

**MARKS: 300**  
**PUNTE: 300**  
**3 HOURS**  
**3 URE**

**1044**

**ACCOUNTING**  
**REKENINGKUNDE**

**STANDARD GRADE**  
**STANDAARDGRAAD**

**NOVEMBER 2006**



**education**

Department of Education  
**REPUBLIC OF SOUTH AFRICA**

**SENIOR CERTIFICATE EXAMINATION – 2006**  
**SENIOR SERTIFIKAAT EKSAMEN – 2006**

This question paper consists of 13 pages and an answer book.  
Hierdie vraestel bestaan uit 13 bladsye en 'n antwoordboek.



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**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL the calculations in order for part marks to be allocated.
4. Read the instructions carefully and follow them precisely.
5. Candidates will forfeit marks for:
  - 5.1 Use of non-standardised abbreviations
  - 5.2 Over-writing of figures
  - 5.3 Superfluous entries/foreign items/errors of principle
6. Non-programmable calculators may be used.
7. Use the information in the table below as a guide when answering the question paper and try not to deviate from it.

QUESTION	TOPIC	MARKS	TIME GUIDE (MINUTES)
1.	Close Corporation	46	28
2.	Bank Reconciliation	40	24
3.	Club	39	23
4.	Budget	48	29
5.	Company	53	32
6.	Partnership	74	44
		<b>300 marks</b>	<b>180 minutes</b>

**QUESTION 1****CLOSE CORPORATION****(46 marks; 28 minutes)**

The information has been taken from the books of CB Stores CC with Clive Dunn and Brenda Dunn as members. The business uses the **perpetual inventory system with control accounts**. A profit mark-up of 25% on cost price is in use.

**REQUIRED:**

1.1 Analyse the transactions according to the columns below: (36)

For example: Paid water and electricity by cheque, R400.

No.	Journal	General Ledger		Amount R
		Account debited	Account credited	
e.g.	Cash Payments Journal	Water and electricity	Bank	400

- 1.1.1 Received a cheque from Clive, R50 000, as his capital contribution.
- 1.1.2 Clive increased his contribution by giving a vehicle worth R90 000 to the business.
- 1.1.3 Issued a cheque to Brenda, R20 000, to reduce her members' contribution in the business.
- 1.1.4 Charged Brenda interest of R600 on a loan given to her. The interest must be charged to the loan account (i.e. capitalized it).
- 1.1.5 Income tax for the year was calculated to be R44 560.
- 1.1.6 The members have decided to distribute R72 000 of the net profit between themselves.

- 1.2 Show the effect of the following entries on the accounting equation.  
The + sign is for an increase, the – sign is for a decrease and 0 is for no effect.

**Assume the Bank Balance is favourable at all times.**

(10)

**For example:**

No.	General Ledger		Amount R	A	O	L
	Account debited	Account credited				
e.g.	Water and electricity	Bank	400	–	–	0

No.	General Ledger		Amount R	A	O	L
	Account debited	Account credited				
1.2.1	Discount allowed	Debtors control	20			
1.2.2	Trading stock	Creditors control	6 200			
1.2.3	Equipment	Members' contribution	27 000			
1.2.4	Salary to member	Bank	10 000			
1.2.5	Creditors control	Bank	4 000			



**QUESTION 2****BANK RECONCILIATION****(40 marks; 24 minutes)**

The information below has been taken from the books of Cabanga Stores.  
The business has a current banking account with Admo Bank.

**REQUIRED:**

- 2.1 Complete the Cash Receipts Journal and the Cash Payments Journal for June 2006. Total only the bank columns in the Cash Journals. (26)
- 2.2 Prepare the Bank Reconciliation Statement on 30 June 2006. (14)

**INFORMATION:****1. Provisional totals in the Cash Journals for June 2006:**

	<b>CRJ</b>	<b>CPJ</b>
Bank	34 685	28 760
Sundry accounts	34 685	28 760

**2. The Bank Reconciliation Statement on 31 May 2006 showed the following:**

Favourable balance according to Bank Statement	4 670
Outstanding deposit	5 800
Outstanding cheques	
No. 235	1 400
248	1 000
334	1 930
Favourable balance according to bank account	6 140

**3. A comparison of the Bank Reconciliation Statement of May 2006 with the Bank Statement for June 2006 showed the following:**

- The outstanding deposit of R5 800 was credited by the bank.
- Cheque No. 235 for R1 400 was paid by the bank.
- Cheque No. 248 for R1 000 was issued as a donation to Mndani Social Club that has since been dissolved. The cheque must be cancelled.
- Cheque No. 334 for R1 930 is still outstanding.

