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Department:
Basic Education
**REPUBLIC OF SOUTH AFRICA**

# NATIONAL SENIOR CERTIFICATE

## GRADE 11




## ACCOUNTING P1

## EXEMPLAR NOVEMBER 2019

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 11 pages, a 1-page formula sheet and a 9-page answer book.**

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## INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

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 attached to 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 1: 25 marks; 20 minutes | |
|---|---|
| **Topic of the question:** | **This question integrates:** |
| GAAP and fixed assets | GAAP<br>Fixed assets<br>Internal control |

| QUESTION 2: 50 marks; 45 minutes | |
|---|---|
| **Topic of the question:** | **This question integrates:** |
| Income Statement and Balance Sheet Note | Income Statement<br>Trade and Other Payables Note |

| QUESTION 3: 40 marks; 30 minutes | |
|---|---|
| **Topic of the question:** | **This question integrates:** |
| Partnerships | Concepts<br>Notes to the Balance Sheet<br>Balance Sheet and ethics |

| QUESTION 4: 35 marks; 25 minutes | |
|---|---|
| **Topic of the question:** | **This question integrates:** |
| Analysis and interpretation | Concepts<br>Analysis and interpretation of financial statements |

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## QUESTION 1: GAAP AND FIXED ASSETS (25 marks; 20 minutes)

### 1.1 GAAP

Choose ONE word/term for each of the following statements by choosing a GAAP principle from the list below. Write only the GAAP principle next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

| matching; going concern; prudence; materiality |
|---|

1.1.1 Service fees, cash deposit fees and ATM charges on the Bank Statement are added together and disclosed as bank charges.

1.1.2 Defaulting debtors' accounts are written off as bad debts, even though it may be recovered in the future.

1.1.3 Insurance includes R340, which relates to the next financial year.

1.1.4 The owner decides to purchase additional trading stock, which was offered at a discounted rate, as he knows that these can be sold in the following financial periods. (4 x 1) (4)

### 1.2 FIXED ASSETS

The information below relates to Masimanga Ltd for the financial year ended on 28 February 2019.

**REQUIRED:**

1.2.1 Calculate the missing amounts denoted by **(i)** to **(iv)**. (17)

1.2.2 Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen. (2)

1.2.3 Land and buildings were bought five years ago for R1 200 000. Since property prices have increased by 20% since then, Partner Piet suggested that the value of this asset be recorded at a higher amount so that a profit of R500 000 can be reflected on the Income Statement. Partner Naomi disagrees.

Provide ONE point why you would agree with Partner Naomi. (2)

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**INFORMATION:**

**A. FIXED ASSETS:**

| | LAND AND BUILDINGS | VEHICLES |
|---|---|---|
| Carrying value (01/03/2018) | | 126 000 |
| Cost | 4 000 000 | 576 000 |
| Accumulated depreciation | | (450 000) |
| **Movements:** | | |
| Additions | 570 000 | (ii) |
| Disposals | 0 | (iii) |
| Depreciation | | (iv) |
| Carrying value (28/02/2019) | (i) | |
| Cost | | **564 000** |
| Accumulated depreciation | | |

**B.** Depreciation on vehicles is calculated at 10% p.a. on cost.

**C.** A new vehicle was purchased on 1 December 2018.

**D.** Extract from the Fixed Assets Register in respect of a vehicle sold:

**Ford Fiesta**
**Date purchased:** 1 March 2016
**Date sold:** 30 September 2018 **Selling Price:** R81 348
**Depreciation rate:** 10% p.a. on cost (fixed instalment method)

| | COST | DEPRECIATION | CARRYING VALUE |
|---|---|---|---|
| 28 February 2017 | R132 000 | R13 200 | R118 800 |
| 28 February 2018 | | ? | ? |
| 30 September 2018 | | ? | ? |

25

## QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE

**(50 marks; 45 minutes)**

### MASALA TRADERS

You are provided with information relating to the year ended 30 June 2019.

