BERGVLIET HIGH SCHOOL

GRADE 11 **ACCOUNTING PAPER 1 TIME: 2 HOURS**

MARKS: 150 **DATE: NOVEMBER 2022**

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MODERATOR: C. STEVENS

INSTRUCTIONS

1. Answer ALL the questions in **ANSWER BOOK** provided.
2. **SHOW ALL CALCULATIONS** in order for part marks to be allocated.
3. Read the instructions carefully and follow them precisely.
4. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.
5. Non-programmable calculators may be used.
6. A formulae sheet is provided.

QUESTION	TOPIC	MARKS	TIME
1	GAAP and Fixed asset note	30	24 minutes
2	Income statement	49	39 minutes
3	Balance sheet	50	40 minutes
4	Analysis & Interpretation	21	17 minutes
	Total :	**150**	**120 mins**

QUESTION 1: GAAP & FIXED ASSET NOTE (30 MARKS; 24 MINS)

1.1. CONCEPTS

GAAP, Historical cost, Depreciation, Fixed asset register, Accumulated depreciation,

Choose the correct word(s) from the table above. Write only the correct word next to the question numbers (1.1.1 to 1.1.5) in the **answer book**. (05)

1.1.1. …….is a negative asset.
1.1.2. ……..is an imputed expense.
1.1.3. The……. principle states that assets are recorded at their original cost price.
1.1.4. …….is a set of principles according to which financial statements are prepared.
1.1.5. ……contains all the relevant information pertaining to every Tangible asset (Fixed) owned by the business.

1.2. FIXED ASSET NOTE

You are provided with the following information from the records of Chadlaine Traders

REQUIRED:

1.2.1. Calculate the depreciation on equipment for the year ended 31 December 2021. (05)
1.2.2. Calculate the depreciation on Vehicles for the year ended 31 December 2021. (08)
1.2.3. Complete the Fixed Asset note to the Financial Statements on 31 December 2021. (12)

INFORMATION:

The information provided below is an extract of a Pre-adjustment Trial balance of Chadlaine Traders.

List of balances on 31 December 2021

Vehicles	2 680 000
Equipment	810 000
Accumulated Depreciation on Vehicles	1 060 000
Accumulated Depreciation on Equipment	240 000

A. Equipment.

- New equipment with a cost price of R120 000 was purchased on 01 October 2021.No entries have been made for the transaction.
- Equipment is depreciated at 20% p.a. using the cost price method.

B. Vehicles.

- One of the delivery vehicles was sold for R190 000 on 01 July 2021.The vehicle was purchased on 01 July 2019 for R320 000.The accumulated depreciation for the vehicle on 01 January 2021 was R46 400.
- Vehicles are depreciated at 10% p.a. using the diminishing balance method.

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QUESTION 2: INCOME STATEMENT (49 MARKS; 39 MINS)

The Information provide below is from the accounting records of Bergvliet Traders. The financial year ends 28 February 2019.

REQUIRED: Prepare the Income Statement for the year ended 28 February 2019. (40)

Trial balance of Bergvliet Traders on 28 February 2019.

Balance Sheet Accounts Section	**Debit**	**Credit**
Capital(01/03/2018)		510 000
Drawings	213 680	
Land and Buildings	450 000	
Vehicles	210 000	
Equipment	123 700	
Accumulated depreciation on vehicles		94 500
Accumulated depreciation on equipment		43 500
Fixed Deposit: ABSA bank (8% p.a.)	125 000	
Loan : ABSA bank		399 860
Trading Stock	174 120	
Debtors' Control	59 500	
Provision for bad debts		3 500
Bank	29 320	
Petty Cash	1 000	
Cash Float	3 000	
Creditors' Control		110 280
Nominal Accounts Section		
Sales		954 300
Cost of Sales	467 630	
Debtors' allowances	28 620	
Bad debts	1 020	

Stationery	12 520	
Packing material	13 670	
Salaries and wages	175 170	
Water and Electricity	45 210	
Insurances	15 460	
Advertising	17 080	
Telephone	21 570	
Motor expenses	25 840	
Maintenance	13 710	
Discount allowed	11 070	
Discount received		17 550
Bank Charges	3 560	
Interest on overdraft	1 610	
Rent Income		99 750
Interest on fixed deposit		10 000
	2 243 240	**2 243 240**

Adjustments and additional information.

I. Physical stock taking on 28 February 2019 revealed the following:
- Trading stock R171 020.
- Stationery R1 420.
- Packing material used during the year amounted to R11 220

II. Water and Electricity totalling R3 180 due for February 2019 will be paid on 10 March 2019.

III. An amount of R2 100 was paid to Bergvliet Ads on 25 February 2019 for an advertisement which will appear during March 2019.

