



Education and Sport Development

Department of Education and Sport Development
Departement van Onderwys en Sportontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko

NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 11

ACCOUNTING: PAPER 1

JUNE 2019

MARKS: 150

TIME: 2 Hours

This question paper consists of 10 pages and 01 formula sheet.



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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer all questions.
2. A special **ANSWER BOOK** is provided in which to answer ALL questions.
3. Workings must be shown in order to earn part-marks.
4. Non-programmable calculator may be used.
5. You may use a dark pencil or blue / black ink to answer the questions.
6. Use the information given in the table as a guide when answering the question paper. Try **NOT** to deviate from it.

QUESTION 1 : 60 marks ; 50 minutes	
The main topic of the question is:	This question integrates :
Partnerships: Financial statements	Financial Accounting GAAP Income Statement
QUESTION 2 : 50 marks ; 40 minutes	
The main topic of the questions is :	The question integrates:
Partnerships: Notes to the Balance sheet and accounting equation	Financial Accounting: Notes to the Balance sheet Managing Resources Ethics
QUESTION 3 : 40 marks ; 30 minutes	
The main topic of the questions is :	This question integrates :
Partnerships: Ledger accounts and Interpretation	Managing Resources Concepts, Current account, Financial indicators and Interpretation



QUESTION 1: GAAP CONCEPTS, FINANCIAL STATEMENTS OF PARTNERSHIP**(60 marks; 50 minutes)****1.1 GAAP CONCEPTS**

Choose an example in COLUMN B that matches a concept in COLUMN A.
Write only the letter (A – E) next to the question number (1.1.1 – 1.1.5)
in the ANSWER BOOK.

COLUMN A	COLUMN B
1.1.1 Prudence	A The tenant has paid R42 000 , which includes rent for one month of the following year. Only R39 000 is recorded in the Income Statement.
1.1.2 Matching	B Although the cost price of the stock items are fluctuating, the stock is recorded at cost, assuming that it will be sold some time in future.
1.1.3 Going-concern concept	C The partners' salaries must be reflected separately from salaries and wages.
1.1.4 Historical-cost concept	D Land and buildings are recorded at the original purchase price of R1 200 000.
1.1.5 Business entity	E Money lost due to theft of stock is written off even though there is a possibility that it may be recovered in future.

(5)



INCOME STATEMENT

1.2

You are provided with a pre-adjustment trial balance of Kelish Traders, Partnership that belongs to Kenny Khumalo and Kelly Ketshes.

REQUIRED:

Income Statement for the year ended 28 February 2019.

(55)

KELISH TRADERS

Extract from the Pre-adjustment Trial Balance as on 28 February 2019.

Balance Sheet Section	Debit	Credit
Loan: Zee Bank		?
Equipment	?	
Accumulated depreciation on equipment		?
Fixed deposit: Azania Bank (8%)	50 000	
Trading Inventory	190 800	
Debtors control	74 400	
Provision for Bad Debts		4 580
Bank	41 040	
Creditors control		44 400
SARS (PAYE)		3 500
Creditors for salaries		13 000
Pension fund		3 000
Nominal account section		
Sales		996 100
Cost of Sales	435 500	
Debtors allowances	29 100	
Salaries and wages (Included employer's contributions)	174 700	
Advertising	19 150	
Rent income		55 080
Discount received		2 010
Bad debts	8 520	
Interest on Investment		3 500
Interest on current bank account		275
Stationery	8 775	
Insurance	12 680	
Telephone	15 540	
	?	?



ADJUSTMENTS:

- 1 Stationery with a value of R555 has been donated to the local pre-primary school. No entry has been made in the books.
- 2 Partner Khumalo withdrew trading inventory of R3 750 for his own use. No entry has been made in the books.
- 3 After year-end stock taking has been done the following inventory was on hand:
 - Inventory, R184 600
 - Stationery, R1 245
- 4 Insurance includes an amount of R1 080 for the time period 1 December 2018 to 30 April 2019.
- 5 Advertising includes an amount of R550 for March 2019.
- 6 The telephone account for February 2019 of R990 is still outstanding.
- 7 The rent amount includes the rent for March 2019. Take into account that rent has increased with 7 % as from 1 May 2018.
- 8 Interest on loan must be capitalized. The loan statement of Zee Bank shows the following on 28 February 2019:

Balance at the beginning of the financial year	R235 000
Interest capitalized	?
Monthly payments as per loan agreement	R84 000
Balance at the end of the financial year	R176 000

The interest on the loan for the year still has to be entered in the books.

- 9 A debtor, N. Nzo has been declared insolvent. Her estate pays 30 cent in the rand. This amounts to R600. The outstanding amount must be written off as bad debts. No entries were made.
- 10 The provision for bad debts must be adjusted to R4 510.



- 11 One employee was omitted from the Salaries Journal for February 2019. His salary details are:

Gross salary	R12 000
SARS - PAYE	2 500
Pension fund	1 080
Net salary	?

The business contributes on a Rand to Rand basis to the pension fund.

- 12 Bought new equipment on 28 February 2019 and pay per cheque, R45 000. The transaction has not been recorded.
- 13 Depreciation on 28 February 2019:
- Vehicles – R44 000 and
 - Equipment – R11 500
- 14 R500 interest on the fixed deposit is still receivable.



