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GRADE 11

NOVEMBER 2019

ACCOUNTING P1

MARKS: 150

TIME: 2 hours



This question paper consists of 12 pages, a 1-page formula sheet and
a 10-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 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. A breakdown of the questions is provided. You must attempt to comply with the suggested time allocation for each question. Try NOT to deviate from it.

QUESTION 1: 30 marks; 20 minutes	
Topic of the question:	This question integrates:
Analysis of transactions Fixed assets	Analysis and accounting equation Fixed asset note: Calculate missing figures Internal control
QUESTION 2: 50 marks; 40 minutes	
Topic of the question:	This question integrates:
Income statement and Balance sheet note	Income statement Trade and other receivables note
QUESTION 3: 40 marks; 30 minutes	
Topic of the question:	This question integrates:
Partnerships	Concepts Balance sheet Notes to the financial statements
QUESTION 4: 30 marks; 30 minutes	
Topic of the question:	This question integrates:
Analysis and interpretation	Concepts Analysis and interpretation of financial statements

QUESTION 1: ANALYSIS OF TRANSACTIONS AND FIXED ASSETS**(30 marks; 20 minutes)****1.1 ANALYSIS OF TRANSACTIONS**

Analyse the following transactions by completing the table provided in the ANSWER BOOK. Refer to the example below. The perpetual stock system is used. The bank is in overdraft (negative balance) at all times. (12)

EXAMPLE: Pay the cleaner from the petty cash, R200.

General Ledger		Assets	Owners' equity	Liabilities
Account debited	Account credited			
Wages	Petty cash	-200	-200	0

TRANSACTIONS:

- 1.1.1 Bought trading stock from Sarah Baartman Suppliers for R25 000 and paid by cheque.
- 1.1.2 Issued a debit note to CNA Stationers for stationery returned, R500.
- 1.1.3 A debtor returned goods for R1 400 (cost price, R700). These goods were totally damaged.
- 1.1.4 A second hand cash register was accepted from W. Fray as payment for his debt. His debt of R3 500 was written off the previous year.

1.2 FIXED ASSETS

The information relates to Vens General Dealers for the financial year ended on 28 February 2019.

REQUIRED:

- 1.2.1 Calculate the missing figures denoted by (i) to (iii). (13)
- 1.2.2 The equipment was sold at a loss while the market value was R35 000. Provide TWO possible reasons for the loss and suggest ONE control measure to prevent this from happening again. (5)

INFORMATION:**A. Extract: Fixed Assets Note:**

	VEHICLES	EQUIPMENT
Carrying value (1/03/2018)	143 000	222 720
Cost	(i)	435 000
Accumulated depreciation	(117 000)	(212 280)
Movements:		
Additions	140 000	
Disposals		(iii)
Depreciation	(ii)	
Carrying value (28/02/2019)		
Cost	400 000	342 000
Accumulated depreciation		

- B.** On 1 December 2018, old equipment was sold on credit for R25 000. The accumulated depreciation on the equipment sold was R54 800 on 1 March 2018.
- C.** A new vehicle was bought on 1 September 2018. Depreciation for the six months amounted to R14 000.
- D.** Depreciation on equipment is calculated at 20% p.a. on carrying value.
- E.** Depreciation on vehicles is calculated on the straight-line method.
NOTE: The old vehicle was bought on 1 March 2015.

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE**(50 marks; 40 minutes)****TYALI TRADERS**

The following information relates to the financial year ended on 30 June 2019.

