Grade 11 **Bergvliet High School** **November 2024**
Time: 2 Hours **Accounting Paper 1** **Marks: 150**

Examiner: C. R. Stevens
Moderator: L. Chadzingwa

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. Where applicable, show all calculations to ONE decimal point.
6. A Financial Indicator Formula sheet is provided.
7. Write neatly and legibly.
8. Use the information in the table below as a guide when answering the question paper.

QUESTION	TOPIC	Marks	Minutes
1	**INCOME STATEMENT**	**45**	**36 min**
2	**BALANCE SHEET & NOTES**	**62**	**50 min**
3	**ANALYSIS & INTERPRETATION**	**43**	**34 min**
	TOTAL	**150**	**120 min**

QUESTION 1: FINANCIAL STATEMENTS

1.1. Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the word/term next to the question number (1.1.1–1.1.4) in the ANSWER BOOK.

Current asset; non-current asset; income; expense; current liability; non-current liability

1.1.1 Profit on the sale of an asset is a/an ...

1.1.2. The portion of a loan that will have to be repaid within a year isa/an ...

1.1.3. Consumable stores on hand are a/an ...

1.1.4. Interest on a bank overdraft is a/an ... (4)

1.2 CONGOLE PARTNERSHIP

You are provided with information for the financial year ended 28 February 2022.

REQUIRED:

Complete the Income Statement. (41)

INFORMATION:

EXTRACT FROM THE TRIAL BALANCE ON 28 February 2022:

Balance Sheet Accounts Section	**R**
Capital: Con	2 000 000
Capital: Gola	1 000000
Current Account: Con	300 000 Cr
Current Account: Gola	112 500Cr
Trading stock	1 534 000
Debtors' control	523 000
Provision for bad debts	22 000
Creditors' control	786 800
Loan: Absa Bank	630 000
Bank (Dr)	129 400
SARS: PAYE	260 000
Pension fund	15 800
Unemployment Insurance Fund (UIF)	2 300
Fixed deposit: Sharp Bank	450 000

Nominal Accounts Section	R
Sales	?
Cost of sales	8 200 000
Vehicle Expenses	1 840 000
Bank charges	31 000
Sundry expenses	177 730
Bad debts	12 100
Rent income	69 160
Interest on fixed deposit	27 000
Repairs and maintenance	125 600
Packing material	43 900

ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. Goods are sold at a mark-up of 60% on cost price. The company held discounted cash sales during the year to clear excess stock. The total of trade discount given to customers was R702 000.

2. Packing material to the value of R41 000 was used during the year ended 28 February 2022.

3. Interest on the bank overdraft, R2 800, is included in the bank charges.

4. No entries have been made for stock stolen at the beginning of February 2022. The insurance company has informed Congole Partnership that they have transferred R32 000 into the business' bank account in respect of the insurance claim. Congole Partnership bears 20% of any stock loss.

5. A physical stocktaking on 28 February 2022 reflected that stock to the value of R1 475 500 was on hand.

6. The provision for bad debts must be adjusted to 4% of outstanding debtors.

7. EZ Builders was paid R105 000 for the construction of a storeroom (R80 000) and repairs to paving (R25 000). The entire amount was debited to Land and Buildings in error.

8. The loan statement from Absa Bank on 28 February 2022 reflected:

Balance at beginning of financial year	R1 470 000
Repayments during the year	840 000
Interest capitalised	?
Balance at end of financial year	750 000

9. Rent income for March 2022 has already been received. The monthly rent was increased by 10% on 1 January 2022.

10. Depreciation is the **missing figure** in the Income Statement.

QUESTION 2 BALANCE SHEET MARKS: 62

The following information was taken from the books of Royal Traders. The business is owned by partners B. Prins and K. King.