**REQUIRED:**

2.1 Prepare the Income Statement (Statement of Comprehensive Income) for the year ended 30 June 2019. (40)

2.2 Prepare the Trade and Other Payables Note. (10)

**INFORMATION:**

**Extract from Pre-adjustment Trial Balance on 30 June 2019**

| **Balance Sheet Accounts Section** | **Debit** | **Credit** |
|---|---|---|
| Loan from Kim Bank | | 751 200 |
| Debtors' control | 185 000 | |
| Creditors' control | | 126 075 |
| Provision for bad debts | | 10 725 |
| Trading stock | 564 000 | |
| SARS: PAYE | | 15 000 |
| Pension fund | | 23 500 |
| **Nominal Accounts Section** | | |
| Sales | | 9 600 000 |
| Cost of sales | 6 400 000 | |
| Debtors' allowances | 168 000 | |
| Sundry expenses | 386 100 | |
| Bank charges | 62 850 | |
| Commission income | | 96 200 |
| Packing materials | 23 100 | |
| Bad debts | 26 400 | |
| Repairs and maintenance | 161 200 | |
| Salaries and wages | 985 000 | |
| Pension fund contributions | 108 350 | |
| Interest income | | 4 000 |
| Advertising | 56 800 | |
| Rent income | | 131 580 |



**Adjustments and additional information:**

**A.** Provide for R417 300 depreciation for the financial year.

**B.** On 29 June 2019, F Mazisi, a debtor, returned merchandise. A credit note for R4 500 was issued to her. The cost price was R3 000. No entries were made for the return of the merchandise. These items were placed back in stock.

**C.** The insolvent estate of a debtor, N Johnson, paid out 45 cents in the rand and made a direct deposit of R3 015 on 30 June 2019. This transaction was not recorded.

**D.** The provision for bad debts must be decreased to R10 000.

**E.** The stock count on 30 June 2019 revealed:

- Trading stock R553 650
- Packing material R3 600

**F.** The advertising expense is a fixed monthly contract with the local newspaper for the 12 months ending 30 June 2019. The monthly charge was increased by 12% on 1 March 2019. The premium for June 2019 was still outstanding.

**G.** The loan statement received from Kim Bank reflected the following:

| | |
|---|---|
| Balance on 1 July 2018 | R902 400 |
| Repayments during the year (including interest) | R151 200 |
| Interest capitalised | ? |
| Balance on 30 June 2019 | R810 000 |

**H.** An employee was left out of the Salary Journal. His details are:

| GROSS SALARY | DEDUCTIONS | | PENSION FUND CONTRIBUTION | NET SALARY |
|---|---|---|---|---|
| | PAYE | PENSION FUND | | |
| R27 800 | ? | ? | R7 575 | R18 225 |

The employer contributes R1,50 for every R1 deducted from the employee's salary in respect of his pension fund.

**I.** The monthly rent has remained unchanged during the financial year. During May 2019, the tenant paid R9 000 for repairs to the premises. As Masala Traders is responsible for all repairs, the tenant deducted this amount from the rent that he paid for May 2019. Note that the rent for June 2019 has not been received yet.

**50**

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## QUESTION 3: PARTNERSHIPS (40 marks; 30 minutes)

### KGALAGADI TRADERS

You are provided with information for the financial year ended 28 February 2019. The partners are V Vilander and L Louw.

**REQUIRED:**

3.1 **Refer to Information B.**

Calculate the percentage interest on capital as per partnership agreement. Note that there were no changes to the capital accounts during the financial year. (3)

3.2 Complete the Current Account Note for the financial year ended. (13)

3.3 Complete the Balance Sheet on 28 February 2019. Show your workings. (24)

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**INFORMATION:**

**A.**

| **Extract from the accounting records on 28 February 2019:** | | |
|---|---|---|
| | | **R** |
| Capital: Vilander | | 660 000 |
| Capital: Louw | | 440 000 |
| Current account: Vilander (1 March 2018) | (credit) | 65 000 |
| Current account: Louw (1 March 2018) | (debit) | 15 200 |
| Drawings: Vilander | | 33 000 |
| Drawings: Louw | | 259 000 |
| Fixed assets at carrying value | | 750 000 |
| Fixed deposit: FNB (12% p.a.) | | 151 200 |
| Trading stock | | ? |
| Debtors' control | | 58 000 |
| Provision for bad debts | | 3 900 |
| Loan: Diamond Bank | | 208 800 |
| Creditors' control | | 85 300 |
| Accrued income | | 9 500 |
| Prepaid expenses (See Information (a).) | | ? |
| Cash and cash equivalents | | 6 000 |
| Bank (overdraft) | | 55 400 |

**B. Additional information:**

(a) **Information relating to the partnership agreement:**

**Partners' salaries:**

- Vilander received R10 000 per month. His salary was increased by R2 500 per month from 1 December 2018.
- Louw receives R144 000 per year.

