



# education

Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

## SENIOR CERTIFICATE EXAMINATION - 2007

**ACCOUNTING**

**STANDARD GRADE**

**FEBRUARY/MARCH 2007**

**401-2/0**

**ACCOUNTING SG  
Question Paper & Answer Book**



**401 2 0E**

**SG**

**MARKS: 300**

**TIME: 3 hours**

**This paper consists of 16 pages and an answer book.**

**X05**





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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 Important dates which are omitted
  - 5.2 Use of non-standardised abbreviations
  - 5.3 Over-writing on figures
  - 5.4 Superfluous entries/foreign items/errors of principle
6. Non-programmable calculators may be used.
7. No pages may 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 (MINUTES) |
|----------|---------------------|------------------|----------------------|
| 1.       | Bank Reconciliation | 47               | 24                   |
| 2.       | Close Corporation   | 50               | 25                   |
| 3.       | Partnership         | 70               | 46                   |
| 4.       | Budget              | 48               | 27                   |
| 5.       | Clubs               | 40               | 22                   |
| 6.       | Company             | 45               | 36                   |
|          |                     | <b>300 marks</b> | <b>180 minutes</b>   |

**QUESTION 1****BANK RECONCILIATION****(47 marks; 24 minutes)**

The information below appears in the books of Hanif Traders.

**REQUIRED:**

- 1.1 Complete the Cash Receipts Journal and the Cash Payments Journal for May 2006. Total only the bank columns in the Cash Journals. (25)
- 1.2 Post to the Bank Account in the general ledger. Balance the account on 31 May 2006. (7)
- 1.3 Prepare a Bank Reconciliation Statement on 31 May 2006. (13)
- 1.4 Provide TWO examples of bank charges that will appear on the Bank Statement. (2)

NOTE: It is the policy of the business to correct errors in the Cash Journals, whenever possible.

**INFORMATION:**

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

|                 | <b>CRJ</b> | <b>CPJ</b> |
|-----------------|------------|------------|
| Bank            | 42 424     | 36 363     |
| Sundry Accounts | 42 424     | 36 363     |

2. **The Bank Reconciliation Statement prepared on 30 April 2006 reflects the following information:**

|                                                   | <b>R</b> |
|---------------------------------------------------|----------|
| Favourable balance per Bank Statement             | 3 489    |
| Outstanding deposit                               | 2 247    |
| Outstanding cheques: 301                          | 1 521    |
| 302                                               | 315      |
| 304                                               | 876      |
| Favourable balance per Bank Account in the Ledger | 3 024    |

3. **A comparison of the Bank Reconciliation Statement for April 2006 with the Bank Statement of Cats Bank for May 2006 reflects the following:**

- 3.1 The outstanding deposit of R2 247 appears on the Bank Statement for May 2006.
- 3.2 Cheque No. 301 for R1 521 appears on the Bank Statement for May 2006.
- 3.3 Cheque No. 302 for R315 was issued to Fralize Stores for trading stock purchased. This cheque has been lost and payment has been stopped. It was replaced with cheque No. 335 on 31 May 2006. This cheque is in the post. No entry has been made for the cancellation of the old cheque or the issuing of the new cheque.
- 3.4 Cheque No. 304 for R876, dated 15 June 2006 is still outstanding.

4. **A comparison of the Bank Statement for May 2006 with the Cash Journals reflects the following differences:**

- 4.1 A tenant, S. Stefne, paid R950 for rent. This appears only on the Bank Statement.
- 4.2 A dishonoured cheque for R342, received from a debtor L. Bryden, appears on the Bank Statement.
- 4.3 A stop order to Naidoo Insurers appears on the Bank Statement for the following:
- R680 for business insurance
  - R220 for household insurance of the owner paid on his behalf by the business.
- 4.4 Bank charges according to the Bank Statement amount to R134.
- 4.5 A credit of R44 being interest on current bank account was reflected on the Bank Statement of Cats Bank.
- 4.6 A deposit of R3 211 appears in the CRJ but not on the Bank Statement.

5. **The Salaries Journal for May 2006 reflects the following:**

| Employees  | Cheque number | Net salaries |
|------------|---------------|--------------|
| J. Meslo   | 347           | R4 275       |
| B. Roos    | 348           | R5 437       |
| J. Ramsamy | 349           | R3 954       |

Only cheques 348 and 349 appeared on the Bank Statement for May 2006.

