GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2019

GRADE 11

ACCOUNTING
PAPER 1

TIME: 2 hours

MARKS: 150

13 pages, 1 formula sheet and an answer book of 8 pages

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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. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. Use the formula sheet provided.

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Use the information in the table provided as a guideline to answer the question paper. Try not to deviate from it.

QUESTION 1: 36 marks; 30 minutes	
Topic of the question	**This question integrates**
Concepts and Income Statement	Concepts
	Income Statement

QUESTION 2: 48 marks; 38 minutes	
Topic of the question	**This question integrates**
Concepts and Tangible assets	Concepts Tangible Assets Ethics

QUESTION 3: 38 marks; 30 minutes	
Topic of the question	**This question integrates**
Partnerships	Notes to the Balance Sheet Balance Sheet

QUESTION 4: 28 marks; 22 minutes	
Topic of the question	**This question integrates**
Partnerships	Analysis and interpretation of financial information of partnerships

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QUESTION 1 : CONCEPTS AND INCOME STATEMENT (36 marks; 30 minutes)

1.1 CONCEPTS

Indicate where EACH of the following items would be placed in the financial statements by choosing a term from the list below. Write only the answer next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

non-current liabilities; operating income; current liabilities; current assets; operating expenses

1.1.1 Trade and other payables (1)

1.1.2 Loss on sale of an asset (1)

1.1.3 Mortgage loan payable in 10 years (1)

1.1.4 Trading stock surplus (1)

1.2 INCOME STATEMENT

MADUNA TRADERS

The information below is extracted from the books of Maduna Traders, their financial year ended on 28 February 2019.

REQUIRED:

Prepare the Income Statement for the year ended 28 February 2019. (32)

MADUNA TRADERS

EXTRACT FROM THE PRE-ADJUSTED TRIAL BALANCE ON 28 FEBRUARY 2019

Balance Sheet Section	**Debit**	**Credit**
Loan: Bank of Tshwane		180 000
Fixed Deposit: Mzansi Bank (8 % p.a.)	120 000	
Trading stock	68 000	
Debtors' control	55 000	
Provision for bad debts		2 600
Bank	61 500	
Nominal Accounts Section		
Sales		800 000
Cost of sales	390 000	
Debtors allowances	14 600	
Rent income		42 000
Salaries and wages	150 000	
Employer's contribution	10 200	
Bad debts	3 600	
Discount allowed	530	
Telephone	6 300	
Insurance	9 800	
Packing material	8 305	
Bank charges	748	
Interest on Fixed deposit		8 800

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ADJUSTMENTS AND ADDITIONAL INFORMATION

1. On 27 February 2019 a debtor, L. Mogashoa returned goods with a selling price of R4 500, the cost price is R2 500. The credit note was issued but this transaction has not been recorded.

2. On 28 February 2019 the physical stock count revealed the following:

   - Trading Stock R66 400
   - Packing material R2 300

3. The tenant has paid rent up to 31 March 2019. The rent was increased by 10% from 1 June 2018.

4. Provision for bad debts must be reduced by R400.

5. Insurance includes a premium of R2 800 paid for the period 1 November 2018 to 30 June 2019.

6. R. Mogale was omitted in the Salaries Journal for 28 February 2019

Net Salary	Pension Fund Deduction	Employer's Contributions	Gross salary
?	R960	R320	?

NOTE: The pension fund deduction of 8% is deducted from the gross salary.

7. Received the loan statement from the Bank of Tshwane.

Balance on 1 March 2018	R 260 000
Capitalised interest	?
Repayments during the year including interest	80 000
Balance on 28 February 2019	205 000

8. Depreciation on tangible assets was R18 000 for the year.

9. Interest on fixed deposit for February 2019 was not recorded. Interest on fixed deposit is not capitalised.

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QUESTION 2: CONCEPTS, FIXED ASSETS AND ETHICS (48 marks; 38 minutes)

2.1 CONCEPTS

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (2.1.1 to 2.1.5).

2.1.1 The depreciation of tangible assets affects the cash flow of the business. (1)

2.1.2 The assets are recorded in their original cost in the records of the business. (1)

2.1.3 One asset register should be prepared for all the tangible assets owned by the business. (1)

2.1.4 The value of land and buildings is depreciated at cost price method. (1)

2.1.5 Accumulated depreciation is regarded as a negative asset. (1)

2.2 TANGIBLE ASSET NOTE

The following information was extracted from the records of Majoro Traders for the financial year ended 31 December 2018. The business is owned by brothers, Peter and Joe Majoro.

