GRADE 11 ACCOUNTING
JUNE EXEMPLAR PAPER

PAPER 1

MARKS: 200
TIME: 120 minutes

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 You may use a dark pencil or blue/black ink to answer the questions.
6 Where applicable, show all calculations to ONE decimal point.
7 Write neatly and legibly.
8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 38 marks; 30 minutes	
Topic of the question:	**This question integrates:**
Accounting equation and ledger of partnerships	**Financial accounting** Analysis of transactions Ledger of partnerships

QUESTION 2: 50 marks; 40 minutes	
Topic of the question:	**This question integrates:**
Statement of Comprehensive Income	**Financial accounting** Statement of comprehensive income Note to the financial statement

QUESTION 3: 40 marks; 30 minutes	
Topic of the question:	**This question integrates:**
Statement of Financial Position and notes to the Financial Statements	**Financial accounting** Statement of financial position Note to the financial statement Ratio and analysis

QUESTION 4: 22 marks; 20 minutes	
Topic of the question:	**This question integrates:**
Ratio and analysis	**Financial accounting** Concepts and Analysis and interpretation of financial statements

QUESTION 1 ANALYSIS AND PARTNERSHIPS LEDGER (38 marks; 30 minutes)

1.1 Analyse the following transactions under the headings in your answer book. (6)

1.1.1 Trading stock worth R50 000 bought on credit.
1.1.2 Stationery of R350 previously bought on credit was returned as it was unsuitable.
1.1.3 Partner Mike withdrew his monthly salary of R15 000.
1.1.4 A bonus of R20 000 was allocated to partner Susan.
1.1.5 Cash sales amounted to R10 000. Cost of sales was R6 000.

1.2 Complete the following ledger accounts of Raymand and Sons for the financial year ended 31 March 20.9:

- Appropriation account (16)
- Current account: Ray (8)

1.3 Calculate the % return earned by Ray on his average investment in the business. (8)

Information:

The following balances/totals appeared in the books of Raymand and Sons on 31 March 20.9:

Capital: Ray	R800 000
Capital: Mandy	R500 000
Current account: Ray (1 April 20.8) Dr	R5 600
Current account: Mandy (1 April 20.8) Cr	R36 000
Drawings: Ray	?
Drawings: Mandy	?
Profit and Loss (Cr)	R800 750
Interest on Capital: Mandy	R25 000.
Sales	R2 400 000

The partnership agreement provided for the following:

1.2.1 Ray earned a salary of R15 000 per month and Mandy R144 000 per annum.
1.2.2 Interest on capital is paid at a fixed % of Capital. Note that Mandy's capital remained unchanged all year. Ray introduced an extra R60 000 on the 1 January 20.9. This has been recorded.
1.2.3 Mandy earns a bonus of 1% of sales.
1.2.4 The final division of profit is in the ratio of the capital balance on 31 March 20.9.
1.2.5 Ray withdrew 75% of his salary and Mandy the full amount. This was the only drawings taken by the partners.

QUESTION 2 STATEMENT OF COMPREHENSIVE INCOME AND NOTES TO FINANCIAL STATEMENTS
(50 marks; 40 minutes)

The following extracted information has been taken from Mpgi Traders for the financial year ended 28 February 20.9.

REQUIRED:

2.1	Complete the Statement of Comprehensive Income (Income Statement) for the financial year ended 28 February 20.9. Note that the pre-adjustment figures have been filled in on your answer book.	(37)
2.2	Complete the Trade and other receivables note to the financial statement on 28 February 20.9	(13)

EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.9

Trading stock	267 000

ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. R5 000 is still owing on the lease of equipment for the month of February.

2. Insurance includes an annual premium taken out on the 1 October 20.8 for R17 400.

3. Trading stock worth R80 000 was destroyed in a flash flood. The insurance company has agreed to pay out 75% of the claim in March 20.9.

4. A debtor returned goods that were unsuitable. The debtor had been charged R6 912 after a trade discount of 10% had been deducted. Goods were marked up by 60% on cost.

5. Stocktaking on the 28 February 20.9 revealed the following:
   - Trading stock on hand of R193 000
   - Consumables stores used during the year amounted to R18 600

6. A cheque for R840 was received from A. Zama, a debtor. The bookkeeper entered this transaction in the CRJ and posted to the Debtors' control account. However, this debt had been written off in December 20.8. The error needs to be corrected.

7. J. Mabuza, a debtor, has a credit balance of R1 350. The bookkeeper decided to transfer this amount to the Creditors' ledger.

