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GRADE 11

NOVEMBER 2022

ACCOUNTING P1

MARKS: 150

TIME: 2 hours

This question paper consists of 10 pages, including a 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. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
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	TIME (minutes)
1	Accounting Equation and Fixed Assets	20	15
2	Concepts, Statement of Comprehensive Income	45	35
3	Statement of Financial Position and Notes	55	45
4	Financial indicators and interpretation of financial information	30	25
TOTAL		150	120

QUESTION 1: ACCOUNTING EQUATION, FIXED ASSETS (20 marks, 15 minutes)**1.1 ACCOUNTING EQUATION**

Complete the table provided to indicate the effect on the accounting equation for the following transactions.

NOTE: Assume that the bank balance is favourable and the perpetual inventory system is in use for all transactions.

Example: Issued a receipt for rent received.

TRANSACTIONS:

- (a) One of the partners contributed a delivery vehicle as part of his investment in the partnership
- (b) Credit note received for damaged equipment returned
- (c) Repairs to buildings were debited to the land and buildings account in error. This must be corrected (6)

1.2 LULU TRADERS

The following information relates to the financial year ended 30 June 2022.

REQUIRED:

Calculate the missing figures denoted by (i) to (iv) on the fixed asset note. (14)

INFORMATION:**A. Fixed asset note:**

	Land and buildings	Equipment	Vehicles
Carrying value on 1 July 2021	3 000 000	(ii)	800 000
Cost	3 000 000	420 000	1 080 000
Accumulated depreciation		(160 000)	(280 000)
Additions at cost	760 000	160 000	
Disposal at carrying value			(iv)
Depreciation for the year		(iii)	
Carrying value on 30 June 2022			
Cost	(i)	580 000	720 000
Accumulated depreciation			

B. Information from the fixed asset register:

- Depreciation on equipment is calculated at 10% p.a. on the diminishing balance.
- New equipment was purchased on 1 October 2021.
- Depreciation on vehicles is calculated at 15% p.a. on cost.
- A delivery vehicle was sold for R112 000 cash on 1 March 2022. The cost price was R360 000 and accumulated depreciation on 1 July 2021 amounted to R216 000.

QUESTION 2: CONCEPTS, STATEMENT OF COMPREHENSIVE INCOME**(45 marks, 35 minutes)****2.1 CONCEPTS**

Match the GAAP principles in COLUMN A with the examples in COLUMN B. Write only the letters (A–D) next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
2.1.1 Materiality	A Buildings are valued at R2 500 000 but is shown as R550 000 in the financial statements.
2.1.2 Matching	B Interest expense should be disclosed separately in the financial statements.
2.1.3 Historical cost	C A debtor who owes R1 270, was written off as a bad debt as he could not be traced.
2.1.4 Prudence	D Insurance, R2 500, is paid in advance. This amount is not reflected in the Statement of Comprehensive Income.

(4 x 1) (4)

2.2 AMADIBA TRADERS**REQUIRED:**

2.2.1 Complete the Statement of Comprehensive Income for the year ended on 28 February 2022. (37)

2.2.2 **Refer to Information B (viii)**
Provide TWO possible reasons why rent income decreased. (4)

INFORMATION:**A. Extract from Pre-adjustment Trial balance on 28 February 2022:**

Trading stock	R 284 000
Loan: ANW Bank	294 500
Debtors control	88 000
Provision for bad debts (1 March 2021)	5 950
Sales	1 770 400
Cost of sales	?
Salaries and wages	192 200
Insurance	107 730
Rent income	69 700
Discount received	4 600
Bad debt	7 790
Advertising	46 600
Telephone	10 500
Depreciation	61 500
Interest on fixed deposit (balancing figure)	?

B. Adjustments and additional information:

- (i) The business used a fixed mark-up of 60% on the cost price. This was achieved over the financial year.
- (ii) On 28 February 2022, credit sales for R9 600, were not recorded.
- (iii) Stocktaking on 28 February 2022 reflected trading stock on hand, R287 700.
- (iv) A further amount for bad debts, R1 400, must be written off.
- (v) Adjust the provision for bad debts to 5% of outstanding debtors.
- (vi) The telephone account for February 2022, R1 150, is not paid yet.
- (vii) Insurance was paid for one month in advance. The insurance premium increased by 10% p.a. from 1 January 2022. The policy is in place for the entire financial year.
- (viii) Rent income has been received for the period 1 March 2021 to 31 December 2021. Note that the rent was decreased by R200 per month as from 1 October 2021.
- (ix) The loan statement received reflected a closing balance of R312 000. Interest capitalised is not yet recorded.
- (x) Net profit for the year after all the adjustments were taken into account amounted to R346 840.

