GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

NOVEMBER 2022

GRADE 11

ACCOUNTING
(PAPER 1)

TIME: **2 hours**

MARKS: **150**

10 pages + 1 formula page and an answer book of 9 pages

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. Where applicable, round off all calculations to the nearest rand. All other calculations must be rounded off to one decimal place.

6. Read the instructions of each question carefully and follow them precisely.

7. Learners will forfeit marks for:

   - The use of non-standardised abbreviations
   - Overwriting of figures or words
   - Superfluous/foreign entries

8. You may use a non-programmable calculator.

9. You may use blue/black ink to answer the questions.

10. Use the information in the table as a guide when answering the question paper. Try not to deviate from it.

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1	Fixed Assets and Internal Control	25	20 minutes
2	Statement of Comprehensive Income	50	45 minutes
3	Partnerships	40	30 minutes
4	Financial Indicators	35	25 minutes
TOTAL		**150**	**120 minutes**

QUESTION 1: FIXED ASSETS AND INTERNAL CONTROL (25 marks; 20 minutes)

RnB TRADERS

You are provided with information relating to RnB Traders on 28 February 2022, the end of the financial year.

REQUIRED:

1.1 Complete the table provided in your answer book. (10)

1.2 Prepare the Tangible Assets Note. Show all calculations to earn part-marks. (10)

1.3 Answer the following questions.

1.3.1 The land and buildings were revalued in January 2021 and the market value is R700 000. The financial records of RnB Traders are reflecting R400 000. Which GAAP principle is being applied? (2)

1.3.2 RnB Traders want to invest in a transport business. The owner intends to buy two trucks towards the end of December 2022 to transport goods throughout South Africa. The owner is concerned about high maintenance expenses of trucks and he needs your advice. Provide THREE points. (3)

INFORMATION:

Balances on 1 March 2021			
	Cost	**Accumulated depreciation**	**Carrying value**
Land and buildings	400 000	(0)	400 000
Vehicles	300 000	(76 000)	224 000
Equipment	80 000	(20 000)	60 000

TRANSACTIONS

(a) **Land and buildings:**

- During June 2021 the owner made some extensions to the building with a total cost of R120 000.
- After heavy rains caused damage to some parts of the building, the owner spent R25 000 to repair the storeroom.

(b) **Vehicles**

- On the 31 August 2021, the business traded in an old vehicle which cost R100 000 at Mzanzi Car Dealers for R55 000.
- The vehicle that was traded in was purchased on 1 March 2019.
- The vehicle traded in had an accumulated depreciation of R36 000 on 1 March 2021.
- The cost of the new vehicle purchased was R150 000.
- Depreciation on vehicles is calculated at 20% p.a. on the diminishing balance method.

Equipment:

- RnB Traders bought two new laptops at a cost of R6 000 each on 30 November 2021.
- Depreciation on equipment is calculated at 10% p.a. on the cost price method.

25

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME (50 marks; 45 minutes)

MK TRADERS

The following information was taken from the accounting records of MK Traders, a business owned by former cricketer, Makhaya Ntini. The last day of the financial year is 30 June 2022.

REQUIRED:

1.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ending 30 June 2022.

INFORMATION:

1.

List of some of the balances and totals of MK Trades on 30 June 2022	
Trading stock	81 000
Debtors' control	53 000
Fixed deposit: SACB (8% p.a.)	12 500
Provision for bad debts (1 July 2021)	1 500
Sales	1 032 000
Cost of sales	427 000
Debtors allowances	32 000
Salaries and wages	125 000
Water and electricity	25 000
Rent income	47 250
Discount allowed	1 500
Insurance	6 400
Packing materials	4 200
Stationery	4 100
Bad debts	1 500
Medical contribution	3 000
Discount received	4 200
Interest on fixed deposit	500
Bad debts recovered	1 000
UIF contribution	1 250
Skills development levy	1 250
Bank charges	840
Interest on overdraft	360
Sundry expenses	41 000

2. **Adjustments and additional information:**

2.1 Packing material of R500 purchased on 21 August 2021 was incorrectly posted to the stationery account.

2.2 A credit note for R225 issued on 30 August 2021 to Tendulkar has not been recorded. The stock was returned by Tendulkar because the wrong colour T-shirts were sent to him. The mark-up on cost for these goods was 50%.