REQUIRED:

2.1 Prepare the following notes to the financial statements for the year ended 28 February 2024:

2.1.2 Fixed Assets (14)
2.1.2 Current accounts (17)

2.2 Prepare the Balance Sheet of Royal Traders on 28 February 2024. Where notes are NOT required, show calculations in brackets. (31)

INFORMATION:

A. BALANCES ON 1 MARCH 2023:

Capital: B Prins	936 000
Capital: K King	655 200
Current account: B Prins	73 800Cr
Current account: K King	49 200Dr
Vehicles	1 392 000
Equipment	384 000
Accumulated depreciation on vehicles	679 260
Accumulated depreciation on equipment	153 600

B. BALANCES ON 28 FEBRUARY 2024:

Fixed deposit: Good Bank (16% p.a.)	600 000
Trading stock	142 760
Consumable stores on hand	9 600
Debtors' control	205 200
Provision for bad debts	10 260
Creditors' control	320 560
Bank (Dr)	73 200
Savings account	265 800
Accrued income / Income receivable	7 200
Income received in advance	4 800
Accrued expenses / Expenses payable	10 140
Prepaid expenses	18 360

C. ADDITIONAL INFORMATION:

C.1 One of the fixed deposits with Good Bank for R180 000 matures on 31 May 2024.

C.2 The net profit was appropriated between the partners as follows:

	B Prins	**K King**
Annual salaries	550 000	440 000
Interest on capital	210 000	147 000
Bonuses	62 000	46 000
Remaining profit	?	?

C.3 The drawings by the partners for the year amounted to

- B. Prins – R900 000
- K. King – R660 000

C.4 There was no change in capital throughout the year.

The remaining profit must be split in the ratio 2:1 to partners King and

Prins respectively.

C.5 A vehicle was sold for cash on 28 February 2024 and was properly recorded:

- Cost price R224 000
- Accumulated depreciation (28 February 2024) 142 900
- Selling price 90 000

C.6 Equipment worth R120 000 was purchased on credit from Durable Steel on 28 February 2024 and was properly recorded.

C.7 Depreciation for the year:

Vehicles R208 800

Equipment 76 800

QUESTION 3 ANALYSIS & INTERPRETATION MARKS: 43

3.1 Match the explanations in column B with the correct terms in column A.

Write only the letter representing the correct answer. (5)

	Column A Terms
3.1.1	Profitability
3.1.2	Solvency
3.1.3	Liquidity
3.1.4	Return
3.1.5	Financial risk / gearing

	Column B Explanations
A	Can the business pay off its current or immediate debts comfortably?
B	Are the owners (partners) earning a good return on their investment?
C	To what extent is the business financed by loans in comparison to own capital?
D	Is the business efficient in its normal operating activities? In other words, are they able to make a profit and how well are they controlling their expenses?
E	Can the business pay off all its debts comfortably?

3.2 You are provided with information relating to Better & Best, a clothing store owned by Mr Better and Mrs Best on 28 February 2024.

REQUIRED:

3.2.1 Calculate the following financial indicators on 28 February 2024.

(a) Operating expenses on turnover (3)
(b) Acid test ratio (4)
(c) % Return on average owners' equity (8)
(d) Stock turnover rate (5)

3.2.2 Comment on the liquidity position for 2024 . Quote TWO relevant financial indicators (actual ratios or figures) to support your answer. (6)

3.2.3 The owners are not satisfied with the rate at which the stock is being sold. Explain why they feel this way by quoting a relevant financial indicator to support your explanation. (4)

3.2.4 Discuss TWO reasons why a business should not have too much stock. (4)

3.2.5 Will the owners of this business be satisfied with the return on equity? Explain by quoting a financial indicator to support your opinion. (4)

INFORMATION

A. Extract from the Post Closing Trial Balance	2024	2023
Capital: Incredible	900 000	1 050 000
Capital: Trendy	540 000	540 000
Current account: Incredible	138 150	108 000
Current account: Trendy	(36 000)	(17 100)
Trading stock	480 000	450 000
Debtors' control	126 000	90 000
Bank	-	108 000
Creditors control	216 000	171 000
Bank overdraft	360 000	-

B. Extract from Income Statements	2024	2023
Sales	2 700 000	2 430 000
Cost of sales	1 080 000	1 080 000
Gross profit	1 620 000	1 350 000
Operating expenses	972 000	720 000
Net profit	648 000	630 000

C. Financial indicators	2024	2023
Net profit on sales	24%	25,9%
Operating expenses on turnover	**?**	29,6%
Current ratio	1,1 : 1	3,4 : 1
Acid test ratio	**?**	1,2 : 1
Stock turnover rate	**?**	3,9 times
Debtors' collection period	48,7 days	40 days
% Return on average owners' equity	**?**	44%

END OF PAPER