4. **A comparison of the Bank Statement for June 2006 with the Cash Journals for June 2006 showed the following differences:**
1. A tenant, S. Burn, deposited his rent for June directly in the bank account, R1 200.
  2. Two stop orders appeared on the Bank Statement:
    - R540 in favour of Phola Insurers for the delivery van's insurance
    - R2 000 in favour of Security Bank for the monthly repayment of a loan.
  3. The following cheques were not presented to the bank for payment:
    - No. 412: R590
    - No. 440: R3 200
    - No. 451: R600
  4. A deposit of R8 340, made on 30 June, does not appear on the Bank Statement.
  5. The Bank Statement shows the following items:
    - Service fees: R109
    - Cash handling fee: R221
    - Interest on favourable bank balance: R15
  6. The Bank Statement reflected a favourable balance of R9 390 at the end of the month.

**QUESTION 3****CLUB****(39 marks; 23 minutes)**

The information below was extracted from the books of Hi-Voltage Athletics Club.  
The accounting period ends annually on 31 December.

**REQUIRED:**

Complete the following Ledger Accounts for the year ended 31 December 2005:

- 3.1 Membership Fees Account (19)
- 3.2 Track Suits Account  
(This account must reflect all information for the year on track suits, including the profit/loss on the sale of track suits.) (14)
- 3.3 Answer the following question:  
Many of the members do not like to buy the track suits sold at the club but prefer to buy them from somewhere else. Give THREE possible reasons why these members would prefer to buy them somewhere else. (6)

**INFORMATION:****1. Extract from the Balance Sheet on 31 December 2004:**

Accrued income/Income receivable (Membership fees)	R 5 000
Income received in advance/Deferred income (Membership fees)	3 000
Track suits on hand	3 180

**2. Membership fees:**

- The annual membership fee is R250 per member.
- There were 150 members on 31 December 2004.
- During 2005, 40 new members joined the club.
- 16 members paid their outstanding membership fees for 2004. Any other outstanding membership fees for 2004 must be written off as irrecoverable.
- 35 members were in arrears with the 2005 membership fees.
- 15 members paid their membership fees for the year 2006 in advance during the year.

**3. Track suits:**

- Track suits bought during the year:
 

Cash	-	R4 260
Credit	-	R3 170
- Track suits sold during the year:
 

Cash	-	R6 420
Credit	-	R2 950
- Track suits on hand on 31 December 2005 amounted to R4 880.





**QUESTION 4****BUDGET****(48 marks; 29 minutes)**

The information below was taken from the books of Worldnet Computers.

**REQUIRED:**

- 4.1 Complete the Debtors' Collection Schedule for the period 1 October 2006 to 30 November 2006. (14)
- 4.2 Cash Budget for the period 1 October 2006 to 30 November 2006. (28)
- 4.3 The fixed deposit with AS Bank matures on 30 November 2006. Management is unsure on how best this money can be used. Provide TWO options for them other than keeping it in the current banking account. (6)

**INFORMATION:**

1. Actual and budgeted information:

	Actual		Budgeted	
	August R	September R	October R	November R
Total sales	R247 000	R250 000	R266 000	R290 000
Cash purchases	66 000	57 000	72 000	81 000
Credit purchases	154 000	133 000	168 000	189 000

2. Half of the monthly sales are for cash.
3. Debtors pay their accounts as follows:
- 60% after 30 days (i.e. in the month following the sales transaction month)
  - 38% after 60 days (i.e. two months following the sales transaction month)
  - 2% is irrecoverable
4. Creditors are paid in the month after the purchase is made, to take advantage of the 10% discount offered.
5. Rent of R1 800 is received monthly and will increase by 10% on 1 November.
6. A campaign for the advertising of a new brand of software is planned for October 2006. R2 000 will be paid in October and R1 500 in November 2006.
7. The fixed deposit with AS Bank of R20 000 matures on 30 November 2006.
8. New equipment of R62 000 will be bought for cash in October 2006.
9. Operating expenses amount to R42 000 for the year and are distributed evenly throughout the year.
10. The bank account is overdrawn by R3 300 on 30 September 2006.



**QUESTION 5****COMPANY****(53 marks; 32 minutes)**

Thuthukani Limited has an authorised share capital of 300 000 ordinary shares.