8. A cheque for R2 200 was received from an insolvent debtor estate. The estate paid out 40 cents in the Rand. The bookkeeper has only processed the entry for the cheque.

9. The provision for bad debts must be adjusted to R6 800.

10. Rent has been paid until the end of March 20.9. Note that rent was increased by 9% on 1 November 20.8.

12. Operating expenses are equal to 40% of sales

QUESTION 3 STATEMENT OF FINANCIAL POSITION AND NOTES
(40 marks; 30 minutes)

Bheki & Sons is a partnership that sells to the retail trade. Their financial year ends on the 28 February 20.9 each year.

REQUIRED:

3.1	The Statement of Financial Position (Balance Sheet) of Bheki & Sonson 28 February 20.9. Note some figures have been inserted on the answer book.	(26)
3.2	Trade and other payables note to the financial statements.	(9)
3.3	The owner is very pleased with the improvement in the liquidity ratios from 20.8 to 20.9. You do not agree. Explain by quoting figures to support your answer. Discuss two possible reasons.	(5)

INFORMATION:
The following balances were taken from the books on 28 February 20.9

Current account: B Bheki (Cr)	600 000
Current account: J Bheki (Dr)	700 000
Fixed deposit: ABC Bank	180 000
Bank overdraft	50 000
Savings account	40 000
Petty cash	12 500
Expenses payable/accrued	5 100
Income received in advance/deferred income	3 800
Creditors control	?

ADDITIONAL INFORMATION:

1. The fixed deposit with ABC Bank consists of TWO deposits:
   - R110 000 matures 31 July 20.9
   - R70 000 matures 31 July 20.0
2. The loan statement received from Saambou on the 28 February 20.9 showed the following:

Balance on 1 March 20.8	1 100 000
Interest	132 000
Repayment (including interest)	210 000
Balance on 28 February 20.9	?
In terms of the loan agreement a fixed capital portion of the loan is repaid annually	

3. A new employee joined the business half –way through February. The bookkeeper only processed the expense part of the transaction.
   - Net salary R8 100 (half month)
   - PAYE 18%
   - UIF 1%
   - UIF Contribution 1%
4. Current ratio on 28 February 20.9 is 2.5 : 1
5. Acid test ratio on 28 February 20.9 is 1.6 : 1
6. The following ratios were taken from the books on 28 February 20.8:
   - Current ratio 1.7 : 1
   - Acid test ratio 0.8 : 1

QUESTION 4 RATIO AND ANALYSIS (22 marks; 20 minutes)

The following ratios/figures were taken from the books of Mavis Traders for the financial year ended 30 April 20.9

REQUIRED:

4.1 The owner changed the mark-up policy of the business during the year.

- Explain the decision and the effect on the sales of the business (3)
- The effect on the final net profit of the business (3)

4.2 The owners increased the loan during the year. Was this a viable business decision? Calculate and quote TWO financial indicators to support your answer. (16)

INFORMATION:

	20.9	**20.8**
Sales	4 800 000	3 700 000
Mark-up %	65%	80%
Gross profit as a % of sales	52%	40%
Operating expenses as a % of sales	30%	24%
Net profit as a % of sales	14%	13%
Debt : equity ratio	?	0.8 : 1
Return on average capital employed	?	19%
Owner's equity	1 200 000	1 200 000
Loan	1 800 000	1 000 000
Net profit	672 000	
Interest on loan (9.5%)	171 500	

<table>
<tr><th colspan="6">GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET</th></tr>
<tr><td colspan="2">$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$</td><td colspan="2">$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$</td><td colspan="2">$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$</td></tr>
<tr><td colspan="3">$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$</td><td colspan="3">$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$</td></tr>
<tr><td colspan="3">$\frac{\text{Total earnings by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$</td><td colspan="3">$\frac{\text{Net profit}}{\text{Average owners 'equity}} \times \frac{100}{1}$</td></tr>
<tr><td colspan="3">Current assets : Current liabilities</td><td colspan="3">(Current assets – Inventories) : Current liabilities</td></tr>
<tr><td colspan="6">(Trade and other receivables + Cash and cash equivalents) : Current liabilities</td></tr>
<tr><td colspan="3">$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$</td><td colspan="3">$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$</td></tr>
<tr><td colspan="3">$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$</td><td colspan="3">$\frac{\text{Cost of sales}}{\text{Average inventories}} \times \frac{365}{1}$</td></tr>
<tr><td colspan="3">Non-current liabilities: Owners' equity</td><td colspan="3">Total assets: Total liabilities</td></tr>
</table>