**Interest on capital:**

- Louw will receive R35 200 for the year.
- Vilander receives the same % interest as Louw.

**Remaining profit (after the primary distribution):**

The remaining profit is distributed in the ratio of the capital contribution at the end of the year.

The net profit after the primary distribution was R90 000.

(b) The loan from Diamond Bank was originally received on 1 March 2017. The loan must be repaid in equal monthly instalments over a period of 5 years.

Interest is not capitalised and is up to date.

(c) Provision for bad debts must be decreased by R200.

(d) Insurance includes an annual premium of R12 000 paid for the period 1 October 2018 to 30 September 2019.

(e) Inventory is a balancing figure.

**40**

## QUESTION 4: ANALYSIS AND INTERPRETATION (35 marks; 25 minutes)

### 4.1 FINANCIAL RESULTS FOR 2019




The information relates to Ron-Y Fashions with partners Ronel Henning and Yvonne Twerefoo. The business opened on 1 March 2017 and sells ladies' clothes and jewellery.

Ronel Henning has given up a part-time job in order to run this business. She earned R102 000 p.a. in her previous job. Yvonne Twerefoo has decided to keep her existing job, where she is earning R109 800 p.a. She has decided not to work in Ron-Y Fashions for the first year (in other words she is a silent partner for the first year). She will review her situation at a later stage.

**REQUIRED:**

Show ALL calculations. Where comments are required, refer to figures in the statements provided or ratios/percentages calculated by you in order to support your answer.

4.1.1 The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.

- Calculate the % return on the partners' equity (use average equity). (6)
- Comment on this return. Provide ONE point. (2)

4.1.2 Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job.

- Calculate the total amount earned by Ronel Henning during the first year of operation of this business. (5)
- What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn? (5)
- Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures. (4)

**INFORMATION:**

| **A. Figures extracted from the records for the year ended 28 February 2018** | | |
|---|---|---|
| | **28 Feb. 2018** | **1 Mar. 2017** |
| Capital: Ronel Henning | 250 000 | 250 000 |
| Capital: Yvonne Twerefoo | 200 000 | 200 000 |
| Current account: Ronel | 66 400 (Cr) | 0 |
| Current account: Yvonne | 34 400 (Dr) | 0 |
| Fixed deposit: First Bank (8% p.a. – matures in 2021) | 30 000 | 30 000 |
| Loan from Ronel's father (15% p.a.) | 180 000 | 180 000 |

**B. GENERAL LEDGER OF RON-Y FASHIONS**

**APPROPRIATION**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2018 Feb. | 28 | Salary: Ronel | | 91 200 | 2018 Feb. | 28 | Profit and loss | | 152 000 |
| | | Interest on capital | | 36 000 | | | | | |
| | | Bonus: Ronel | | 3 200 | | | | | |
| | | Current account: Ronel | | 12 000 | | | | | |
| | | Current account: Yvonne | | 9 600 | | | | | |
| | | | | | | | | | |
| | | | | 152 000 | | | | | 152 000 |
| | | | | | | | | | |

**C. Extracts from the existing partnership agreement:**

(a) Salary allowances:

- Ronel Henning is entitled to an annual salary of R91 200.
- Yvonne Twerefoo (silent partner) does not receive a salary allowance.

(b) Interest on capital is due to both partners at 8% p.a.

(c) Ronel was allowed a special bonus for her extra managerial effort.

(d) Remaining profits or losses are shared in proportion to the capital balance at the end of the financial year.

**NOTE:** There were no changes to capital balances during the year.

(e) Each partner is allowed to draw a maximum of R5 000 cash or clothing at cost price per month. Each partner has made use of this facility to the maximum.

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## 4.2 FINANCIAL DECISIONS FOR THE NEXT YEAR

Ronel Henning wants Yvonne Twerefoo to resign from her existing job and work as an active partner in the business in order to increase the returns earned by the partners.