REQUIRED:

2.1 Complete the Income statement. (41)

2.2 Prepare the Trade and other receivables note. (9)

INFORMATION:**A. Extract from Pre-adjustment TRIAL balance on 30 June 2019**

BALANCE ACCOUNT SECTION	
Vehicles	680 000
Accumulated depreciation on vehicles	150 000
Fixed deposit (at 9% p.a. at Nedbank)	160 000
Trading stock	302 500
Debtors control	68 880
Provision for bad debts	2 010
Loan: Mtolo Bank	375 000
NOMINAL ACCOUNT SECTION	
Sales (including 75% mark-up)	1 737 750
Cost of sales	?
Rent income	81 792
Commission income	20 076
Discount received	6 850
Interest on fixed deposit	8 500
Salaries and wages	138 500
Consumable stores	11 900
Insurance	19 300
Sundry expense	?
Bad debts	4 120

B. Additional information and adjustments:

- (a) Goods returned by a debtor B. Jonson, R3 500 (cost price of R2 000), were placed back to the shelves. The transaction was not recorded.
- (b) Stocktaking revealed that stock, cost price R3 600, were missing and consumable stores on hand amounted to R2 900.

- (c) The bookkeeper omitted a discount of R150 from Jula Traders, a creditor. This was for early payment of the account.
- (d) Outstanding debts of R2 880 must be written off.
- (e) Provision for bad debts must be adjusted to 5% of debtors.
- (f) Insurance of R9 300 was fully recorded. The amount was paid for the period of 1 May 2019 up to 31 October 2019.
- (g) Rent income was increased by 6% on 1 December 2018. The rent for June 2019 is still outstanding.
- (h) The bookkeeper recorded R60 000 as additional fixed deposit on 1 February 2019.
- (i) Operating expenses amounted to 24% of the adjusted sales for the year.
- (j) The loan statement is as follows:

Balance on 01 July 2018	375 000
Repayment of loan (including interest)	161 250
Balance on 30 June 2019	257 250

- (k) Depreciation for the year amounted to R71 680.

QUESTION 3: PARTNERSHIPS**(40 marks; 30 minutes)****3.1 CONCEPTS**

Choose the correct term from the list to complete each of the following statements. Write only the term next to the question number (3.1.1–3.1.4) in the ANSWER BOOK.

current liabilities; income received in advance; balance sheet;
cash and cash equivalents; income statement; prepaid expense

- 3.1.1 The statement reflecting the financial results of the company is called a(n) ...
- 3.1.2 The amount of rent paid by the tenant for the next financial year will be recorded as ...
- 3.1.3 The statement reflecting the financial position of the company is called a/an ...
- 3.1.4 A fixed deposit that matures in the next financial year will be recorded under ... in the financial statements.

(4 x 1) (4)

3.2 SS BROTHERS

S. Ntubeni and S. Kolisi are partners in this business. The financial year ended on 30 September 2019.

REQUIRED:

- 3.2.1 Complete the Current Account note for the financial year ended. (19)
- 3.2.2 Complete the Equity and Liabilities section of the Balance sheet on 30 September 2019. (17)

INFORMATION:**A. Extract from accounting records on 30 September 2019:**

Capital: Ntubeni	350 000
Capital: Kolisi	450 000
Current account: Ntubeni (1 October 2018)	(Dr) 30 000
Current account: Kolisi (1 October 2018)	(Cr) 10 500
Trading stock	132 600
Loan: BANI Bank	?
Fixed deposit: Easy Bank	180 000
Creditors control	60 500
Accrued expenses	8 000
Accrued income	15 000
Prepaid expenses	22 000
Income received in advance	7 500
Cash float	4 500
Bank	(Cr) 35 500
Petty cash	1 000
Drawings: Ntubeni	345 000
Drawings: Kolisi	375 000
Profit and loss (Net profit)	750 000

- B. On 31 March 2019 Kolisi increased his capital contribution with R50 000. This was entered in the books.
- C. The partnership agreement states the following:
- Interest on capital of 12 % p.a.
 - Kolisi received an annual salary of R240 000.
 - Ntubeni received a salary of R5 000 per month more than Kolisi due to extra management responsibilities.
 - Kolisi received a bonus of 10% of his annual salary.
 - Remaining profits are shared equally between the partners.
- D. R50 000 will be paid on the capital amount of the loan in the next financial year.
- E. Total assets for the year amounted to R1 170 000.

