



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

JUNE 2023

GRADE 11

**ACCOUNTING
PAPER 1**

TIME: 2 hours

MARKS: 150

11 pages + 1 formula sheet and an answer book of 8 pages

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use blue/black ink to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
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 IN MINUTES
1.	Accounting Equation	15	10 minutes
2.	Partnerships, Ledger Accounts	25	17 minutes
3.	Statement of Comprehensive Income (Income Statement)	45	40 minutes
4.	Concepts and Statement of Financial Position (Balance Sheet)	40	35 minutes
5.	Financial Indicators	25	18 minutes
TOTAL		150	120 minutes

QUESTION 1: ACCOUNTING EQUATION**(15 marks; 10 minutes)****REQUIRED:**

Analyse the following transactions and show the effect on the Accounting Equation. (15)

Take note that the bank balance remains favourable at all times.

- 1.1 A partner, A. Matome, increased his capital contribution from R96 000 to R1 222 000.
- 1.2 The business purchased merchandise from Kgomotso Traders worth R250 000 using an EFT.
- 1.3 The business received an invoice from Nadeela Stores for stationery bought on credit, R6 700.
- 1.4 Sold goods on credit for R300 000. The business uses a profit mark-up of 50%.
- 1.5 Paid R89 000 to Tummy Bank for repayment of loan.

15

QUESTION 2: PARTNERSHIPS

(25 marks; 17 minutes)

REQUIRED:

- 2.1 Calculate the interest on capital for Martin Nike. (5)
- 2.2 Prepare the Current Account Note for Marronnie Fashions. (20)

INFORMATION:

- A. Extract from the Pre-adjustment Trial Balance of Marronnie Fashions on 28 February 2023:

Balance Sheet Section	Debit	Credit
Capital: Martin Nike (1 March 2022)		1 600 000
Capital: Ronnie Jordan (1 March 2022)		800 000
Drawings: Martin Nike	442 800	
Drawings: Ronnie Jordan	213 200	
Current Account: Martin Nike (1 March 2022)		21 600
Current Account: Ronnie Jordan (1 March 2022)	30 800	

- B. The net profit for the year amounted to R1 180 000.
- C. The partnership agreement stipulates the following:
- At the beginning of the financial year, Martin Nike is entitled to a monthly salary of R15 000 and Ronnie Jordan earns 25% more than Martin Nike. Their salaries were increased by 10% with effect from 1 August 2022.
 - Ronnie Jordan receives half of his monthly salary, **AFTER** the salary increase, as a bonus.
 - The partners received interest on their capital balances at a rate of 6% p.a. at the beginning of the year. The interest rate was increased by 2% with effect from 1 December 2022.
 - Capital balances did not change during the year.
- The remaining profit or losses are to be shared in the same ratio as their capital contributions.

QUESTION 3: INCOME STATEMENT**(45 marks; 40 minutes)**

The following information was taken from the books of Ahmed Traders on 28 February 2023, the last day of their financial year. The business uses a mark-up of 100% on cost.

REQUIRED:

- 3.1 Prepare the Income Statement (Statement of Comprehensive Income) for Ahmed Traders for the year ending 28 February 2023. (40)
- 3.2 Prepare the Note for Trade and other receivables. (5)

INFORMATION:**A. Extract from the pre-adjustment trial balance at 28 February 2023.**

	Debit	Credit
Land and buildings	1 100 000	
Vehicles (cost price)	1 800 000	
Equipment (cost price)	12 500	
Accumulated depreciation on vehicles (1 March 2022)		495 500
Accumulated depreciation on equipment (1 March 2022)		62 250
Loan: Mzanzi Bank (8% p.a.)		?
Creditors' control		148 600
Trading stock	371 900	
Debtors' control	178 400	
Provision for bad debts		17 000
Bank	179 950	
Cash float	10 00	
Petty cash	750	
Sales		?
Cost of sales	1 757 000	
Discount allowed	13 350	
Water and electricity	68 950	
Insurance	162 500	
Telephone	61 950	
Discount received		19 600
Rent income		89 650
Donation	42 650	
Stationery	128 150	
Bad debts	30 600	
Bank charges	8 000	
Advertising	139 050	
Sundry expenses	?	
Bad debts recovered		9 000

B. ADDITIONAL INFORMATION:

1. Goods with a cost price of R19 000 before stocktaking, were donated to a local community that was affected by floods. No entries have been made.
2. The owner took stationery for his son's use. The bookkeeper made the following entry:

Debit – Drawings	R2 500
Credit – Trading Stock	R2 500
3. A physical stocktake on 28 February shows the following items on hand:
 - Trading stock, R326 600
 - Stationery, R2 100
4. A debtor, A. Hajaat, was declared insolvent. Her estate paid 5 cents on every rand. The business received an EFT of R9 000. This transaction was not recorded. The rest of her outstanding balance must still be written-off.
5. A storeroom was rented out from June 2022 for R11 000 per month. The rent was increased by 7,5% per month on 1 December 2022. Provide for the outstanding rent.