6. The Bank Statement on 31 May reflects a credit balance of R10 958.

**QUESTION 2****CLOSE CORPORATION****(50 marks; 25 minutes)**

Madmot Traders CC is a close corporation with M. Madi and K. Motso as members. They each have a 50% interest in the business. The accounting period ends annually on 28 February.

**REQUIRED:**

- 2.1 Use the information below to prepare the following accounts in the general ledger. Balance/Close off the accounts on 28 February 2006.
- 2.1.1 Members' contributions (11)
- 2.1.2 South African Revenue Services – Income tax (11)
- 2.1.3 Distribution payable to members (13)
- 2.1.4 Appropriation Account (10)
- 2.2 Madmot Traders CC wants to distribute 70% of the net profit before tax. Do you think the CC can afford this? Give ONE reason for your answer. (3)
- 2.3 State ONE advantage for the members should they decide to admit a third member to the CC. (2)

**EXTRACT FROM THE LIST OF BALANCES ON 1 MARCH 2005**

|                                                  |           |
|--------------------------------------------------|-----------|
| Members' contributions                           | R 385 000 |
| Retained income                                  | 1 600     |
| South African Revenue Services – Income tax (Cr) | 3 500     |
| Loan to Motso                                    | 40 000    |
| Distribution payable to members                  | 24 000    |

**TRANSACTIONS****2005**

- Mar. 7 Issued cheque No. 333 for outstanding income tax.
- 14 Paid the distribution owing to members. Member Madi requested that her amount be paid out to her while Motso asked the business to credit it to his loan account.
- Sept. 30 Cheque No. 411 for R30 500 was issued to SARS to pay provisional income tax.
- Member Madi provided equipment to the value of R35 000 to increase her interest in the business.
- Nov. 22 Member Motso provided service as an accounting officer at a fee of R25 200. This amount was not paid out to him but was used to increase his members' contribution.
- Dec. 18 Member Madi withdrew R10 000 of her members' contribution. A cheque was issued to her.

**2006**

- Feb. 27 Issued cheque No. 696 for R21 250 to SARS in respect of the second provisional tax payment.
- 28 The Profit and Loss Account reflected a net income of R181 400 for the financial year.
- The total income tax for the year has been calculated at R54 200.
- The members decided to distribute 70% of the net profit before tax in the ratio Madi 50% and Motso 50%.

**QUESTION 3****PARTNERSHIP****(70 marks; 46 minutes)**

The information below appears in the books of EM Traders (partners E. Elgin and M. Motsau) on 28 February 2006, the end of the financial year.

**REQUIRED:**

- 3.1 Prepare the Income Statement for the year ended 28 February 2006. (45)
- 3.2 Prepare the note to the Balance Sheet for the partners' current accounts. (25)

***You are provided with two alternative formats for the current accounts in the answer book. Use only ONE of the TWO methods.***

**NOTE: Provide original figures and adjustments in brackets so that part marks can be awarded.**

**BOOKS OF EM TRADERS**  
**PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2006**

|                                        | Debit<br>R | Credit<br>R |
|----------------------------------------|------------|-------------|
| <b>Balance Sheet Accounts Section</b>  |            |             |
| Capital: Elgin                         |            | 400 000     |
| Capital: Motsau                        |            | 100 000     |
| Current Account: Elgin (1 March 2005)  |            | 22 578      |
| Current Account: Motsau (1 March 2005) | 10 500     |             |
| Drawings: Elgin                        | 36 000     |             |
| Drawings: Motsau                       | 105 000    |             |
| Land and buildings                     | 215 000    |             |
| Vehicles                               | 180 000    |             |
| Equipment                              | 135 600    |             |
| Accumulated depreciation on vehicles   |            | 75 000      |
| Accumulated depreciation on equipment  |            | 35 600      |
| Trading stock                          | 55 510     |             |
| Debtors' control                       | 12 400     |             |
| Provision for bad debts                |            | 350         |
| Bank                                   | 201 268    |             |
| Fixed deposit (10% p.a.)               | 15 000     |             |
| Creditors' control                     |            | 47 550      |
| Loan                                   |            | 30 000      |
|                                        |            |             |
| <b>Nominal Accounts Section</b>        |            |             |
| Sales                                  |            | 606 800     |
| Cost of sales                          | 245 000    |             |
| Debtors' allowances                    | 6 800      |             |
| Insurance                              | 3 900      |             |
| Bank charges                           | 1 300      |             |
| Stationery                             | 4 000      |             |
| Interest on loan                       | 4 520      |             |
| Interest on fixed deposit              |            | 750         |
| Interest on outstanding debtors        |            | 20          |
| Discount allowed                       | 590        |             |
| Telephone                              | 12 300     |             |
| Rent income                            |            | 19 500      |
| Wages                                  | 61 000     |             |
| Water and electricity                  | 28 300     |             |
| Discount received                      |            | 950         |
| Bad debts                              | 710        |             |
| Rates and taxes                        | 4 400      |             |
|                                        | 1 339 098  | 1 339 098   |

