, 25 cents per share.
- Depreciation on equipment at 20% p.a. on cost.
(NOTE: No new equipment was purchased during the year.)
- Depreciation on vehicles at 20% p.a. on the diminishing balance method.
- Net profit before tax for the year was calculated to be R270 500 after all the adjustments.

QUESTION 5**PARTNERSHIP****(33 marks; 20 minutes)**

Vukane Hardware is a business with partners, S. Vuka and A. Pulane, selling building materials. The accounting period ends on 30 June 2004.

REQUIRED:

- 5.1 Calculation of the correct net profit (5)
- 5.2 Appropriation Account (15)
- 5.3 Current account: S. Vuka (13)

INFORMATION:**1. Balances appearing in the ledger on 30 June 2004**

Capital account: S. Vuka (1 July 2003)	150 000
Capital account: A. Pulane (1 July 2003)	250 000
Current account: S. Vuka (1 July 2003)	16 700 Cr
Current account: A. Pulane (1 July 2003)	8 200 Dr
Drawings: S. Vuka	158 125
Drawings: A. Pulane	40 325

2. Additional information

The bookkeeper has calculated the net profit to be R183 425 for the year. However, adjustments need to be made in respect of the following:

- An amount of R900 was paid and recorded on 1 May 2004. This is for an advertisement appearing in the local newspaper for a three-month period ending 31 July 2004.
- S. Vuka's drawings account was debited incorrectly with R125 cash. This should have been debited to petty cash (this was to restore the petty cash imprest).
- A. Pulane has drawn his salary of R5 500 per month for the whole year, but this has been debited to the Salaries Account, which was closed off to the Profit and Loss Account.

3. The partnership agreement stipulates the following:

3.1 The partners are entitled to the following monthly salaries:

S. Vuka - R7 500

A. Pulane - R5 500

3.2 Interest on capital is to be calculated at 15% per year.

3.3 Remaining profits are shared between S. Vuka and A. Pulane in the ratio 3:2 respectively.

QUESTION 6**LEDGER ACCOUNTS****(40 marks; 24 minutes)**

The two accounts below appeared in the General Ledger of Afro Jewellers. Certain details, folios and amounts have been omitted.

REQUIRED:

Study the accounts and answer the questions that follow.

INFORMATION:**GENERAL LEDGER OF AFRO JEWELLERS**

Debtors control

2004 Sept. 1	Balance	b/d	25 000	2004 Sept. 30	Bank and discount	CRJ	40 000
30	Sales	?	32 500		Debtors allowances	DAJ	2 500
	?	GJ	500		Balance	c/d	?
	Bank	CPJ	300				
			58 300				58 300
2004 Oct. 1	Balance	b/d	?				

Trading stock

2004 Sept. 1	Balance	b/d	44 000	2004 Sept. 30	Cost of sales	DJ	?
30	?	CJ	30 000		Cost of sales	?	22 000
30	Bank	CPJ	20 000		Balance	c/d	?
	Cost of sales	DAJ	1 000				
			95 000				95 000
2004 Oct. 1	Balance	b/d	?				

QUESTIONS ON DEBTORS CONTROL ACCOUNT:

- 6.1 Provide the folio for the amount of R32 500 on the debit side of the Debtors Control Account. (2)
- 6.2 Provide the details for the R500 on the debit side of the Debtors Control Account. (2)
- 6.3 Give TWO reasons that could have led to the Debtors Control Account being credited with the R2 500. (4)
- 6.4 How much did the debtors owe on 30 September 2004? (2)
- 6.5 The business allowed debtors R700 discount for prompt payment of their accounts. What is the actual amount received from them? (2)
- 6.6 The R300 on the debit side of the Debtors Control Account was posted from the Cash Payments Journal. Provide ONE example of a transaction to suit this entry. (2)
- 6.7 Name the source document for the entry of R40 000 on the credit side of the Debtors Control Account. (2)
- 6.8 At the end of the financial year, the Debtors Allowances Account will be closed and transferred to which account? (2)
- 6.9 What is the cost of goods sold on credit for the month of September 2004 if the business maintains a mark-up of 30% on cost of sales? (4)

QUESTIONS ON TRADING STOCK ACCOUNT:

- 6.10 Provide the folio for the R22 000 on the credit side of the Trading Stock Account. (2)
- 6.11 Does this business buy most of its stock for cash or on credit? Give a reason for your answer. (3)
- 6.12 Name the contra account for the R30 000 on the debit side of the Trading Stock Account. (2)
- 6.13 Why is the Trading Stock Account debited with R1 000? (2)
- 6.14 The business uses a mark-up of 30% on cost. Calculate the goods sold for cash. (4)
- 6.15 When preparing the financial statements, under which note to the Balance Sheet will you reflect trading stock? (2)
- 6.16 Does this business use the periodic or the perpetual (continuous) inventory system? Provide a reason for your answer. (3)

QUESTION 7**BANK RECONCILIATION****(42 marks; 25 minutes)**

Nebo Traders is a business that has a current banking account with Vhembe Bank.

REQUIRED:

- 7.1 Complete the Cash Receipts Journal and the Cash Payments Journal for March 2004. (23)
- 7.2 Post to the Bank Account and balance it on 31 March 2004. (7)
- 7.3 Prepare the Bank Reconciliation Statement on 31 March 2004. (12)

INFORMATION:**1. Entries in the Bank Reconciliation Statement on 29 February 2004**

	R
Overdraft per Bank Statement	3 220
Outstanding deposit	2 230
Outstanding cheques:	
No. 441	1 000
No. 471	670
No. 482	590
Overdraft according to the Bank account	3 250

2. Totals of Cash Journals for March 2004

Cash Receipts Journal		Cash Payments Journal	
Bank	Sundry accounts	Bank	Sundry accounts
21 500	21 500	12 677	12 677

3. The bookkeeper compared the Bank Statement of March 2004 with the Bank Reconciliation Statement of February 2004 and the Cash Journals of March 2004. The following differences were noticed:

- 3.1 Items appearing in the Bank Statement of March 2004 but not in the journals:
- 3.1.1 Cheque No. 471 for R670.
 - 3.1.2 Cheque No. 482 for R950 had been incorrectly recorded in the CPJ as R590 for packing materials bought from Green-Packs Ltd.
 - 3.1.3 Deposit of R2 230.
 - 3.1.4 A monthly debit transfer of R2 000 into a savings account with Vhembe Bank.
 - 3.1.5 Amounts charged by the bank:
 - Cash handling fees, R25
 - Service fees, R125
 - Interest on bank overdraft, R63.
 - 3.1.6 A deposit made by a debtor, M. Moosa, for R700 into the bank account of Nebo Traders.
- 3.2 Items appearing in the Cash Journals of March 2004, but not in the Bank Statement:
- 3.2.1 A deposit of R4 560 dated 31 March 2004.
 - 3.2.2 Cheques issued:

-	No. 501	-	R3 400
-	No. 522	-	R1 070
- 3.3 Additional information
- 3.3.1 Cheque No. 441 for a donation of R1 000 was wrongly made payable to Mr. H. Brooks, instead of Cheshire Homes. It was decided to cancel the old cheque and replace it with a new cheque, No. 540, for R1 500. This new cheque is still in the post and has not been deposited. Make the necessary entries.
 - 3.3.2 The bank statement closed with a credit balance of R4 610.