2.3 Included in the insurance amount is an annual premium of R2 400 paid for the period 1 January 2022 to 31 December 2022.

2.4 According to a physical stock count, the following were on hand at the end of the year:
Trading stock, R79 100
Packing material, R900

2.5 Rent income includes rent received until 31 July 2022. The monthly rent was increased by 10% with effect from 28 February 2022.

2.6 The loan statement received from ICC showed the following:

Balance on 1 July 2021	42 875
Repayments for the year	10 000
Interest capitalised for the year	??
Balance on 30 June 2022	40 000

2.7 David Warner, a debtor whose account had been previously written off, deposited an amount of R210 in the bank account of the business on 25 August 2021. The bookkeeper entered the amount in the debtors' control column in the Cash Receipts Journal by mistake and posted it as such. Correct the error.

2.8 The following information taken from the Salaries Journal for June 2022 has not yet been entered in the books of the business:

Gross salary	30 000
Medical aid deductions	1 300
Pension deductions	700
PAYE deduction	6 000
UIF deduction	300
Medical contributions	2 600
UIF contributions	300
SDL contributions	300

2.9 The account of Gibbs, a debtor, for R450 must be written off as it came to light that he has left the country to play cricket in Japan.

2.10 The provision for bad debts must be decreased by R200.

2.11 Some of the interest on the fixed deposit is outstanding. Interest is not capitalised.

2.12 The water and electricity account for August 2022 has been received but not paid, R5 000.

2.13 Depreciation calculated for the year was R27 470.

50

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

BRYAN ADAMS STORES

The following information was taken from the accounting records of Bryan Adam Stores with partners A. Bryan and B. Adam. Their financial year ends annually on 28 February. **Where necessary please round all answers to the nearest rand.**

REQUIRED:

3.1 State whether the following statements are TRUE or FALSE. Write only True or False next to the question numbers 3.1.1 to 3.1.5 in the ANSWER BOOK.

3.1.1 Owners' Equity for a partnership consists of capital and drawings only.

3.1.2 All current accounts are current liabilities.

3.1.3 The partnership agreement stipulates the amount of capital that each partner must contribute to the business.

3.1.4 The partners' earnings are recorded in the Capital Account.

3.1.5 A partner can choose when to increase or decrease his/her capital account balance without informing the other partners. (5)

3.2 Use the information below to prepare the Current Account Note on 28 February 2022. (23)

3.3 Prepare the Equity and Liabilities section of the Statement of Financial Position (Balance Sheet) on 28 February 2022.
Where notes are not required, show all calculations in brackets to earn part-marks. (12)

INFORMATION:

1. The following balances appeared, amongst others, in the books of Bryan Adam Stores on 28 February 2022:

Capital: A. Bryan	200 000
Capital: B. Adam	100 000
Current Account: A. Bryan (1 March 2021)	(Cr) 6 300
Current Account: B. Adam (1 March 2021)	(Dr) 1 400
Drawings: A. Bryan (See no. 4 below.)	???
Drawings: B. Adam	132 600
Loan: AB Bank (See no. 6 below.)	???
Trade and other payables (See no. 5 below.)	45 050
Bank Overdraft	11 940

2. The net profit as calculated in the Income Statement for the year ended 28 February 2022 amounts to R311 300.

3. The partnership agreement stipulates the following:

   3.1 Partners will receive the following salaries:

   - A. Bryan – R6 700 per month
   - B. Adam – R102 000 per annum

   3.2 A. Bryan should receive a bonus of R16 000 for extra services rendered.

   3.3 The partners must receive 15 % interest per annum on their capital. The rate was changed to 18 % per annum on 1 September 2021.