REQUIRED:

2.2.1 The fixed / tangible asset note on 31 December 2018. (40)

2.2.2 Peter Majoro is not happy that his brother Joe Majoro purchased the old equipment at an amount below the carrying value from the business. Provide ONE reason why he had to be unhappy about this transaction and provide calculations / figures to motivate your answer. (3)

NOTE: Indicate the workings in the section provided in your ANSWER BOOK.

INFORMATION:

A. EXTRACT FROM THE POST-CLOSING TRIAL BALANCE ON 31 DECEMBER 2017

Vehicle	R90 000
Accumulated depreciation on vehicles	?
Equipment at cost	R26 000
Accumulated depreciation on equipment	R7 200

B. The following assets were bought during the current year (2018):

Vehicles	(bought for cash on 30 September 2018)	?
Equipment	(bought for cash on 1 June 2018)	R2 000
Equipment	(bought on credit on 1 June 2018)	R25 000

C. Additional information that needs to be considered:

(a) **Vehicles:**

- A vehicle for R90 000 was acquired on 30 June 2016.
- A second-hand vehicle was bought on 30 September 2018.
- No vehicles were sold during the current period.
- Vehicles are depreciated at 20% p.a. on carrying value.
- The balance of the accumulated depreciation on vehicles after taking the above into account was calculated at R40 060 on 31 December 2018.
- Depreciation for the current year has not been calculated.

(b) **Equipment:**

- On 31 May 2018 Joe Majoro bought outdated equipment (cost price, R2 400) at a loss of R500 from the business.
- The book value of the old equipment was R840 at the beginning of the current year.
- Bought new equipment on 1 June as follows:
  - Equipment bought on credit at the cost price of R25 000.
  - Additional equipment was purchased for cash on the same day. **[See information B]**
- At year-end on 31 December 2018, R9 000 was still owed for equipment.
- Equipment is depreciated at 10% p.a. on cost price.

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QUESTION 3: FINANCIAL STATEMENTS OF A PARTNERSHIP (38 marks; 30 minutes)

SAPA TRADERS

The information provided below relates to SAPA Traders, the business is owned by S. Saul and S. Paul. The financial period ends on 28 February 2019 and the business applies a mark-up of 60% on cost.

REQUIRED:

Complete the following records for the year ended 28 February 2019:

3.1 Balance Sheet (indicate workings) (20)

3.2 Current Account Note (18)

INFORMATION:

SAPA TRADERS

EXTRACT FROM THE TRIAL BALANCE OF SAPA TRADERS ON 28 FEBRUARY 2019

Balance Sheet Accounts	Fol.	Debit	Credit
Capital: S. Saul			216 000
Capital: S. Paul			180 000
Drawings: S. Saul		80 120	
Drawings: S. Paul		90 520	
Current account: S. Saul			4 201
Current account: S. Paul			4 504
Land and buildings		340 000	
Trading stock		40 500	
Bank		22 210	
Creditors' Control			25 491
Fixed deposit: AB Bank		77 000	
Nominal Accounts:			
Stationery		1 962	
Rent income			15 400
Repairs		1 386	
Telephone		5 120	
Bad debts recovered			2 246
Insurance		4 772	

ADJUSTMENTS AND ADDITIONAL INFORMATION:

(a) Partner S. Saul took goods with selling price of price of R1 920 for personal use before the physical count of goods. The transaction has not yet been recorded.

(b) Trading stock was sold to R. Viljoen on 27 February 2019 for R1 080, the cost price amounted to R940. All the necessary documentation was completed and recorded. The goods had not been collected by R. Viljoen.

(c) Stock on hand:

- Trading stock R39 900
- Stationery R101

(d) An invoice was received from H&H Motors for the repair of a vehicle, R670. This amount has not been paid.

(e) Part of the building has been rented out since 1 May 2018. The rent for March 2019 has already been received and recorded.

(f) The Fixed Deposit amounting to R5 000 will mature in four months.

(g) **Sharing of profit:**

- The partners are entitled to interest on capital at 15% per year.
- Each partner is entitled to a salary of R7 800 per month.
- Partner S. Saul receives a bonus of R4 000.
- The remaining profit / loss must be equally shared between the partners.

(h) Net profit for the year is R251 860.

