GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

NOVEMBER 2023

GRADE 11

ACCOUNTING
PAPER 1

TIME: 2 hours

MARKS: 150

11 pages + 1 formula sheet and an 8-page answer book

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 provided 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 the questions.
7. Where applicable, show all calculations to ONE decimal point.
8. Learners will forfeit marks for:
    - The use of non-standardised abbreviations
    - Overwriting of figures or words
    - Superfluous/Foreign entries
9. Write neatly and legibly.
10. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1	GAAP & Fixed Assets Note	30	24 minutes
2	Income Statement	45	36 minutes
3	Balance Sheet	50	40 minutes
4	Analysis and Interpretation	25	20 minutes
	TOTAL:	150	120 minutes

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

1.1 **CONCEPTS**

State whether the following statements are TRUE or FALSE. Write only TRUE or FALSE next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.

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

1.1.2 GAAP makes it possible to compare the financial results of different companies.

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

1.1.4 Accumulated depreciation is an expense.

1.1.5 Depreciation is a negative asset. (5)

1.2 **FIXED ASSETS NOTE**

GOODY SHOE TRADERS

You are provided with the following information from the records of Goody Shoe Traders. The financial year end is 31 December 2023.

REQUIRED:

1.2.1 Calculate the total depreciation on equipment for the year ended 31 December 2023. (4)

1.2.2 Complete the Fixed Assets Register for the vehicle sold. (5)

1.2.3 Calculate the depreciation on the old vehicles for the year ended 31 December 2023. (4)

1.2.4 Complete the Fixed Assets Note to the Financial Statements on 31 December 2023. (12)

INFORMATION:

A. Extract of a Pre-adjustment Trial Balance of Goody Shoe Traders.

List of balances on 31 December 2023

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

B. Equipment

- New equipment with a cost price of R120 000 was purchased on 1 October 2023. No entries have been made.
- Equipment is depreciated at 20% p.a. using the cost price method.

C. Vehicles

- One of the delivery vehicles was sold for R190 000 on 1 July 2023. The vehicle was purchased on 1 July 2021 for R320 000.
- Vehicles are depreciated at 10% p.a. using the diminishing balance method.

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QUESTION 2: INCOME STATEMENT (45 MARKS; 36 MINUTES)

PLUMSTEAD HARDWARE

You are provided with information relating to Plumstead Hardware. The financial year ends on 28 February 2023 and they use the perpetual stock system.

REQUIRED:

Prepare the Statement of Comprehensive Income for the year ended 28 February 2023. (45)

INFORMATION:

Pre-adjustment Trial balance on 28 February 2023

Balance Sheet Accounts Section	**Debit**	**Credit**
Fixed deposit: Prosper Bank	50 000	
Vehicles	200 000	
Capital		538 610
Drawings	280 080	
Equipment	56 000	
Accumulated depreciation: Vehicles		75 000
Accumulated depreciation: Equipment		23 100
Trading stock	352 800	
Debtors' control	35 600	
Provision for bad debts		1 086
Bank	111 996	
Cash float	1 052	
Loan: ABSA		90 000
Creditors' control		45 170
Nominal Accounts Section		
Sales		1 797 600
Cost of sales	1 027 200	
Debtors' allowances	9 860	
Rent expense	59 850	
Advertising	10 800	
Stationery	3 490	
Salaries and wages	324 000	
UIF contributions	3 240	
Bad debts	5 670	
Bad debts recovered		1 342
Insurance	10 560	
Water and electricity	17 724	
Telephone	12 336	
Discount received		2 340
Discount allowed	1 990	
	2 574 248	**2 574 248**

A. Adjustments and additional information

(i) On 27 February 2023 a debtor, L. Abbas, returned goods with a selling price of R1 575. The business uses a mark-up of 75% on the cost price of goods.

(ii) The owner, F. Madhi, took trading stock with a cost price of R1 300 for personal use.

(iii) No entries have been made with regards to stock stolen on 3 February 2023. The insurance company has informed Plumstead Hardware that they have transferred R9 600 into the business's bank account in respect of the insurance claim. Plumstead Hardware bears 20% of the stock loss.

(iv) On 28 February 2023 a physical stock count was done. It showed that the following were on hand:

(a) Trading Stock, R340 740
(b) Stationery, R480

(v) Several debtors had long overdue accounts. The partners decided to write-off accounts totalling R3 425.

(vi) The provision for bad debts must be adjusted to 3% of outstanding debts.

(vii) Rent expense is paid one month in advance. The rent was increased by 10% p.a. on 1 January 2023.

(viii) On 1 January 2023, an amount of R720 was paid for the placement of an advertisement for the first three months of 2023.

(ix) The following accounts were still payable on 28 February 2023:

(a) Water and electricity, R1 098
(b) Telephone, R662

(x) An employee, Mr Martha, has been left out of the February 2023 salaries journal. His salary is as follows:

Net salary	R10 500
Deductions	R 1 500
UIF contribution	1% of his gross salary

(xi) The following information appeared on the Bank Statements received from Nedbank:

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

(xii) The following statement was received from Prosper Bank with regards to the fixed deposit:

Balance on 1 March 2022	R50 000
Interest capitalised	?
Balance on 28 February 2023	R53 250

(xiii) Provide for depreciation of R13 987.