**ADJUSTMENTS AND ADDITIONAL INFORMATION:**

1. A debtor, T. Hill, owing R190, is written off as a bad debt.
2. Inventories on hand on 28 February 2006:
  - Trading stock R54 600
  - Stationery R 300
3. The payment for water and electricity for February 2006, R2 700, is still owing.
4. Insurance includes an annual premium of R1 800 that was paid on 31 August 2005.
5. The provision for bad debts must be reduced by R50.
6. Interest on fixed deposit, R750, is still receivable.
7. Rent income has been received for 13 months.
8. Rates and taxes are levied at 2% per year on the value of land and buildings (assume that the book value is a true indication of value). Adjust for any amount owing or prepaid.
9. Provide for depreciation as follows:
  - Vehicles at 10% per year on cost. Take into account that a new vehicle costing R80 000 was bought and recorded in the books on 1 December 2005.
  - Equipment at 15% per year according to the diminishing balance method.
10. The net profit for the year ended 28 February 2006 amounts to **R225 000**, **after** taking the above adjustments into account.

**The partnership agreement stipulates the following:****Interest on capital**

Calculated at 10% per year. (Partner Elgin increased her capital by R100 000 on 31 August 2005 and Motsau reduced his capital by R50 000 on 28 February 2006. These capital transactions have been recorded.)

**Salaries**

- Partner Elgin receives an annual salary of R48 000.
- Partner Motsau receives a salary of R8 000 per month.

**Remaining profits/losses**

- The remaining profit/loss must be divided equally between the partners.

**QUESTION 4****BUDGET****(48 marks; 27 minutes)**

The information below was taken from the books of Diana Traders.

**REQUIRED:**

- 4.1 Complete the Debtors' Collection Schedule for the period 1 April 2007 to 31 May 2007. (10)
- 4.2 Prepare a Cash Budget for the period 1 April 2007 to 31 May 2007. (34)
- 4.3 List TWO expenses that **will not** appear in a Cash Budget. (4)

**INFORMATION:**

1. The Bank Account on 31 March 2007 reflects a debit balance of R4 488.

|                           | Actual        |            | Budgeted   |          |
|---------------------------|---------------|------------|------------|----------|
|                           | February<br>R | March<br>R | April<br>R | May<br>R |
| Cash sales                | 48 000        | 100 000    | 66 000     | 72 000   |
| Credit sales              | 24 000        | 50 000     | 33 000     | 36 000   |
| Cash purchases of stock   | 32 000        | 60 000     | 44 000     | 48 000   |
| Credit purchases of stock | 16 000        | 40 000     | 22 000     | 24 000   |
| Operating expenses        | 2 000         | 2 420      | 2 662      | 2 928    |
| Salaries                  | 6 000         | 6 000      | 6 000      | ?        |

3. Credit sales are collected as follows:
  - 50% in the same month as the sale
  - 30% after 30 days
  - 15% after 60 days
  - 5% as bad debts
4. Creditors are paid two months after the purchase.
5. Depreciation is calculated at R750 per month.

6. The business rents out a building at R1 800 per month. The rent increases annually on 1 May by R180. All amounts are received monthly.
7. The owner draws R3 500 cash per month.
8. New equipment will be purchased on 1 April for R96 600. This will be settled in three equal annual payments from 30 April 2007.
9. Diana Traders have three employees in service and all employees receive the same salary. On 1 May 2007 a fourth worker will be employed at the same salary.

**QUESTION 5****CLUBS****(40 marks; 22 minutes)**

- 5.1** The following information is reflected in the books of Fatima Dance Club.