QUESTION 4: ANALYSIS AND INTERPRETATION**(30 marks; 30 minutes)****4.1 CONCEPTS**

Indicate whether the following statements are True or False. Write only 'True' or 'False' next to the question number (4.1.1–4.1.4.) in the ANSWER BOOK.

4.1.1 Solvency is the ability of the business to settle current liabilities.

4.1.2 Profitability is the effective management of expenses.

4.1.3 Creditors payment period is the period between 60–90 days that creditors should be paid.

4.1.4 Stock holding period is the amount of times stock is replaced.

(4 x 1) (4)

4.2 MK TRADERS

This business is owned by partners Mike and Koline. The financial year ends on 30 September each year.

REQUIRED:

4.2.1 Percentage return earned by Mike:

- Calculate the average percentage return earned by Mike. (6)
- Comment on the return earned by Mike. Quote figures. (2)

4.2.2 Comment on TWO liquidity indicators which improved. Quote figures. (6)

4.2.3 The partners planned minor extensions to the building to the value of R80 000. Partner Koline suggested an additional loan to be taken out for the extensions.

Why do you think Koline made this suggestion? Quote a financial indicator with figures to support your answer. (3)

INFORMATION:

A. Details of Partners Capital on 30 September 2019:

	MIKE	KOLINE	TOTAL
Balance at the beginning of the year	600 000	640 000	1 240 000
Additional capital contributed	100 00	-	100 000
Decrease in capital	-	(40 000)	(40 000)
Balance at the end of the year	700 000	600 000	1 300 000

B. Extract from the Partners Current Account on 30 September 2019:

	MIKE	KOLINE	TOTAL
Balance at the beginning of the year	21 152	(2 094)	19 058
Primary distribution	263 000	260 000	523 000
Final distribution	27 000	18 000	45 000
Drawings for the year	(288 400)	(277 380)	(565 780)
Undrawn profit for the year	1 600	620	2 220
Balance at the end	22 752	(1 474)	21 278

C. Financial Indicators on 30 September:

	2019	2018
Current ratio	1,8 : 1	1,4 : 1
Acid test ratio	0,5 : 1	0,6 : 1
Stock holding period	68 days	165 days
Average Debtors collection period	35,2 days	41,2 days
Average Creditors payment period	36,2 days	39 days
Debt/equity ratio	0,2 : 1	0,3 : 1
Return on earnings: Mike	?	
Return on earnings: Koline	45%	

4.3 JOHN'S APPLIANCES

John's Appliances sells (amongst other items) electric fans and electric heaters.

You are provided with information for the first three months of the financial year ended 28 February 2019.

REQUIRED:

4.3.1 Refer to the electric fans:

Identify TWO negative effects of the increase in the mark-up percentage. Quote the relevant figures. (4)

4.3.2 Refer to the electrical heaters:

The original supplier has left the country. John was forced to change to another supplier. In order to maintain the selling price, he had to decrease the mark-up %, and accepted that the gross profit would decrease in the short term.

- Identify ONE consequence (problem) resulting from the change in supplier. Quote figures. Provide a possible reason for the problem you identified. (3)

- Provide ONE suggestion (besides those mentioned above) that John can use to increase sales in general. (2)

INFORMATION:

	ELECTRIC FANS		ELECTRIC HEATERS	
	2019	2018	2019	2018
Units sold	320	400	600	500
Returns by customers	0	5	80	10
Selling price	R 1 530	R 1 280	R 420	R 420
Cost price	R 850	R 800	R 300	R 280
Mark-up %	80%	60%	140%	150%
TOTAL SALES	R 489 600	R 505 600	R 218 400	R 205 800
Gross profit	R 217 600	R 189 600	R 62 400	R 68 600
Stock on hand	55	50	200	120
Stock turnover rate	5,8	7,9	2,6	4,1

30

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

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