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QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

(28 marks; 22 minutes)

The information provided below is extracted from the Financial Statements of two clothing businesses. Their financial period ended on 28 February 2019. The two owners are considering the formation of a partnership in the next financial year.

REQUIRED

4.1 Calculate the following indicators for 28 February 2019:

4.1.1 Clyde's current ratio. (3)

4.1.2 Bonny's stock turnover rate. (4)

4.1.3 Clyde's average debtors' collection period. (5)

4.1.4 The return on average equity of Bonny's Clothing. (5)

4.2 Respond to the following questions by quoting figures and financial indicators.

4.2.1 Compare and comment on the liquidity position of the two businesses, quote TWO financial indicators. (8)

4.2.2 By making reference to the rates of return on owners' equity, do you think Bonny's Clothing is making a good decision to partner with Clyde? Provide ONE point of advice. (3)

INFORMATION:

A. Background of the two businesses

Bonny's Clothing

Bonny started her clothing shop 5 years ago. Her aim was to supply good quality clothing at an affordable price. She is passionate about providing good service and she is efficient and hardworking. She has an accounting qualification and does all the buying, management and administration of the shop herself. She employs only one salesperson to help her.

Clyde's Botique

Clyde started her boutique 3 years ago. She did a clothing design course after completing matric. She is passionate about colourful and fashionable clothing. Clyde spends most of her time socialising to keep in touch with latest trends and fashions. She has two employees working for her, one is a sales person and the other does administration and prepares the accounting records.

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B. EXTRACT FROM THE INCOME STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

	Bonny's Clothing	Clyde's Boutique
Sales	1 950 000	2 500 000
Cost of sales	(1 300 000)	(1 250 000)
Gross profit	650 000	1 250 000
Operating expenses	(450 000)	(700 000)
Operating profit	200 000	550 000
Interest expense	-	(35 000)
Net profit	200 000	515 000

C. BALANCE SHEETS ON 28 FEBRUARY 2019

	Bonny's Clothing	Clyde's Boutique
ASSETS		
Non-current assets	255 000	1 520 000
Current assets	290 000	590 000
Inventory (only trading stock)	150 000	245 000
Trade and other receivable amounts	90 000	344 000
Cash and cash equivalents	50 000	1 000
Total Assets	545 000	2 110 000
EQUITY AND LIABILITIES		
Owner's equity	405 000	1 390 000
Capital	380 000	1 425 000
Net profit	200 000	515 000
Drawings	(175 000)	(550 000)
Non-current liabilities	-	350 000
Mortgage loan (10% p.a.)	-	350 000
Current liabilities	140 000	370 000
Trade and other payable amounts	140 000	295 000
Bank overdraft	-	75 000
Total Equity And Liabilities	545 000	2 110 000

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D. The following information was taken from the two sets of Financial Statements for February 2019:

FINANCIAL INDICATORS		Bonny's Clothing	Clyde's Boutique
1.	Gross profit as a percentage of cost of sales	50%	100%
2.	Gross profit as a percentage of sales	33⅓%	50%
3.	Operating expenses as a percentage of sales	23,1%	28%
4.	Net profit as a percentage of sales	10,3%	20,6%
5.	Return on average owners' equity	?	36,6%
6.	Degree of solvency	3,9 : 1	3 : 1
7.	Current ratio	2,1 : 1	?
8.	Acid test ratio	1 : 1	0,9 : 1
9.	Rate of stock turnover	?	5,5 times
10.	Stock holding period	39 days	66 days
11.	Average debtors collection period	26 days	?
12.	Average creditors payment period	58 days	90 days
13.	Debt : equity ratio	0	0,25 : 1

E. BALANCES AND TOTALS ON 28 FEBRUARY 2018

	Bonny's Clothing	Clyde's Boutique
Trading stock	R130 000	R210 000
Debtors' balance	R95 000	R310 000
Owner's Equity	R385 000	R388 000
Credit sales (information also applies to current year)	50%	80%

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TOTAL: 150

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FORMULA SHEET: GRADE 11

Current assets – Current liabilities	$\frac{\text{Average Creditors}}{\text{Credit purchases}} \times \frac{365}{1}$
Total assets : Total liabilities	Non-current liabilities : Owner's equity
$\frac{\text{Cost of sales}}{\text{Average inventory}}$	$\frac{\text{Trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	Current assets : Current liabilities
Current assets – inventory : Current liabilities	$\frac{\text{Net profit}}{\text{Average owner's equity}} \times \frac{100}{1}$

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