GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2021

GRADE 11

ACCOUNTING
PAPER 1

TIME: 2 hours

MARKS: 150

12 pages + 1 formula page and an answer book of 10 pages

EXEMPLAR

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC OF THE QUESTION	MARKS	TIME IN MINUTES
1	GAAP & Fixed Assets Note	30	24 minutes
2	Income Statement	40	32 minutes
3	Balance Sheet	50	40 minutes
4	Analysis and interpretation	30	24 minutes
TOTAL		150	120 minutes

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QUESTION 1: GAAP & FIXED ASSET NOTE **(30 MARKS; 24 MINUTES)**

1.1 CONCEPTS

1.1 Fill in the missing word(s). Write only the correct word(s) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.

1.1.1 … is the remaining value of an asset after it has been fully depreciated.

1.1.2 … is a set of principles according to which financial statements are prepared.

1.1.3 The … principle states that all incomes earned, and expenses incurred must be shown for the same financial period.

1.1.4 … is an imputed expense.

1.1.5 … is a negative asset. (5)

1.2 **FIXED ASSET NOTE**

You are provided with the following information from the records of Good Place Traders.

REQUIRED:

1.2.1 Calculate the depreciation on equipment for the year ended 31 December 2021. (5)

1.2.2 Calculate the depreciation on vehicles for the year ended 31 December 2021. (8)

1.2.3 Complete the Fixed Asset Note to the Financial Statements on 31 December 2021. (12)

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INFORMATION:

A The information provided below is an extract of a Pre-adjustment Trial Balance of Good Place Traders.

List of balances on 31 December 2021

Vehicles	2 680 000
Equipment	810 000
Accumulated depreciation on vehicles	1 060 000
Accumulated depreciation on equipment	240 000

A Equipment

- New equipment with a cost price of R120 000 was purchased on 01 October 2021. No entries have been made for the transaction.
- Equipment is depreciated at 20% p.a. using the cost price method.

B Vehicles

- One of the delivery vehicles was sold for R190 000 on 01 July 2021. The vehicle was purchased on 01 July 2019 for R320 000. The accumulated depreciation for the vehicle on 01 January 2021 was R46 400.
- Vehicles are depreciated at 10% p.a. using the diminishing balance method.

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QUESTION 2: INCOME STATEMENT (40 MARKS; 32 MINUTES)

The information provided below is from the accounting records of Westville Traders. The financial year ends on 28 February 2021.

REQUIRED:

Prepare the Income Statement for the year ended 28 February 2021. (40)

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INFORMATION:

A Pre-adjustment Trial balance on 28 February 2021

Balance Sheet Accounts Section	Debit	Credit
Capital [01/03/2020]		510 000
Drawings	204 000	
Land and buildings	450 000	
Vehicles	210 000	
Equipment	123 700	
Accumulated depreciation on vehicles		94 500
Accumulated depreciation on equipment		43 500
Fixed Deposit: Nedbank [8% p.a.]	125 000	
Loan: Nedbank [12% p.a.]		390 000
Trading Stock	174 120	
Debtors' Control	59 500	
Provision for bad debts		3 500
Bank	29 320	
Petty cash	1 000	
Cash float	3 000	
Creditors' control		110 280
Nominal Accounts Section		
Sales		954 300
Cost of sales	467 630	
Debtors' allowances	28 620	
Bad debts	1 020	
Stationery	12 520	
Packing material	13 670	
Salaries and wages	175 170	
Utilities	45 210	
Insurances	15 460	
Advertising	17 080	
Telephone	21 570	
Motor expenses	25 840	
Maintenance	13 710	
Discount allowed	11 070	
Discount received		17 550
Bank Charges	3 560	
Interest on overdraft	1 610	
Rent income		99 750
Interest on fixed deposit		10 000
	2 233 380	**2 233 380**

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A Adjustments and additional information

i. Physical stock taking on 28 February 2021 revealed the following:

- Trading stock, R171 020
- Stationery, R1 420
- Packing material used during the year amounted to R11 220.

ii. Utilities account totalling R3 180 due for February 2021 will be paid on 10 March 2021.

iii. An amount of R2 100 was paid to Reality Ads on 25 February 2021 for an advertisement which will appear during March 2021.

iv. Rent income includes rent for March 2021. Rent was increased by R750 from 1 January 2021.

v. Provision for bad debts must be adjusted to 5% of debtors.

vi. The following information appeared on the Bank Statements received from Nedbank:

- Service fees, R1 120
- Internet banking fees, R320
- Interest on overdraft, R170

vii. The loan statement from Nedbank reflects the following:

Balance on 1 March 2020	450 000
Payments made during the year [12 x R5 000]	60 000
Balance on 28 February 2021	399 860

viii. Depreciation for the year amounted to R33 030.

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QUESTION 3: BALANCE SHEET **(50 MARKS; 40 MINUTES)**

3.1 Match the concept in Column A with the description in Column B. Write only the letters (A – E) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
3.1.1 Going concern	A The partnership has enough assets to cover all debts.
3.1.2 Solvency	B Analysis of the financial position of the partnership.
3.1.3 Balance Sheet	C The partnership reflects trading stock in the Balance Sheet at R60 000, even though they are planning on having a sale next month. The stock will then be sold for R40 000.
3.1.4 Liquidity	D The partnership must use the same inventory system from one financial year to another.
	E The partnership is able to pay off all short-term debts.

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3.2 **FRANKENSTEIN TRADERS**

REQUIRED:

Prepare the Equity and Liabilities Section of the Balance Sheet as at 28 February 2021. Show all the calculations relating to the notes in brackets. (18)

INFORMATION:

The following balances appeared amongst others, in the General Ledger of Frankenstein Traders on 28 February 2021.

Capital: Frank	200 000
Capital: Stein	170 000
Current Account: Frank (Debit)	1 690 Dr
Current Account: Stein (Credit)	10 360 Cr
Tangible assets at carrying value	232 000
Fixed Deposit: ABSA Bank (9% p.a.)	70 000
Loan: ABSA Bank (12%)	40 000
Trading stock	85 980
Debtors' control	64 000
Creditors' control	9 070
SARS: PAYE	3 500
Bank (Credit)	20 250 Cr
Petty cash	1 200
Cash float	400
Provision for bad debts	890
Pension fund	500
Income received in advance	700

A Adjustments and additional information

i. On 28 February 2021 Ms Stein contributed equipment to the value of R15 000 and cash of R15 000 to equalise her capital contribution. This entry was not recorded.

ii. The partners have agreed to pay off R20 000 of the loan by 30 April 2021.

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3.3 **MARVELLOUS CANDY STORE**

The following information was extracted from the accounting records of Marvellous Candy Store. The store is a partnership between Mr Marvel and Ms Lane.

REQUIRED:

Prepare the following notes as it would appear in the Balance Sheet for the year ending 28 February 2021.

- Capital Note (3)
- Current Account Note (25)

INFORMATION:

A The following balances appeared in the ledger of MARVELLOUS CANDY STORE on 28 February 2021.

Capital: Mr Marvel	R360 000
Capital: Ms Lane	R760 000
Current Account: Mr Marvel	R2 300 (DR)
Current Account: Ms Lane	R4 500 (CR)
Drawings: Mr Marvel	R25 000
Drawings: Ms Lane	R30 000

B Additional information

i. Mr Marvel took stock to the value of R35 000. This was donated to a local charity in his personal capacity. This transaction was not recorded.

ii. On 1 December 2020 Mr Marvel increased his capital by R175 000. No entry has been made for this transaction.

iii. **The partnership agreement stipulated the following:**

- Partners are entitled to interest at 15% p.a. on their capital balance at the end of the financial year.
- On 01 January 2020 Mr Marvel received a 10% increase on his monthly salary of R26 500. No further increases were given.
- Ms Lane's salary for the year amounted to R425 000.
- At the end of the financial year Ms Lane received a bonus equal to 12% of her annual salary.
- Mr Marvel and Ms Lane share the remaining profits or losses in the ratio 3:2.

iv. Ms Lane's portion of the final distribution of profit amounted to R125 000.

v. Mr Marvel received a bonus of R12 000 at the end of the financial year.