If this is the case:

- They will retrench one of the three shop assistants, in other words he/she will lose his/her job.
- They will reduce the accounting fee by 80% (as Yvonne will be able to do most of the accounting).
- Yvonne will provide an extra R50 000 capital, which will be used to pay off part of the loan at the beginning of the financial year. Note that the loan was received from Ronel's father at 15% p.a. interest, which is not capitalised. It was also agreed that 50% of the loan must be settled at the end of the second year of business.
- The partners' salary allowance will increase to R104 880 p.a. each.

**REQUIRED:**

Assuming that profitability (and all income and expenses) remains the same in the second year of business:

4.2.1 Calculate the change in net profit if Yvonne decides to work fulltime. Show workings. (7)

4.2.2 Show the effect of this change to Yvonne's total earnings, if she gives up her job. (4)

4.2.3 Briefly explain TWO other advantages for the business if Yvonne works on a full-time basis in the business. (2)

**ADDITIONAL INFORMATION:**

The following is an extract from the Income Statement for Ron-Y Fashions for 2018:

| **Income Statement for the year ending 28 February 2018** | |
|---|---|
| Gross profit | 555 000 |
| Operating expenses | (375 000) |
| | |
| Salaries of three sales assistants | 172 800 |
| Accounting and bookkeeping fees | 22 500 |
| Sundry operating expenses | 22 430 |
| Operating profit | 180 000 |
| Interest on investment (8% p.a.) | 2 400 |
| Profit before interest expense | 182 400 |
| Interest on loan (15% p.a.) | (27 000) |
| Interest on overdraft | (3 400) |
| Net profit for the year | **152 000** |

**35**

**TOTAL: 150**

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| GRADE 11 ACCOUNTING: FINANCIAL INDICATOR FORMULA SHEET | | |
|---|---|---|
| $\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$ | $\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$ |
| $\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$ | |
| $\frac{\text{Total earnings by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$ | $\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$ | |
| Current assets : Current liabilities | (Current assets – Inventories) : Current liabilities | |
| (Trade and other receivables + Cash and cash equivalents) : Current liabilities | | |
| $\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$ | $\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$ | |
| $\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$ | $\frac{\text{Cost of sales}}{\text{Average inventories}}$ | |
| Non-current liabilities : Owners' equity | Total assets : Total liabilities | |

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CLASS: .....

# NATIONAL SENIOR CERTIFICATE

# ACCOUNTING P1

# GRADE 11

# EXEMPLAR NOVEMBER 2019

## *SPECIAL ANSWER BOOK*

| QUESTION | TOTAL MARKS | MARK OBTAINED | MODERATED MARK | MODERATOR INITIAL |
|---|---|---|---|---|
| 1 | 25 | | | |
| 2 | 50 | | | |
| 3 | 40 | | | |
| 4 | 35 | | | |
| TOTAL | 150 | | | |

**This answer book consists of 9 pages.**

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## QUESTION 1: GAAP AND FIXED ASSETS (25 marks; 20 minutes)

**1.1**

| | |
|---|---|
| 1.1.1 | |
| 1.1.2 | |
| 1.1.3 | |
| 1.1.4 | |

4

**1.2.1**

| | WORKINGS | ANSWER |
|---|---|---|
| (i) | | |
| (ii) | | |
| (iii) | | |
| (iv) | | |

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**1.2.2** Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.




2

| | | |
|---|---|---|
| 1.2.3 | **Provide ONE point why you would agree with Partner Naomi.** | 2 |

| TOTAL MARKS |
|---|
| |
| 25 |

## QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE

**(50 marks; 45 minutes)**

### 2.1 MASALA TRADERS
### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

| | |
|---|---|
| Sales (9 600 000 – 168 000 | |
| Cost of sales (6 400 000 | |
| Gross profit | |
| Other income | |
| Commission income | 96 200 |
| | |
| | |
| Gross income | |
| Operating expenses | |
| Sundry expenses | 386 100 |
| Bank charges | 62 850 |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| Operating profit | |
| Interest income | 4 000 |
| Profit before interest expense | |
| Interest expense | |
| Net profit for the year | |

| |
|---|
| 40 |

## 2.2 TRADE AND OTHER PAYABLES

| | |
|---|---|
| **Creditors' control** | **126 075** |
| **Pension fund (23 500** | |
| | |
| | |
| | |
| | |

| |
|---|
| **10** |

| **TOTAL MARKS** |
|---|
| |
| **50** |



## QUESTION 3: PARTNERSHIPS (40 marks; 30 minutes)

**3.1** **Calculate the percentage interest on capital.**

3

**3.2** **CURRENT ACCOUNTS**

| | VILANDER | LOUW |
|---|---|---|
| | | |
| Partner salaries | | 144 000 |
| Interest on capital | | 35 200 |
| Primary distribution | | 179 200 |
| Final distribution | | 36 000 |
| | | |
| Drawings | (33 000) | (259 000) |
| | | (43 800) |
| Balance at beginning | | |
| Balance at end of year | | |

