



education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

PROVINCIAL ASSESSMENT

GRADE 11

ACCOUNTING P1

JUNE 2024

MARKS: 150

TIME: 2 hours



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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 Financial Indicator Formula Sheet is attached at the back of this question paper.
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 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	MARKS	MINUTES
1	Accounting Equation	35	25
2	Statement of Comprehensive income	50	45
3	Notes to the Financial Statements	30	25
4	Financial Indicators	35	25
TOTAL		150	120

QUESTION 1: GAAP; ACCOUNTING EQUATION**(35 marks; 25 minutes)****1.1 GAAP PRINCIPALS**

Choose an explanation from COLUMN B to match the GAAP principle in COLUMN A. Only write the letter (A–F) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Historical-cost concept	A	Interest on overdraft is shown as a separate amount in the note to the Statement of Comprehensive Income.
1.1.2	Prudence		
1.1.3	Matching	B	The business transactions are to be treated separately from the owner's personal transactions.
1.1.4	Concept of Materiality		
1.1.5	Business entity rule	C	The assumption is that the business is financially strong enough to continue for the foreseeable future.
		D	Income and expenses must be recorded in the correct financial period.
		E	Financial results are reported in a conservative manner.
		F	Land and buildings have been shown in the Statement of Financial position at R20 000 for the past 50 years, even though they are now worth R1 million.

(5)

1.2 ANALYSIS OF TRANSACTIONS**REQUIRED:**

Analyse the transactions as provided per example. Indicate and increase with a +, a decrease with a – and no change with a 0. Assume that the bank account balance is always favourable.

Example: Paid Wages per EFT, R5 000.

No.	ACCOUNT DR	ACCOUNT CR	AMOUNT	A	O	L
Eg.	Wages	Bank	5 000	-	–	0

1.2.1 Depreciation on Equipment of R950 is to be written off.

1.2.2 Provision for Bad debts is to be increased by R300.

1.2.3 The business purchase a vehicle on credit for R450 000.

1.2.4 The telephone bill for R500 is not yet paid.

1.2.5 Piet, one of the partners give equipment of R30 000 to the business as part of his capital contribution.

1.2.6 Purchase trading stock for cash, R600. (30)

35

QUESTION 2: CONCEPTS; FINANCIAL STATEMENTS**(50 marks; 45 minutes)**

2.1 Choose the correct word/term from the list provided to fit EACH description below. Write only the word/term next to the question numbers (2.1.1 to 2.1.5) in your ANSWER BOOK. (5)

Statement of Comprehensive Income(Income Statement); Risk; Liquidity; Statement of Financial Position(Balance sheet) Net working Capital

2.1.1 The difference between current assets and current liabilities.

2.1.2 Reflects the financial position of the business for a specific period.

2.1.3 The business use external loans to finance its operations.

2.1.4 Reflect profit or loss for a financial period.

2.1.5 The ability of the partnership to pay short-term debts.

2.2 The information relates to KG Traders, with partners Kelly and Gunter.

REQUIRED:

2.2.1 Prepare the Statement of Comprehensive Income for the year ended 29 February 2024. (40)

2.2.2 Prepare the Note for Trade and other receivables. (5)

INFORMATION:

Extract of the Pre-Adjustment Trail Balance on 29 February 2024:

Balance sheet section	
Land and Buildings	2 000 000
Vehicles	?
Equipment	520 000
Accumulated depreciation on Equipment (01/03/2023)	65 000
Trading Stock	350 000
Debtors control	90 000
Provision for bad debts	4 375
Savings account: Nerd Bank	15 000
Fixed Deposit: Nerd Bank	40 000
Mortgage Loan: HSBC Bank	1 200 000
Nominal section	
Sales	1 480 000
Cost of Sales	912 250
Debtors allowance	20 000
Bad debts	5 000
Rent income	94 900
Interest on loan	?
Insurance	25 000
Salaries and wages	650 000
Bad debts recovered	3 200
Consumable stores	65 000
Bank charges	1 800
Sundry expenses	32 300
Commission income	800 000
Interest on Fixed deposit	4 000

Adjustments and additional information:

A. Provide for depreciation as follows:

- On vehicles – R51 250 for the year
- On equipment at 10% p.a. on the diminishing-balance method

NOTE: New equipment costing R35 000 was purchased and recorded on 1 September 2023.

B. Goods sold on credit to debtor, J Brooks, for R6 000 were not recorded. The mark-up is 50% on cost price.

C. A physical stocktaking on 29 February 2023 reflected trading stock of R285 000 on hand.

D. Consumable stores used during the financial year amounted to R63 000.

E. Receive two months' rent in advance from the tenant. Please note that the rent has increased with 10% per month from 1 November 2023.