**REQUIRED:**

- 5.1 Prepare an Income Statement for the year ended 28 February 2006. (46)
- 5.2 Prepare the Retained Income Note to the financial statements. (7)

**INFORMATION:****PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2006**

<b>Balance Sheet Accounts Section</b>	<b>Debit R</b>	<b>Credit R</b>
Ordinary share capital (R2 each)		400 000
Retained income		43 000
Loan: DBA Bank (13%)		102 000
Land and buildings	385 000	
Vehicles	240 000	
Equipment	70 000	
Accumulated depreciation on vehicles		88 200
Accumulated depreciation on equipment		25 800
Trading stock	29 570	
Fixed deposit: Finders Bank	30 000	
Debtors control	73 190	
Creditors control		66 600
Provision for bad debts		2 400
Bank	5 000	
<b>Nominal Accounts Section</b>		
Sales		922 500
Cost of sales	560 000	
Debtors allowances	12 300	
Salaries and wages	112 000	
Audit fees	8 000	
Directors' fees	38 700	
Bad debts	1 230	
Rent income		12 420
Interest on overdraft	480	
Pension fund contributions	11 760	
Medical aid contributions	9 500	
Interest on fixed deposit		3 850
Interest on loan	9 945	
Dividends on ordinary shares	40 000	
Sundry expenses	30 095	
	<b>1 666 770</b>	<b>1 666 770</b>



**ADJUSTMENTS AND ADDITIONAL INFORMATION:**

1. The details in respect of the earnings of one employee, Y. Badluk, have been left out of the Salaries Journal by mistake. He has not been paid yet. He earns a gross salary of R2 000. The following deductions were made from his salary:

- PAYE - 22%
- Pension fund - R350
- Medical aid fund - R160

The business contributes to the pension fund on a rand-for-rand basis and a fixed amount of R250 per employee to their medical fund.

2. M. Lebo, a debtor, who owes the business R1 700, has been declared insolvent. The business has received 30 cents in the rand from her estate and this has been recorded. The balance must still be written off as irrecoverable.
3. The provision for bad debts must be adjusted to 5% of the outstanding debtors.
4. An office has been let to Fin-House Consultants since 1 April 2005. The business receives a monthly rent of R1 380 from them.
5. Interest on the fixed deposit of R350 is due but has not yet been received.
6. According to the loan agreement, interest on the loan is payable quarterly in four equal amounts. However, the interest for the last quarter ending 28 February 2006 must still be paid.
7. Depreciation is to be calculated on vehicles at 20% p.a. on cost and on equipment at 15% p.a. on the carrying value.
8. Income tax for the year amounted to R28 235.
9. A final dividend of 5 cents per share has been declared.



**QUESTION 6****PARTNERSHIP****(74 marks; 44 minutes)**

The information was taken from the books of Kings Traders. The business is owned by partners R. Wilkins and D. Watkins.

**REQUIRED:**

- 6.1 Prepare the Balance Sheet of Kings Traders on 28 February 2006. (Where notes are NOT required, show calculations in brackets.) (25)
- 6.2 Prepare the following notes to the financial statements for the year ended 28 February 2006:
- Fixed assets
  - Trade and other receivables (debtors)
  - Cash and cash equivalents
  - Current accounts (49)

**(Note that some of the details have already been filled in for you in your answer book.)**

**INFORMATION:****LIST OF BALANCES ON 1 MARCH 2005:**

Capital account: R. Wilkins		R156 000
Capital account: D. Watkins		109 200
Current account: R. Wilkins	Cr	12 300
Current account: D. Watkins	Dr	8 200
Vehicles		232 000
Equipment		64 000
Accumulated depreciation on vehicles		113 210
Accumulated depreciation on equipment		25 600

**LIST OF BALANCES ON 28 FEBRUARY 2006:**

Fixed deposit: Natfin Bank (16% p.a.)		100 000
Trading stock		40 460
Consumable stores on hand		1 600
Debtors control		34 200
Provision for bad debts		1 710
Creditors control		43 060
Bank	Dr	12 200
Savings account: Smart Bank		44 300
Accrued income/Income receivable		1 200
Income received in advance/Deferred income		800
Accrued expenses/Expenses payable		1 690
Prepaid expenses		3 060



**ADDITIONAL INFORMATION:**

1. One of the fixed deposits with Natfin Bank for R30 000 matures on 31 May 2006.
2. The net profit was appropriated between the partners as follows:

	<b>R. Wilkins</b>	<b>D. Watkins</b>
Annual salaries	102 000	81 000
Interest on capital	35 000	24 500
Remaining profit	9 000	18 000

3. The drawings by the partners for the year amounted to:  
R. Wilkins – R150 000; D. Watkins – R110 000
4. There was no change to capital throughout the year.
5. The vehicle was sold for cash on 28 February 2006 and was properly recorded:
  - Cost price R112 000
  - Accumulated depreciation (28 February 2006) 71 450
  - Carrying value 40 550
  - Selling price 45 000
6. Equipment worth R20 000 was purchased on credit from Bafokeng Steel on 28 February 2006 and was properly recorded.
7. The depreciation for the year:
 

On vehicles	R34 800
On equipment	12 800