QUESTION 2: NOTES TO THE BALANCE SHEET AND ACCOUNTING EQUATION.
(50 marks; 40 minutes)

The information was extracted from the books of Mompoti Traders, owned by Ruth and Segomotsi, the financial year ends on 31 December 2018.

REQUIRED

2.1 Prepare the following notes for the financial year ended 31 December 2018.

- 2.1.1 Capital (8)
- 2.1.2 Current Accounts (30)

INFORMATION

A. Balances 1 January 2018

	R
Capital: Ruth	480 000
Capital: Segomotsi	320 000
Current account: Ruth (Cr)	8 000
Current account: Segomotsi (Dr)	7 500

B. Additional information

- Segomotsi registered his personal vehicle worth R80 000 on 1 July 2018 in the partnership, and requested that the vehicle be regarded as an additional contribution. His partner Ruth agreed.
- Partner Ruth deposited an additional R120 000 cash on 1 July 2018 to increase her capital.
- Drawings during the year:
 - Ruth – R240 800
 - Segomotsi – R147 500

C. The partnership agreement stipulates the following:

- Both partners are entitled to yearly salary of R180 000.



Note: On 1 July 2018, the partners agreed to give an extra responsibility of bookkeeping to Ruth. Her salary was increased by R24 000 p.a.

2. Both partners are entitled to an annual bonus of R15 000.
3. Interest on capital must be calculated at 12% p.a. (Remember the changes of capital during the year.)
4. The remaining profit must be divided equally between the two partners.
5. The net profit on 31 December 2018 amounts to R530 000.

3.2 ACCOUNTING EQUATION

Duran and Desdemonia are partners of Destiny Clothes.

REQUIRED

Use the example below to analyse the transactions that follow. Indicate an increase with +, a decrease with – and no change with 0. Assume that the bank account balance is favourable at all times. (12)

Example: Paid the telephone account by cheque, R500.

No.	Assets	Equity	Liabilities
e.g.	- 500	- 500	0

Transactions

- 3.2.1 Partner Desdemonia withdrew R4 800 trading stock from the business for his personal use.
- 3.2.2 Cash sales for R12 000. The mark-up is 60% on cost.
- 3.2.3 Paid monthly salary by cheque to Duran, R17 000.



QUESTION 3: PARTNERSHIP – LEDGER ACCOUNTS AND INTERPRETATION
(40 marks; 30 minutes)

Lemon Blossom Traders is a partnership business owned by partners Lebrin and Brooklyn. The financial year ended on 31 August 2018.

REQUIRED:

- 3.1 Prepare the Current Account: Brooklyn on 31 August 2018. (9)
- 3.2 Calculate the following financial indicators on 31 August 2018.
- 3.2.1 Acid test ratio (4)
- 3.2.2 Debt/equity ratio (3)
- 3.2.3 Percentage return earned by the partners. (7)
- 3.3 The partners are concerned about the liquidity position of the business. Explain why they feel this way. Quote TWO financial indicators (with figures) to support your explanation. (6)
- 3.4 Comment on the percentage return earned by partner Lebrin. Should he be satisfied with this percentage? Explain by quoting relevant financial indicators with figures. (5)
- 3.5 Partner Brooklyn feels that the business should increase the loan. Partner Lebrin is not keen to incur more debt. Briefly explain who you would support. Provide TWO financial indicators (with figures) to motivate your choice. (6)

INFORMATION:

A. Balances extracted from the financial records:

	31 AUGUST 2018	31 AUGUST 2017
Fixed deposit	100 000	125 000
Current assets including inventories	165 600	176 200
Inventories	62 200	54 000
Partners' equity	1 700 000	1 270 300
Capital: Lebrin	875 000	500 000
Capital: Brooklyn	675 000	750 000
Current Account: Lebrin	45 150 (Cr)	12 400 (Dr)



Current Account: Brooklyn	104 850 (Cr)	32 700 (Cr)
Mortgage loan (12% p.a.)	425 000	762 180
Current liabilities	166 240	58 700

B. Information from the Current account note on 31 August 2018:

	PARTNER LEBRIN	PARTNER BROOKLYN
Annual salary allowance	265 200	225 216
Interest on capital	78 750	60 750
Bonus	-	13 784
Drawings for the year	322 400	?
Partners share of the remaining profit	36 000	?

C. The total primary distribution amounted to R643 700.

D. The partners share the remaining profit/loss in the ratio 2:1 between Lebrin and Brooklyn respectively.

E. Financial indicators on 31 August:

	2018	2017
Current ratio	1 : 1	3 : 1
Acid test ratio	?	2 : 1
Stock turnover rate	11,2 times	9,4 times
Average debtors collection period	45 days	33 days
Debt/equity ratio	?	0,6 : 1
Return on average capital employed	33,5%	30,3%
Return earned by the partners	?	40,5%
Return earned by partner Lebrin	54%	56%
Return earned by partner Brooklyn	90%	84%
Interest rate on loans	12%	12%



FORMULA SHEET

FORMULA SHEET GRADE 11

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partners' average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – inventories) : Current liabilities	
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365 \text{ or } 12}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities : Owners' equity	Total assets : Total liabilities	

Demo



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