F. A Debtor, N Swart, who owed R600, is to be written off as irrecoverable. Another debtor, R de Vries, is to be charged interest of R100 on his overdue account. Thereafter the provision for bad debt is to be adjusted to 5% of book debts.

G. Entries according to the February 2024 Bank Statement must still be recorded in the books of the business:

- Bank charges, R400
- Debit order payment for the monthly insurance premium, R1 500

H. Loan statement received reflected the following:

Balance on 1 March 2023	1 300 000
Interest was capitalised	?
Repayment during the financial year	500 000
Balance on 29 February 2024	1 200 000

I. An amount of R500 has already been paid for stationery (Sundry expense) which has not yet been delivered to KG Traders.

J. The savings account statement shows that the balance on 29 February is R16 500. The difference is the interest for the year.

K. Interest is still due on the fixed deposit at 12% per annum for two months. Interest is not capitalised.

QUESTION 3: PARTNERSHIP NOTES**(30 marks; 25 minutes)**

The information relates to Bravil Traders for the year ended on 29 February 2024.
The business is owned by partners B Brand and S Viljoen.

REQUIRED:

3.1 Prepare the following notes to the financial statements:

3.1.1 Capital (6)

3.1.2 Current account (22)

3.2 Explain two disadvantages of a partnership business. (2)

Extract from the Trail balance on 29 February 2024

	Debit	Credit
Capital: B Brand		200 000
Capital: S Viljoen (1/03/2023)		180 000
Current account: B Brand (1/03/2023)		4 000
Current account: S Viljoen (1/03/2024)	3 500	
Drawings: B Brand	130 000	
Drawings: S Viljoen	140 000	
Profit and Loss account (Net profit)		400 000

Information:**The partnership agreement stipulate the following:**

- Partners were entitled to the following monthly salaries:
B Brand R12 000; S Viljoen R8 000
- B Brand was granted an annual bonus of R20 000 for working during December holiday period
- Partners are entitled to interest on capital at the rate of 10% per annum. Capital changes during the year. The details are as follows:
 - B Brand increased his capital by R20 000 on 31 Augustus 2023, this was recorded correctly.
 - S Viljoen decreased his capital by R30 000 on 1 January 2024, this was not recorded.
- Remaining profits/losses are shared equally.

30

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

Solly and Sophia are partners in SS Traders, selling sport equipment to soccer clubs. Their mark-up is calculated at 60% on cost.

Debtors are given 30 days to settle their accounts and the business has an agreement with their creditors to pay them in 45 days.

SS Traders uses the perpetual inventory system.

REQUIRED:

Use the information presented to answer the questions.

- 4.1 Calculate the mark-up percentage achieved by the business in 2024. (Calculate answers to the nearest whole number) (5)
- 4.2 Answer the following questions:
 - 4.2.1 Should the owners be happy with the mark-up received? Motivate your answer (2)
 - 4.2.2 Provide ONE possible reason for the business not reaching the profit mark-up of 60% (2)
- 4.3 Calculate the following in 2024:
 - 4.3.1 Average Debtors' collection period (6)
 - 4.3.2 Comment on the liquidity of the partnership (2)
 - 4.3.3 Give advice to the owners on how the liquidity position can be improved (2)
- 4.4 Calculate the debt equity ratio in 2024. (Answer correct to one decimal place) (6)
- 4.5 Comment on the debt equity ratio. (2)
- 4.6 Calculate the % return earned by Solly. (Round off to the nearest whole number) (6)
- 4.7 Give a reason why Solly will be satisfied with his % return in the partnership? (2)

INFORMATION

The information was extracted from the financial statements of SS Traders for the financial year ended 29 February 2024:

	2024	2023
Sales (80% sold on credit)	4 800 000	
Cost of sales (90% on credit)	3 200 000	
Inventories	840 000	800 000
Trade debtors	420 000	500 000
Cash and cash equivalents	92 000	108 000
Trade creditors	320 000	280 000
Non-Current liabilities	500 000	1 260 000
Capital: Solly	220 000	240 000
Capital: Sophia	280 000	200 000
Current account: Solly	189 500	(10 000)
Current account: Sophia	170 000	20 000
Total earnings: Solly	227 500	
Total earnings: Sophia	174 000	
Interest on Fixed deposit	12%	
Interest on Loan	14%	
Creditors' payment period	38 days	38 days

35

TOTAL: 150

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		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Owners' equity	Total assets: Total liabilities	