**REQUIRED:**

- 5.1.1 Prepare the Membership Fees Account for the year ended 31 December 2005. (20)
- 5.1.2 Provide TWO reasons why the club committee should be concerned over the collection of membership fees. (4)

**INFORMATION:**

1. **Balances on 1 January 2005:**

|                                                              |         |
|--------------------------------------------------------------|---------|
| Accrued income/Income receivable (Membership fees)           | R 3 600 |
| Income received in advance/Deferred income (Membership fees) | 600     |

2. **Summary of transactions for the year:**

Membership fees are R300 per member per year.

Membership fees received during the year:

|      |                 |
|------|-----------------|
| 2004 | R 900           |
| 2005 | 73 200          |
| 2006 | <u>1 200</u>    |
|      | <u>R 75 300</u> |

The membership fees that are still outstanding in respect of the previous year must be written off as irrecoverable.

On 1 January 2005 a member who had paid her membership fees in advance left the club. She requested that her membership fees be repaid to her. She received a cheque for the R300 refund from the club.

On 31 December 2005 membership fees of 29 members were still outstanding for 2005.

- 5.2** The following transactions were taken from the books of Hattingh Netball Club.

**REQUIRED:**

Analyse the following transactions according to the example provided.

(16)

**Example:**

Paid R500 by cheque for stationery.

| No.  | Receipts | Payments | Income | Expenses |
|------|----------|----------|--------|----------|
| e.g. |          | R 500    |        | R 500    |

**Transactions:**

- 5.2.1 An entrance fee of R150 was received from a new member.
- 5.2.2 Affiliation fees of R300 were paid by cheque.
- 5.2.3 Refreshments were bought on credit for R500.
- 5.2.4 Membership fees amounting to R1 500 were received. This includes R150 for the next financial year.
- 5.2.5 A creditor's account of R210 was paid by cheque.

**QUESTION 6****COMPANY****(45 marks; 36 minutes)**

The following information appears in the books of Ezilda Limited, a public company. The company has authorised share capital of 500 000 ordinary shares of R2 per share.

**REQUIRED:**

Prepare the following notes to the Balance Sheet on 28 February 2006.

- 6.1 Trade and other payables (Creditors) (15)
- 6.2 Share capital (6)
- 6.3 Retained income (7)
- 6.4 Fixed assets (17)

**INFORMATION:**

**BOOKS OF EZILDA LIMITED**  
**EXTRACT FROM THE POST-ADJUSTMENT TRIAL BALANCE ON**  
**28 FEBRUARY 2006**

| <b>Balance Sheet Accounts Section</b>      | <b>Debit<br/>R</b> | <b>Credit<br/>R</b> |
|--------------------------------------------|--------------------|---------------------|
| Ordinary share capital                     |                    | 700 000             |
| Share premium                              |                    | 70 000              |
| Retained income (1 March 2005)             |                    | 14 000              |
| Land and buildings                         | 500 000            |                     |
| Equipment                                  | 190 000            |                     |
| Accumulated depreciation on equipment      |                    | ?                   |
| Bank                                       | 44 500             |                     |
| Debtors' control                           | 17 500             |                     |
| Provision for bad debts                    |                    | 1 500               |
| Trading stock                              | 54 450             |                     |
| Creditors' control                         |                    | 33 790              |
| Fixed deposit                              | 15 000             |                     |
| Creditors for salaries                     |                    | 7 000               |
| Pension fund                               |                    | 1 700               |
| Medical aid fund                           |                    | 1 350               |
| SARS – PAYE                                |                    | 1 400               |
| SARS – Income tax                          |                    | 2 645               |
| Shareholders for dividends                 |                    | 42 000              |
| Expenses prepaid                           | 1 670              |                     |
| Expenses accrued/payable                   |                    | 750                 |
| Income accrued/receivable                  | 1 330              |                     |
| Income received in advance/Deferred income |                    | 1 250               |

**ADDITIONAL INFORMATION:**

1. The business issued a further 100 000 ordinary shares to the public on 1 December 2005. The entry was correctly recorded in the books.
2. Depreciation for the year on equipment of R15 000 has not yet been recorded in the books.
3. Assets purchased during the year and correctly recorded:
  - Land and buildings, R240 000
  - Equipment, R65 000
4. Sold old equipment on 28 February 2006 for R12 000 cash. The cost price of this equipment was R35 000 and the carrying value was R17 200 at the date of disposal. The entries regarding the disposal were correctly done.
5. The net profit after tax amounts to R125 000.
6. An interim dividend of R35 000 was declared and paid during the year. A final dividend of R42 000 was declared but has not yet been paid.

|    |
|----|
| 45 |
|----|

**TOTAL: 300**