13

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3.3

**KGALAGADI TRADERS**
**BALANCE SHEET ON 28 FEBRUARY 2019**

| | |
|---|---|
| **ASSETS** | |
| **NON-CURRENT ASSETS** | **901 200** |
| **Fixed assets** | **750 000** |
| **Fixed deposit** | **151 200** |
| | |
| **CURRENT ASSETS** | |
| | |
| | |
| | |
| | |
| **TOTAL ASSETS** | |
| | |
| **EQUITY AND LIABILITIES** | |
| **EQUITY** | |
| **Capital** | |
| **Current account** | |
| | |
| **NON-CURRENT LIABILITIES** | |
| | |
| | |
| **CURRENT LIABILITIES** | |
| **Trade and other payables** | **85 300** |
| **Bank overdraft** | |
| **Current portion of loan** | |
| | |
| **TOTAL EQUITY AND LIABILITIES** | |

| |
|---|
| |
| **24** |

| **TOTAL MARKS** |
|---|
| |
| **40** |

## QUESTION 4: ANALYSIS AND INTERPRETATION (35 marks; 25 minutes)

**4.1.1 The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.**

| | |
|---|---|
| **Calculate the % return on the partners' equity (use average equity).** | 6 |
| **Comment on this return. Provide ONE point.** | 2 |

**4.1.2 Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job.**

| | |
|---|---|
| **Calculate the total amount earned by Ronel Henning during the first year of operation of this business.** | 5 |
| **What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn?** | 5 |

| RONEL | YVONNE |
|---|---|
| | |

| | |
|---|---|
| **Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures.** | 4 |

| RONEL | YVONNE |
|---|---|
| | |

## 4.2 FINANCIAL DECISIONS FOR THE NEXT YEAR

**4.2.1** **Calculate the change in net profit if Yvonne decides to work fulltime. Show workings.**

**152 000**

7

**4.2.2** **Show the effect of this change to Yvonne's total earnings, if she gives up her job.**

4

**4.2.3** **Briefly explain TWO other advantages for the business if Yvonne works on a full-time basis in the business.**

2

| TOTAL MARKS |
| --- |
| |
| 35 |

**TOTAL: 150**

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# NATIONAL SENIOR CERTIFICATE

## GRADE 11

## ACCOUNTING P1

## EXEMPLAR NOVEMBER 2019

## MARKING GUIDELINES

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**MARKS: 150**

**MARKING PRINCIPLES:**

1. Unless otherwise stated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: If figures are stipulated in memo for components of workings, these do not carry the method mark for the final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. Operation means check operation. One part correct means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
11. When awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 9 pages.**

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## QUESTION 1: GAAP AND FIXED ASSETS (25 marks; 20 minutes)

**1.1**

| | | |
|---|---|---|
| **1.1.1** | Materiality | ✓ |
| **1.1.2** | Prudence | ✓ |
| **1.1.3** | Matching | ✓ |
| **1.1.4** | Going-concern | ✓ |

4

**1.2.1**

| | WORKINGS | ANSWER |
|---|---|---|
| **(i)** | 4 000 000 + 570 000<br>**2** | 4 570 000 ✓✓<br>no part-marks |
| **(ii)** | **564 000** ✓ + 132 000 ✓ – 576 000 ✓<br>**4** | 120 000 *☑<br>one part correct |
| **(iii)** | 132 000 x 10% x 7/12<br>132 000 – (13 200✓ + 13 200✓ + 7 700✓☑)<br>34 100 four marks<br>OR: (from Asset Register)<br>118 800 – 13 200 – 7 700<br>one mark one mark two marks<br>**5** | 97 900*☑<br>one part correct |
| **(iv)** | Asset disposal/sold = 7 700☑ see iii<br>New 120 000☑ see ii x 10/100 x 3/12 = 3 000 *☑<br>Old (576 000 – 132 000) x 10/100 = 44 400 ✓*☑<br>444 000<br>**6** | 55 100*☑<br>one part correct |