   <u>NOTE:</u>

   (a) A. Bryan increased his capital by R40 000 on 1 December 2021 – this was properly recorded at the time.

   (b) B. Adam decreased his capital contribution by R20 000 on 1 September 2021 – this has not been recorded, as the accountant was ill on the day of the transaction.

   3.4 Profits or losses are shared according to the ratio 5 : 2 for A. Bryan and B. Adam respectively.

4. A. Bryan withdrew the following during the year:

- At the end of each month an amount equivalent to his monthly salary, according to the partnership agreement:
- A once-off cash withdrawal of R4 670 AND Trading stock with a cost price of R8 790 for personal use.

5. The business received rental income for 2 months in advance, R10 500.

6. The loan from AB Bank was taken out on 31 January 2020. A repayment of R15 000 is made annually on 28 February. The payment for this year was made on 28 February 2022, however this has not been recorded in the books of the business.

7. The debt : equity ratio for 2022 was 0,4 : 1

40

QUESTION 4: FINANCIAL INDICATORS (35 marks; 25 minutes)

VERMAAK DESIGNERS

The information provided below was extracted from the Financial Statements of Vermaak Designers. Partners Verma and Marcus started their interior design business in 2019.

REQUIRED:

Answer the questions below in the ANSWER BOOK provided.

Note: Where relevant, answers should include financial indicators and figures. **Round off all answers to one decimal place.**

4.1 Calculate the percentage return earned on average equity for the business for 2022. (5)

4.2 Calculate the percentage return earned by Verma on his average equity for 2022. (5)

4.3 Comment on the two return financial indicators of the business mentioned in QUESTIONS 4.1 and 4.2. (4)

4.4 Calculate the Debt : Equity ratio for 2022. (4)

4.5 In your opinion, was it a good idea to increase the loan? Motivate your answer. (4)

4.6 Calculate the current ratio for 2022. (3)

4.7 Calculate the acid-test ratio for 2022. (4)

4.8 Comment briefly on the liquidity position of the business for 2022. Provide TWO financial indicators with figures. (6)

INFORMATION:

1. **Extract from the Income Statement for the year ended 28 February 2022**

	2022	2021
Turnover	570 000	600 000
Cost of sales	380 000	450 000
Gross profit	190 000	150 000

2. **Extract from the Balance Sheet for the year ended 28 February 2022:**

	2022	**2021**
Non-current assets	690 000	459 000
Current assets	160 000	145 000
Inventories	95 000	91 000
Owners' Equity	420 000	234 000
Capital: Verma	200 000	160 000
Capital: Marcus	200 000	80 000
Current account: Verma	8 000	2 000
Current account: Marcus	12 000	(8 000)
Non-current liabilities	360 000	280 000
Current liabilities	70 000	90 000

3. **Additional information:**

3.1 The net profit for the year ended 28 February 2022 amounted to R58 000.

3.2 Partner Verma earned a total of R37 000 for the year ended 28 February 2022.

3.4 **The following financial indicators were calculated for 2021:**

Ratio	**Results**
Return earned on business equity	24%
Return earned by Verma	26%
Return earned by Marcus	23%
Debt: Equity ratio	1,2 : 1
Stock turnover rate	9 times
Gross profit percentage on cost of sales	33⅓%
Interest on fixed deposits	9%
Current ratio	1,6 : 1
Acid-test ratio	0,6 : 1

3.5 The interest rate on the loan from Rand Bank is 21% p.a. and the interest paid during the current year amounted to R57 600

35

TOTAL: 150

END

ANNEXURE

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 $\frac{12}{1}$	$\frac{\text{Cost of Sales}}{\text{Average Inventories}}$
Non-current Liabilities: Partners’ Equity	Total Assets: Total Liabilities
$\frac{\text{Fixed Cost}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	