Grade 11 Paper 1 Memo Nov 2024

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

1.1.1	Income ✓
1.1.2	Current liability ✓
1.1.3	Current asset ✓
1.1.4	Expense ✓

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1.2.CONGOLE LIMITED (41 Marks)

1.2.1 INCOME STATEMENT FOR THE YEAR ENDED 28 February 2022

Sales (13 120 000✓✓ – 702 000✓)(160/100x8 200 000) Any one part correct	☑12 418 000
Cost of sales	✓ (8 200 000)
Gross profit	☑4 218 000
Other income	☑66 220
(5200 + 10%) 2 marks Rent income (69 160✓– 5 720✓✓) Operation if any one part correct	☑63 440
Bad debts recovered	✓1 700
Decrease in Provision for bad debts (523 000✓x4%=20 920✓-22 000) Operation if any one part correct	☑1 080
Gross operating profit	☑ 4 284 220
Operating expenses	**(3 348 420)**
Bank charges (31 000 – 2 800)	☑✓28 200
Sundry expenses	**177 730**
Vehicle Expenses	✓ 1 840 000
Audit fees	✓ 88 000
Repairs and maintenance (125 600 + 25 000)	☑✓150 600
Packing material	✓41 000
Loss due to stock theft (40 000 ✓ – 32 000 ✓)/32 000x20/80 Any one part correct	☑ 8 000
Any one part correct Trading stock deficit (1 534 000✓– 40 000✓–1 475 500✓)	☑18 500
Depreciation For depreciation details and balancing figure	☑1072 290
Operating profit	☑935 800
Interest income	**27 000**
Profit before interest expense	☑962 800
Interest expense (2 800✓ + 120 000✓✓) Any one part correct and correctly placed	☑ (122 800)
Net profit for the year Operation	☑840 000

2.1 ROYAL TRADERS

CURRENT ACCOUNTS	B Prins	K King	Total
Profit as per Income Statement	✓**876 000**	✓**741 000**	1 617 000
Salaries	550 000	440 000	990 000
Interest on capital	210 000	147 000	357 000
Bonus	62 000	46 000	108 000
Primary distribution of profits	✓**822 000**	✓**633 000**	1 455 000
Final share of profits	✓✓**54 000**	✓✓**108 000**	162 000
Drawings	✓ **(900 000)**	✓ **(660 000)**	(1 560 000)
Retained income for the year	✓ **(24 000)**	✓**81 000**	57 000
Balance at beginning of year	✓**73 800**	✓ **(49 200)**	24 600
Balance at end of year	✓**49 800**	✓**31 800**	✓**81 600**

NOTES TO THE FINANCIAL STATEMENTS

Fixed assets	Vehicles	Equipment
	✓712 740	230 400
Cost at beginning of the year	1 392 000	384 000
Accumulated depreciation	(679 260)	✓ (153 600)
Movements		
Additions		✓120 000
Disposals	✓✓✓ (81 100)	
Depreciation	✓ (208 800)	✓ (76 800)
	✓422 840	✓273 600
Cost at end of the year	✓1 168 000	✓504 000
Accumulated depreciation	✓ (745 160)	✓ (230 400)

2.2

2.3 ROYAL TRADERS BALANCE SHEET ON 28 FEBRUARY 2024		
ASSETS		
Non-current assets		✓1 116 440
Fixed assets (422 840 + 273 600)	✓✓✓	696 440
Financial assets (600 000 – 180 000)	✓✓✓	420 000
Current assets	✓	891 860
Inventories (142 760 + 9 600)	✓✓✓	152 360
Trade and other receivables 205 200-10 800+ 7700+18360	✓✓✓✓✓	220 500
Cash and cash equivalents 180 000+73 200+265 800	✓✓✓✓	519 000
TOTAL ASSETS	✓	2 008 300
EQUITY AND LIABILITIES		
Owners equity	✓	1 672 800
Capital (936 000 + 655 200)	✓✓✓	1 591 200
Current accounts	✓	81 600
Current liabilities		
Trade and other payables (320 560 + 4 800 + 10 140)	✓✓✓✓	335 500
TOTAL EQUITY AND LIABILITIES	✓	2 008 300

3.1

3.1.1	Profitability	Is the business efficient in its normal operating activities? In other words, are they bable to make a profit and well are they controlling their expenses?
3.1.2	Solvency	Can the business pay off all its debts comfortably?
3.1.3	Liquidity	Can the business pay off its current or immediate debts comfortably?
3.1.4	Return	Are the owners (partners) earning a good return on their investment?
3.1.5	Financial risk / gearing	To what extent is the business financed by loans in comparison to capital?

3.2

3.2.1 **Calculate operating expenses on turnover.**

$$\frac{972\,000\checkmark}{2\,700\,000\checkmark} \times \frac{100}{1}$$

= 36%✓

3.2.2 **Calculate the acid test ratio.**

126 000✓ : 216 000✓ + 360 000 ✓
= 0,2 : 1✓

3.2.3 **Calculate the % return on average owners' equity.**

$$\frac{648\,000\checkmark}{\frac{1}{2}\checkmark\,(1\,440\,000\checkmark + 1\,590\,000\checkmark + 102\,150\checkmark + 90\,900\checkmark)} \times \frac{100}{1}$$

$$= \frac{648\,000}{1\,611\,525} \times \frac{100}{1}\checkmark$$

= 40,2% ✓

3.2.4 **Calculate stock turnover rate.**

✓

$$\frac{1\ 080\ 000}{}$$

½✓ (480 000 ✓+ 450 000) ✓

= 2,3 times ✓

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

Comment:

Expected response: ✓✓

The liquidity is not satisfactory. Even though the current assets exceeds the current liabilities, alot of the this is in the form of stock and there is no certainty that the stock will be sold in time to be able to settle the current liabilities.

Financial indicators (actual ratios or figures):

Current ratio: This declined from 3,4 : 1 → 1,1 : 1✓✓

Acid test ratio: This declined from 1,2 : 1→ 0,2 : 1✓✓

Stock turnover rate: This declined from 3,9 times → 2,3 times

Debtors period: This increased from 40 days →48,7 days

3.4 **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 and actual figures, ratios or % to support your explanation.**

The stock turnover rate has declined from 3,9 times a year to only 2,3 times a year. ✓✓

This is inadequate for a clothing store. Clothing changes with seasons and should therefore change close to 4 times a year . ✓✓

3.5 **DiscussTwo reasons why a business should not have too much stock.**

Possible reasons:

- There is a chance that stock could become out-dated and then it will be very difficult to sell ✓✓
- There is an increased chance of theft ✓✓
- Increased insurance costs
- You will also need more storage room

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

Explanation for yes: ✓

Even though the % return on average owners' equity decreased from 44% in 2023 to 40,2% in 2024, it is still much higher than the return they would have earned on other investments. ✓✓✓

OR:

No

Explanation for no:

The % return on average owners' equity decreased from 44% in 2023 to 40,2% in 2024.