17

**1.2.2**

**Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.**

Any ONE point ✓✓ Part-marks for unclear/incomplete answers

- Conduct physical inspection (regular and random)
- Compare to Fixed Assets Register

2

**1.2.3** **Provide ONE point why you would agree with Partner Naomi.**

ONE valid point ✓✓ Part-marks for unclear/incomplete answers

- GAAP prescribes the historical (original) cost principle when recording assets and only recognising profits and/or losses on disposal (i.e. prudence).
- IFRS provides for revaluation (fair value) provided that this estimate can be measured reliably (evidence).
- Essentially, financial statements must not be overstated to create a false impression on profitability.
- Partners' current accounts will be inflated with a non-cash item which will not be a true reflection of their net worth.

| |
|---|
| 2 |

| TOTAL MARKS |
|---|
| |
| 25 |

## QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE

**(50 marks; 45 minutes)**

### 2.1 MASALA TRADERS
### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

| | | | |
|---|---|---|---|
| **Sales (9 600 000 – 168 000** – 4 500✓) | | 9 427 500 | *☑ |
| **Cost of sales (6 400 000** – 3 000✓) | | (6 397 000) | *☑ |
| **Gross profit** | **5** | 3 030 500 | ☑ |
| **Other income** operation one part correct | | 250 285 | ☑ |
| **Commission income** | | **96 200** | |
| Rent income (131 580 ✓ + 9 000 ✓+ 12 780✓✓) | | 153 360 | *☑ |
| Provision for bad debts adjustments (10 725 – 10 000) | | 725 | ✓☑ |
| **Gross income** | **9** | 3 280 785 | ☑ |
| **Operating expenses** Check operation | | (2 290 510) | ☑ |
| **Sundry expenses** | | **386 100** | |
| **Bank charges** | | **62 850** | |
| Packing material (23 100 – 3 600) | | 19 500 | ✓☑ |
| Bad debts (26 400✓ + 3 685✓✓) | | 30 085 | *☑ |
| Repairs and maintenance (161 200 + 9 000) | | 170 200 | ✓☑ |
| Salaries and wages (985 000 + 27 800 | | 1 012 800 | ✓☑ |
| Pension fund contributions (108 350 + 7 575) | | 115 925 | ✓☑ |
| Advertising (56 800✓+ 5 600 ✓✓) | | 62 400 | *☑ |
| Trading stock deficit (564 000 ✓+ 3 000✓ – 553 650✓) | | 13 350 | *☑ |
| Depreciation | | 417 300 | ✓ |
| **Operating profit** Check operation | **22** | 990 275 | ☑ |
| **Interest income** | | **4 000** | |
| **Profit before interest expense** | | 994 275 | |
| **Interest expense** (810 000 + 151 200 – 902 400) | | (58 800) | ✓*☑ |
| **Net profit for the year** | **4** | 935 475 | ☑ |

*☑ One part correct

40

## 2.2 TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| **Creditors' control** | **126 075** | |
| **Pension fund (23 500** + 7 575 ✓ + #5 050✓) | 36 125 | *☑ |
| SARS – PAYE (15 000✓ + #4 525 ✓✓) | 19 525 | *☑ |
| Accrued expenses (Advertising see IS) | 5 600 | ☑ |
| Creditors for salaries | 18 225 | ✓ |
| One part correct | 205 550 | *☑ |

| |
|---|
| 10 |

*# Pension fund 7 575/1,5*

*# PAYE 27 800 – 18 225 – 5 050*




| TOTAL MARKS |
|---|
| |
| 50 |

## QUESTION 3: PARTNERSHIPS (40 marks; 30 minutes)

**3.1** **Calculate the percentage interest on capital.**

35 200 ✓ / 440 000 ✓ x 100 = 8% ☑ one part correct

3

**3.2** **CURRENT ACCOUNTS**

| | VILANDER | LOUW |
|---|---|---|
| | | |
| **Partner salaries** | 127 500 ✓✓ | **144 000** |
| **Interest on capital** | 52 800 ✓☑* | **35 200** |
| **Primary distribution** | 180 300 ☑ | **179 200** |
| **Final distribution** | 54 000 ✓✓ | **36 000** |
| **Net profit for the year** | 234 300 ☑ | 215 200 |
| **Drawings** | **(33 000)** | **(259 000)** |
| | 201 300✓ | **(43 800)** |
| **Balance at beginning** | 65 000✓ | (15 200)✓ |
| **Balance at end of year** | 266 300 ☑ | (59 000)☑ |

