Grade 11 **Bergvliet High School**
Time: 2 Hours **Accounting Paper 1 Memo (NOV 2022)**

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

1.1. CONCEPTS.

1.1.1	Accumulated Depreciation ✓
1.1.2	Depreciation ✓
1.1.3	Historical cost ✓
1.1.4	GAAP ✓
1.1.5	Fixed asset register ✓

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QUESTION 1.2.

1.2.1.

Depreciation on equipment	**Amount**
Old equipment 810 000 × 20%	162 000✓
New equipment 120 000 ✓× 20% × 3/12 ✓	6 000☑
Total depreciation	168 000☑

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1.2.2.

Depreciation on Vehicles	**Amount**
Depreciation on Vehicles sold 320 000-46 400=273 600✓ ×10/100 × 6/12✓	13 680☑
Depreciation on remaining Vehicles 2 680 000-320 000=2 360 000✓ 1 060 000-46 400=1 013 600✓ 2 360 000-1 013 600=1 346 400✓×10%	134 640☑
Total depreciation for the year	148 320☑

*2 680 000-1 060 000=1 620 000 x10%=162 000☑ 1 mark

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1.2.3.

TANGIBLE/FIXED ASSETS	**VEHICLES**	**EQUIPMENT**
Carrying value at the beginning of the year	1 620 000✓	570 000✓
Cost	**2 680 000**	**810 000**
Accumulated Depreciation	**(1 060 000)**	**(240 000)**
Movements		
Additions at Cost		120 000✓
Disposals at carrying value (320 000-46 400-13 680)	(259 920)☑	
Depreciation	☑ (148 320)	(168 000)☑
Carrying value at the end of the year	☑1 211 760	522 000☑
Cost	2 360 000☑	930 000 ☑

Accumulated Depreciation	(1 148 240)☑	(408 000)☑

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- 1 060 000+148 320-(46 400+13 680)=1 148 240
- 240 000+168 000=408 000

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

INCOME STATEMENT OF BERGVLIET TRADERS FOR THE YEAR ENDED 28 FEBRUARY 2019.

Sales (954 300✓-28 620✓)	925 680☑
Cost of sales	**(**467 630) ✓
Gross profit	458 050☑
Other operating income	109 575☑
Rent income (99 750✓-8 250✓✓)	91 500☑
Provision for bad debts(3 500✓-2975✓✓)	525☑
Discount received	17 550✓
Gross operating income	567 625☑
Operating expenses	(390 660)☑
Bad debts	**1 020**
Salaries and wages	**175 170**
Insurance	**15 460**
Telephone	21 570✓
Motor expenses	25 840✓
Maintenance	13 710✓
Stationery(12 520✓-1 420✓)	11 100☑
Packing material	11 220✓✓
Water and electricity (45 210✓+3 180✓)	48 390☑
Advertising(17 080✓-2 100✓)	14 980☑
Discount allowed	11 070✓
Bank charges(3 560✓+320✓+1 120✓)	5 000☑
Trading stock deficit(174 120-171 020)	3 100✓☑
Depreciation	33 030✓
Operating profit	176 965☑
Interest income	10 000✓
Profit before interest expense	186 965☑
Interest expense(1 610✓+170✓+9 860✓✓✓)	(11 640)☑
Net profit for the year	175 325☑

Total

49

QUESTION 3 BALANCE SHEET (50 MARKS: 40 MINS)

3.1. CONCEPTS

3.1.1	Trade and other receivables✓
3.1.2	Inventories✓
3.1.3	Cash and cash equivalents✓
3.1.4	Current account✓
3.1.5	Current liabilities✓

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3.2.1. TRADE AND OTHER RECEIVABLES

Trade debtors	75 000✓
Provision for bad debts	(1 200) ✓
Net trade debtors	73800✓
Accrued income	10 490✓
Prepaid expenses	2 100✓
	86 390☑

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3.2.2. TRADE AND OTHER PAYABLES

Trade creditors	65 000✓
Accrued expenses	3 100✓
Income received in advance	8 250✓
Creditors for salaries	45 000✓
SARS: PAYE	22 500✓
	143 850☑

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3.2.3. BALANCE SHEET ON 28 FEBRUARY 2022.

ASSETS		
Non-Current assets	#missing figure	1 530 000☑
Fixed /Tangible asset	#missing figure	1 380 000☑☑
Fixed deposit(225 000✓-75 000✓)		150 000☑
Current assets		312 560☑
Inventory (146 900✓-4600✓+3 870✓)		146 170☑
Trade and other receivables	see 3.2.1	86 390☑
Cash and Cash equivalents(3 500✓+1 500✓+75 000✓)		80 000☑
Total assets		1 842 560☑
EQUITY AND LIABILITIES		
Owners' Equity		1 191 000☑
Capitals(500 000✓+300 000✓)		800 000☑
Current accounts(258 200✓+132 800✓)		391 000☑
Non-Current liabilities		420 000☑
Loan (480 000✓-60 000✓)		420 000☑
Current liabilities		231 560☑
Trade and other payables	see 3.2.3	143 850☑
Short term loan	same as amount subtracted from loan	60 000☑
Bank overdraft		27 710✓
Total equity and liabilities		1 842 560☑

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Total
50

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

4.1. CONCEPTS: TRUE OR FALSE

4.1.1	False✓
4.1.2	True✓
4.1.3	True✓
4.1.4	False✓

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4.2. LY TRADERS

4.2.1. Percentage return earned by Loyal.

Calculate the average percentage return earned by Loyal

$$43.2\%\checkmark = \frac{263\,000\checkmark + 27\,000\checkmark}{1/2\checkmark \times (1\,300\,000\checkmark + 43\,904\checkmark)}$$

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Comment on the return earned by Loyal. Quote figures

Compare the partners' % return✓

Mention increase/decrease in Capital. ✓

Possible answers

Loyal's return on earnings is 43% compared with that of Yolanda's of 45%.

Loyal increased his capital from R600 000 to R700 000 above Yolanda's capital of R600 000.

Yolanda decreased her capital from R640 000 to R600 000 which is less than Loyal's capital of R700 000.

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4.2.2.

Comment on the TWO liquidity indicators which improved. Quote figures
Any TWO**.**

Financial indicator✓: Figures and trend✓: Comments✓

Current ratio:
In 2018 it was 1, 4: 1 and in 2019 it is 1, 8:1, improved by 0, 4 which is 29%.
The business will be able to cover its short term debts.

Stock holding period:
The period of holding stock improved from 165 days (almost 6 months0 in 2018 to 68 days in 2019 (97 days improvement).
The movement of stock is better compared to the previous year.

Debtors collection period:
The period of collections from debtors improved from 41,2days in 2018 to 36, 2 days in 2019 (improvement of 6 days).
Debtors are paying faster, closer to the normal credit terms which is 30 days.

General comment

The business will be able to pay its short term debts**.**

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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.

Financial indicator✓: Figures and trend✓: Explanation✓

The debt to equity ratio decreased from 0, 3:1 in 2018 to 0, 2:1 in 2019.
The business is lowly geared (equity is still more than the loans)

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Total
21

END OF PAPER