IV. Rent includes rent for March 2019. Rent was increased by R750 from 1 January 2019.

V. Provision for bad debts must be adjusted to 5% of debtors.

VI. The following information appeared on the Bank Statements Received from Absa:

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

VII. Depreciation for the year amounted to R 33 030.

VIII. The loan statement from Absa reflects the following:
Interest on loan must be capitalised.

Balance on 1 March 2018	450 000
Payments made during the year (12xR5 000)	60 000
Balance on 28 February 2019	399 860

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QUESTION 3 BALANCE SHEET (50 MARKS: 40 MINS)

3.1. Choose the correct description from the table below to match the statement (5)

Current Liabilities; Cash and Cash Equivalents; Trade & other Receivables; Trade & other Payables; Inventories; Fixed assets; Current Account; Capital

3.1.1. Rates and taxes paid one month in advance

3.1.2. Trading Stock on hand at the end of the financial year.

3.1.3. Fixed deposit matures within nine months of the end of the financial year.

3.1.4. Interest earned by partners on their capital investment.

3.1.5. The bank balance of the business has a credit balance.

3.2. You are provided with information from the financial records of Reddish-Brown Bakery, a partnership between Mr Red and Mrs Brown.

REQUIRED:

Prepare the following notes to the Balance sheet.

3.2.1. Trade and other receivables (6)

3.2.2. Trade and other payables (6)

3.2.3. Complete the Balance Sheet as at 28 February 2022.Where notes are not required calculations must be shown in brackets. (33)

Trial balance of Reddish-Brown Bakery on 28 February 2022.

	Debit	Credit
Capital: Red		500 000
Capital :Brown		300 000
Current Account:Red (01/03/21)		33 600
Current Account Brown (01/03/21)	15 400	
Drawings: Red	12 000	
Drawings: Brown	10 000	

Tangible assets at carrying value	**?**	
Trading stock	146 900	
Consumables stores on hand	3 870	
Debtors control	75 000	
Provision for bad debts		1 200
Acrued income	10 490	
Prepaid expenses	2 100	
Bank		27 710
Cash float	3 500	
Petty Cash	1 500	
Fixed Deposit : Absa bank (6% p.a.)	225 000	
Creditors control		65 000
Accrued Expense		3 100
Income recieved in advance		8 250
Loan: Absa bank (15% p.a)		480 000
Creditors for salaries		45 000
SARS:PAYE		22 500

ADDITIONAL INFORMATION

A. R75 000 of the fixed deposit will mature on 30 June 2022

B. R60 000 of the Capital amount of the Loan will be paid during the next financial year.

C. Brown took trading stock for personal use. The price on the goods reflected R6 900.The mark-up is 50% on cost. No entry has been made in respect of this

D. The current account balances at the end of the year are both favourable Red:R258 200 and Brown :R132 800

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QUESTION 4: ANALYSIS AND INTERPRETATION (21 MARKS: 17 MINS)

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)

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. Liquidity is the ability to settle all the business debts.

LY TRADERS

This business is owned by partners Loyal and Yolanda. The Financial year ends on 28 February each year.

REQUIRED:

4.2.1. Percentage return earned by Loyal

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

4.2.2. Comment on the 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 Yolanda suggested an additional loan to be taken out for the extensions. Why do you think Yolanda made this suggestion? Quote a financial indicator with figures to support your answer. (3)

INFORMATION

A. Details of Partners Capital on 28 February 2022

	Loyal	**Yolanda**	**Total**
Balance at the begining of the year	600 000	640 000	1 240 000
Additional Capital contributed	100 000	-	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 28 February 2022

	Loyal	**Yolanda**	**Total**
Balance at the begining 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 of the year	**22 752**	**(1 474)**	**21 278**

C. Financial Indicators on 28 February

	2022	**2021**
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 : Loyal	**?**	-
Return on earnings : Yolanda	45%	-

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END OF PAPER

GRADE 11 ACCOUNTING:
FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{Operating\ expenses}{Sales} \times \frac{100}{1}$	$\frac{Operating\ profit}{Sales} \times \frac{100}{1}$	
$\frac{Total\ earnings\ by\ partner}{Partners'\ average\ equity}$	$\frac{Net\ profit}{Average\ owners'\ equity}$	
Current assets: Current liabilities	**(Current assets-Inventories) : Current liabilities**	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{Average\ Debtors}{Credit\ Sales} \times \frac{365}{1}$	$\frac{Average\ Creditors}{Creditors\ purchases} \times \frac{365}{1}$	
$\frac{Average\ inventories}{Cost\ of\ sales} \times \frac{365\ or\ 12}{1}$	$\frac{Cost\ of\ Sales}{Average\ inventories} \times \frac{365}{1}$	
Non-current liabilities: Owners' equity	**Total assets: Total liabilities**	