13

Salary Vilander: (10 000 x 9) + (12 500 x 3) Interest on Capital: 660 000 x 8% see 3.1

**3.3**

**KGALAGADI TRADERS**
**BALANCE SHEET ON 28 FEBRUARY 2019**

| | | | |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | **901 200** | |
| **Fixed assets** | | **750 000** | |
| **Fixed deposit** | | **151 200** | |
| | | | |
| **CURRENT ASSETS** | | 755 600 | ☑ |
| Inventory | balancing figure | 678 800 | ☑ |
| Trade and other receivables<br>58 000✓ – 3 700 ✓✓+ 7 000✓✓ + 9 500 ✓ | | 70 800 | ☑ |
| Cash and cash equivalents | 10 | 6 000 | ✓ |
| | | | |
| **TOTAL ASSETS** | 1 | 1 656 800 | ☑ |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | 1 307 300 | ☑ |
| **Capital** (660 000 + 440 000) | | 1 100 000 | ✓✓ |
| **Current account** (266 300 – 59 000) see 3.1 | 5 | 207 300 | ☑☑ |
| | | | |
| **NON-CURRENT LIABILITIES** | | 139 200 | |
| Loan: Diamond Bank (208 800✓– 69 600✓✓) | 4 | 139 200 | ☑ |
| | | | |
| **CURRENT LIABILITIES** | | 210 300 | ☑ |
| **Trade and other payables** | | **85 300** | |
| **Bank overdraft** | | 55 400 | ✓ |
| **Current portion of loan** | | 69 600 | ☑ |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | 4 | 1 656 800 | ☑ |

| |
|---|
| |
| **24** |

| **TOTAL MARKS** |
|---|
| |
| **40** |

## QUESTION 4: ANALYSIS AND INTERPRETATION (35 marks; 25 minutes)

**4.1.1 The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.**

**Calculate the % return on the partners' equity (use average equity).**

$$\frac{152\,000\checkmark}{\frac{1}{2}(450\,000\checkmark + 450\,000\checkmark + 66\,400\checkmark - 34\,400\checkmark)} \times \frac{100}{1} = 32{,}6\%\checkmark$$

466 000

6

**Comment on this return. Provide ONE point.**

This is an excellent return. Profitability is extremely satisfying.
Exceeds return on alternative investments such as fixed deposits (8% at present).

2

**4.1.2 Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job.**

**Calculate the total amount earned by Ronel Henning during the first year of operation of this business.**

91 200 + 20 000 + 3 200 + 12 000 = 126 400
✓ ☑ ✓ ☑ ☑




5

**What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn?**

| RONEL | YVONNE |
|---|---|
| ☑ ✓<br>126 400/152 000 X 100<br>= 83,2% ☑ | 100% - 83,2% = 16,8% ☑☑ |

5

**Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures.**

| RONEL | YVONNE |
|---|---|
| She will be satisfied as it exceeds her previous earnings of R102 000 by R24 400. ✓✓ | She will also be satisfied as her return of 25 600/165 600 (15,4%) is still better than alternative investments. ✓✓ |




4

## 4.2 FINANCIAL DECISIONS FOR THE NEXT YEAR

**4.2.1** **Calculate the change in net profit if Yvonne decides to work fulltime. Show workings.**

| ✓✓ | ✓✓ | ✓✓ | ☑ |
|---|---|---|---|
| **152 000** + 57 600 | + 18 000 | + 19 500 | = 247 100 |
| 172 800/3 | 22 500 x 80% | 130 000 x 15% | |

7

**4.2.2** **Show the effect of this change to Yvonne's total earnings, if she gives up her job.**

Salary: 104 880 ✓
Interest on capital 20 000 ☑ = 124 880 ☑
+ as share in the remaining profit ☑

4

**4.2.3** **Briefly explain TWO other advantages for the business if Yvonne works on a full-time basis in the business.**

TWO points ✓ ✓

Shared responsibilities
Shared decision-making
Satisfaction and motivation to improve the business

2

| TOTAL MARKS |
|---|
| |
| 35 |

**TOTAL: 150**




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