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

3.1 CONCEPTS

Match the concept in COLUMN A with the example 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 Does the partnership have enough assets to cover all debt?
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 Is the partnership able to pay off all short-term debt?

(4)

3.2 HOPPITY POPPITY TRADERS

REQUIRED:

Prepare the Equity and Liabilities section of the Statement of Financial Position on 28 February 2023. Show all the calculations relating to the notes in brackets. (21)

INFORMATION:

The following balances appeared amongst others in the General Ledger of Hoppity Poppity Traders on 28 February 2023.

Capital: Hoppity (1/03/2022)	200 000
Capital: Poppity (1/03/2022)	170 000
Current Account: Hoppity (Debit)	1 690
Current Account: Poppity (Credit)	10 360
Loan: ABSA Bank (12%)	40 000
Trading stock	58 040
Debtors' control	70 000
Accrued income	3 000
Cash float and petty cash	7 000
Creditors' control	24 070
SARS: PAYE	3 500
Bank overdraft	**?**
Pension fund	500
Income received in advance	700

A. Adjustments and additional information

(i) On 28 February 2023 Poppity contributed equipment to the value of R30 000 to equalise her capital contribution. This entry was not recorded.

(ii) The following statement was received from ABSA Bank regarding the loan:

Balance on 1 March 2022	R49 000
Repayments including interest	12 000
Interest capitalised	?
Balance on 28 February 2023	R40 000

The business will pay off the same capital portion of the loan in the next financial year as the current year.

(iii) The current ratio is 2 : 1.

3.3 **IRONMAN TOY STORE**

The following information was extracted from the accounting records of IronMan Toy Store. The store is a partnership between Mr Iron and Mr Man.

REQUIRED:

Prepare the Current Account Note as it would appear in the notes to the financial statements for the year ending 28 February 2023. (25)

INFORMATION:

A. The following balances appeared in the ledger of IronMan Toy Store on 28 February 2023.

Capital: Iron	R360 000
Capital: Man	R760 000
Current account: Iron	R2 300 (DR)
Current Account: Man	R4 500 (CR)
Drawings: Iron	R25 000
Drawings: Man	R30 000

B. Additional information:

(i) Iron took stock to the value of R35 000. This was donated to a local charity in his personal capacity.

(ii) On 1 March 2022 Iron 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 1 January 2022 Iron received a 10% increase on his monthly salary of R26 500. No further increases were given.
- Man's salary for the year amounted to R425 000.
- At the end of the financial year only Man received a bonus equal to 12% of his annual salary.
- Iron and Man shared the remaining profits or losses in the ratio 3 : 2.

(iv) Iron received a bonus of R12 000 at the end of the financial year.

(v) Man's portion of the final distribution of profit amounted to R125 000.

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QUESTION 4: ANALYSIS AND INTERPRETATION (25 MARKS: 20 MINUTES)

NOTA CLOTHING BOUTIQUE

You are provided with information relating to Nota Clothing Boutique for the year ended 31 December 2023, together with comparative figures for 2022. The business is owned by partners, Nombeko and Thandi.

REQUIRED:

4.1 Calculate the following financial indicators for 2023. Show all calculations and round-off your answer to one decimal place where necessary.

4.1.1 Percentage operating expenses on turnover (2)

4.1.2 Acid-test ratio (4)

4.1.3 Debt-equity ratio (3)

4.1.4 Percentage returns on average partners' equity (4)

4.2 Comment on the liquidity position of the business for 2023. Quote ONE financial indicator and figures to support your answer. (4)

4.3 The business changed their policy with regard to the profit mark-up from 2022 to 2023. What was the change in policy? What are the risks in this regard and what effect did this change have on the business income? (4)

4.4 Does the business have good control over their expenses? Quote ONE financial indicator and figures to support your answer. (4)

INFORMATION:

Extract from the Statement of Comprehensive Income:

	2023	2022
Turnover	3 213 000	3 004 400
Cost of sales	2 142 000	2 146 000
Operating expenses	512 640	520 000
Interest on loans (14% p.a.)	53 200	70 000
Net profit	505 160	279 376

Extract from the Statements of Financial Position:

	2023	2022
Non-current assets (fixed assets)	647 200	631 000
Current assets	430 560	262 300
Inventories	357 660	175 600
Trade and other receivables	31 700	29 800
Cash and cash equivalents	41 200	56 900
Partners' equity	496 610	273 500
Non-current liabilities (Loans)	380 000	500 000
Current liabilities	201 150	119 800

Financial indicators:

	2023	2022
Percentage gross profit on cost of sales	50%	40%
Percentage operating expenses on turnover	**?**	17,3%
Current ratio	2,1 **:** 1	2,2 **:** 1
Acid-test ratio	**?**	0,7 **:** 1
Stock turnover rate	8 times p.a.	12,2 times p.a.
Stock holding period	45 days	30 days
Debtors' collection period	34 days	36 days
Creditors' payment period	30 days	30 days
Debt : Equity ratio	**?**	1,8 **:** 1
Percentage returns on partners' equity	**?**	102,1%

25

TOTAL: 150

END

GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$

$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Total earnings by partner}}{\text{Average partners' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average partners' equity}} \times \frac{100}{1}$
Current assets: Current liabilities	Current assets – Inventories: Current liabilities
Trade and other receivables + Cash and cash equivalents: 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
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	