6. Loan Statement:

Balance on 1 March 2022	800 000
Repayments (R16 000 per month, including interest)	?
Interest capitalised	?
Balance on 28 February 2023	691 000

7. Depreciation is calculated as follows:

- Buildings: R161 200
- Equipment: R33 040

8. The Bank Statement revealed the following items that have not been recorded in the relevant Cash Journals:

- EFT of R2 000 from H. Omar, a debtor, who was previously written-off.
- Service fees, R365
- Credit card levy, R140
- ATM deposit fees, R225
- Interest on favourable balance, R780

9. The business entered into an advertising contract with Micky Advertising Group. An annual premium of R64 800 for the period ending 31 July 2023 was paid in full on 1 August 2022.
10. The telephone account for February 2023 was received with the cost of R1 800. The amount will be settled on 3 March 2023.
11. Provision for bad debts was increased to R17 600.
12. Operating profit is calculated at 20% of the sales.

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QUESTION 4: CONCEPTS AND STATEMENT OF FINANCIAL POSITION**(40 marks; 35 minutes)**

MacDee Traders is a partnership business, with partners Mahlatse Dingwane and Dimpho Hlatshwayo. They have requested you to assist them with the preparation of financial statements as at 31 May 2023.

REQUIRED:

- 4.1 Complete the Capital Note. (5)
- 4.2 Prepare the Statement of Financial Position (Balance Sheet) as at 31 May 2023. (35)

INFORMATION:**A. Capital balances on 31 May 2023:**

- Mahlatse Dingwane R2 500 000
- Dimpho Hlatshwayo R3 880 000

Note:

- Mahlatse Dingwane decreased her capital by R500 000. This transaction was recorded.
- Dimpho Hlatshwayo decreased her capital by R220 000. This transaction was not recorded.

B. The total of the current Account balances is R400 000 (after all relevant adjustments have been taken into account).**C. The loan statement received from Tswane Bank reflected the following:**

Balance on 1 January 2022	7 320 000
Interest on capital (Capitalised)	376 800
Repayments of R50 400 per month (loan plus interest)	604 800
Capital repayments are expected to remain the same over the next financial year.	

The following balances were extracted from the Pre-Adjustment Trial Balance on 31 May 2023:

Tangible assets at carrying value	14 112 000
Creditors' control	1 120 000
Trade and other receivables	959 000
Inventories	600 000
Consumable stores on hand	92 000
Bank overdraft	?
Cash float and petty cash	32 000

- E. R22 000, which is one-third of the fixed deposit, matures on 31 August 2022.
- F. Water and electricity for R3 600 is still outstanding.
- G. Rent for June 2023 was received in advance. The total amount of rent received was R260 000.
- H. An employee's salary was omitted from the salary journal on May 2023. Payments for all the contributions were not made. The details are as follows:

Gross salary	Employee's deductions	Net salary
R30 000	R3 750	R26 250

UIF is 1% of the gross salary. The business contributes to UIF on a rand-for-rand basis and R1 600 towards the employee's medical aid.

QUESTION 5: FINANCIAL INDICATORS**(25 marks; 18 minutes)****5.1 TRUE AND FALSE****(4)**

Indicate whether the following statements are TRUE or FALSE. Write only the word 'True' or 'False' next to the question number (5.1.1 to 5.1.4) in the ANSWER BOOK.

5.1.1 Liquidity refers to the ability of the business to pay its long-term debts.

5.1.2 Efficiency is the effective management of expenses.

5.1.3 Solvency ratio is calculated as total assets to current liabilities.

5.1.4 Acid-test ratio is also known as quick ratio.

5.2 THABETH TRADERS**(21)**

You are provided with information regarding Thabeth Traders for the year ended 31 May 2023. The partners are Thabo and Betina.

REQUIRED:

5.2.1 Calculate the following for 2023:

(a) Acid-test ratio (3)

(b) Debt/Equity ratio (3)

(c) Percentage return on average equity (5)

5.2.2 Comment on the liquidity of the business. Motivate your answer by quoting any ONE financial indicator, with figures. (3)

5.2.3 Should the partners be satisfied with their investment in the business? Explain and quote figures to motivate your answer. (3)

5.2.4 Thabo is suggesting they should expand the business. Do you agree with his decision of obtaining an additional loan? Explain by citing ONE financial indicator, with figures. (4)

INFORMATION:

A

Financial Indicators	2023	2022
Percentage profit mark-up		
Current ratio	2,19 : 1	1,5 : 1
Acid-test ratio	?	0,8 : 1
Stock turnover rate	24 times	19 times
Debt/Equity ratio	?	1 : 1
Solvency ratio	0,8 : 1	1,5 : 1
Interest on Fixed Deposit (Tala Bank)	15%	12%

B

Figures from the Financial statements	2023	2022
Partners' equity	955 100	800 000
Capital: Thabo	600 000	500 000
Capital: Bethina	300 000	250 000
Current Account: Thabo	54 550 Cr	28 500 Cr
Current Account: Bethina	40 550 Cr	24 500 Cr
Current assets	340 000	315 000
Trading stock	95 000	100 000
Trade debtors	65 000	90 000
Cash and cash equivalents	180 000	125 000
Trade creditors	155 000	140 000
Loan: Yan Bank (12% p.a.)	700 000	900 000
Sales for the year (35% on credit)	3 200 000	2 500 000
Cost of sales	2 450 000	1 850 000
Net profit	285 000	230 000

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TOTAL: 150

END

FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Average partners' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average partners' equity}} \times \frac{100}{1}$	
Current Assets: Current Liabilities	Current Assets – Inventory: Current Liabilities	
Trade and other receivables + Cash and cash equivalents: Current Liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases or Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current Liabilities: Partners' equity	Total assets: Total liabilities	