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QUESTION 4: ANALYSIS AND INTERPRETATION (30 MARKS; 24 MINUTES)

The following information is extracted from the accounting records of Micro-touch. Micro-touch is a partnership between Mike Ndlovu and Kate Terblanche.

REQUIRED:

4.1 Calculate the following indicators for 2021:

4.1.1 Acid-test ratio (4)

4.1.2 Debt-equity ratio (3)

4.1.3 % return on average equity earned by the partnership (5)

4.2 Should the partners be concerned about the liquidity of the business for 2021? Quote TWO financial indicators. (5)

4.3 Micro-touch sells Latex examination gloves to doctors and pharmacies. They are considering expanding their product range to sanitisers and face masks. The partners are considering increasing the loan by R300 000.

4.3.1 Is this a good idea to borrow R300 000? Quote ONE financial indicator to support your answer. (4)

4.3.2 Provide TWO other suggestions that the partners can consider instead of increasing the loan. (2)

4.4 Mike is concerned about the % return that he is earning. Is this a valid concern? Quote ONE financial indicator to support your answer. (4)

4.5 Mike is not happy with Kate's current contributions to the partnership. He has decided to have a meeting with her about this. List THREE points he should discuss with her at this meeting. (3)

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INFORMATION:

Extract from the Balance Sheet of Micro-Touch on 28 February:

	2021 R	2020 R
Fixed Deposit: Nedbank (10% p.a.)	300 000	390 000
Current Assets	171 000	304 000
Inventory	96 000	134 000
Trade and other receivables	64 000	45 000
Cash and cash equivalents	11 000	125 000
Capital accounts	800 000	1 200 000
Current accounts	58 000	10 000
Mortgage loan: Nedbank (12% p.a.)	240 000	135 000
Current liabilities	84 000	78 000

Extract from Appropriation and Partners' Current Accounts:

	Total 2021 R	Mike R	Kate R
Current accounts at beginning of year	10 000	40 000	(30 000)
Current accounts at end of year	58 000	108 000	(50 000)
Net profit for the year	278 000		
Partners' salaries	140 000	70 000	70 000
Interest on capital (6% p.a.)	54 000	36 000	18 000
Partners' share of remaining profit	84 000	42 000	42 000
Partners' drawings for the year	230 000	80 000	150 000

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NOTE:

i. Each partner contributed capital of R600 000 when the business started, but Kate reduced her capital by R400 000 half-way through the 2021 financial year.

ii. Mike maintained his capital contribution at R600 000 throughout the year. He also reduced his drawings in order to prevent the business from going into a bank overdraft.

Financial indicators:

	2021	**2020**
% operating profit on sales	20%	23%
% net profit on sales	12%	15%
Current ratio	2,2 : 1	3,9 : 1
Acid-test ratio	?	2,2 : 1
Debt-equity ratio	?	0,1 : 1
Return on equity: Mike	22%	29%
Return on equity: Kate	36%	21%
Return on equity of partnership	?	18%

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TOTAL: 150

END

FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total Earnings by Partner}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	
Current Assets: Current Liabilities	Current Assets – Inventories: Current Liabilities	
$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Average Creditors}}{\text{Credit Purchases or Cost of Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	
$\frac{\text{Average Inventories}}{\text{Cost of Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{Cost\ of\ Sales}{Average\ Inventories}$	
Non Current Liabilities : Partners' Equity	Total Assets : Total Liabilities	

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