QUESTION 3: STATEMENT OF FINANCIAL POSITION AND NOTES**(55 marks, 45 minutes)****BCM TRADERS**

The following information was taken from the books of BCM Traders, partners Bolt and Comma, for the financial year ended 31 December 2021.

REQUIRED:

Complete the following on 31 December 2021:

- 3.1 Trade and other receivables note (7)
- 3.2 Current account note (16)
- 3.3 Statement of Financial Position (32)

INFORMATION:**A. Extract from the records on 31 December 2021:**

Capital: B. Bolt	R 600 000
Capital: C. Comma	500 000
Current account B. Bolt (1 January 2021)	146 500 (Cr)
Current account C. Comma (1 January 2021)	33 000 (Cr)
Loan: Gqeberha Bank	662 000
Fixed assets (carrying value)	948 700
Fixed deposit: Matatiel Bank	400 000
Bank (unfavourable)	31 500
Cash float	8 000
Petty cash	12 000
Creditors control	83 200
Accrued expense	5 400
Prepaid expense	3 900
Trading stock (balancing figure)	?
Debtors control	?
Provision for bad debts	4 900
SARS (PAYE)	?

B. Additional information to be taken into account:

- (i) Net trade debtors amounted to R372 600.
- (ii) Loan Statement from Gqeberha Bank:

Balance at the beginning of the financial year	R692 000
Interest capitalised	20 000
Repayments during the year	?
Balance at the end of the financial year	662 000

NOTE: Repayment for the next financial year will equal to 1,5 times the portion paid over this financial year.

- (iii) A quarter of the fixed deposit will mature on 30 June 2022.
- (iv) Extract: Salaries journal for December 2021:

Gross salary	Deductions			Net salary
	Pension	PAYE	Medical	
R 52 000	3 900	?	4 000	31 100

NOTE: The necessary payments have been made except for PAYE.

- (v) An EFT payment, R12 500, made in error to Sandile Stores. They are not a creditor anymore and will refund the money during January 2022.

C. Partnership agreement:

- (i) The partners are entitled to the following salaries:
 - B. Bolt: R50 000 per month.
 - C. Comma: R480 000 per year.
- (ii) B. Bolt is entitled to a bonus of 80% of his monthly salary.
- (iii) Interest on capital is calculated at 12% p.a. on the capital balances.
NOTE: C. Coma increased his capital contribution by R100 000 on 1 July 2021.
- (iv) The remaining profit is shared between B. Bolt and C. Comma in the ratio 3 : 2 respectively.

**QUESTION 4: FINANCIAL INDICATORS AND INTERPRETATION
OF FINANCIAL INFORMATION (30 marks, 25 minutes)**

The information relates to EC Muller Traders, partners Ezo and Collar, for the financial period ending on 28 February 2022.

REQUIRED:

- 4.1 Calculate the following:
- 4.1.1 Acid-test ratio (4)
 - 4.1.2 Average stockholding period (in days) (5)
 - 4.1.3 Percentage return on average partner's equity (5)
- 4.2 Comment on the liquidity position of the business. Quote and explain THREE financial indicators (with figures) in your explanation. (8)
- 4.3 The partners decided to decrease the loan during the financial year. Explain how this decision has affected the risk of the business. Quote and explain ONE financial indicator with figures. (4)
- 4.4 Collar is satisfied with the % return he is earning in the partnership. Provide TWO reasons. Quote financial indicators and figures. (4)

INFORMATION:

- A. Extract from the Statement of Comprehensive Income for the year ended 28 February 2022.

Sales	R3 000 000
Cost of Sales	1 875 000
Net profit for the year	660 000

- B. Extract taken from the Statement of Financial Position on 28 February 2022.

	2022	2021
Current Assets	R854 000	R1 213 000
Inventory	300 000	715 000
Trade and other receivables	416 000	480 000
Cash and cash equivalents	138 000	18 000
Partner's equity	2 002 800	1 488 000
Capital contribution	1 875 000	1 500 000
Current accounts	127 800	(12 000)
Non-current liabilities	600 000	750 000
Current liabilities	588 000	672 000

C. Financial indicators on 28 February 2022

	2022	2021
Current ratio	1,5 : 1	1,8 : 1
Acid-test ratio	?	0,7 : 1
Average stockholding period	?	159 days
Debt-equity ratio	0,3 : 1	0,5 : 1
% return on average partner's equity	?	34%
% return on average equity: Ezo	21%	30%
% return on average equity: Collar	17%	14%

30

TOTAL: 150

GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earning by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
(Trade and other receivables + Cash and cash equivalents): Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}} \times \frac{365}{1}$	
Non-current liabilities : Owners' equity	Total assets : Total liabilities	