



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2020
GRADE 11**

**ACCOUNTING
PAPER 1**

TIME: 2 hours

MARKS: 150

14 pages + 1 formula sheet

INSTRUCTIONS

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which all questions are to be answered.
3. Show ALL workings in order for part marks to be allocated.
4. Where applicable, round all calculations to the nearest rand. All other calculations to be rounded to one decimal place.
5. Read the instructions of each question carefully and follow them precisely.
6. Learners will forfeit marks for:
 - the use of non-standardized abbreviations.
 - overwriting of figures or words.
 - superfluous/foreign entries.
7. Non-programmable calculators may be used.
8. All answers must be written in blue or black ink.
9. Use the information in the table as a guide when answering the question paper. Try not to deviate from it.

Question	Topic	Marks	Time
1	Financial Statements	55	42 minutes
2	Partnerships	40	32 minutes
3	Analysis and interpretation of Financial Statements	20	16 minutes
4	Asset Management & Internal Control	35	30 minutes
		150	120 minutes

QUESTION 1: FINANCIAL STATEMENTS**(55 marks; 42 minutes)**

The following information was taken from the accounting records of Golden Gate Traders on 30 June 2020, the last day of the financial year.

REQUIRED:

- 1.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ending 30 June 2020. (40)
- 1.2 Complete the following Notes to the Financial Statements:
- 1.2.1 Trade and other receivables (6)
- 1.2.2 Trade and other payables (9)

INFORMATION

1. **Figures extracted from the pre-adjustment Trial Balance on 30 June 2020:**

Balance Sheet Accounts	
Vehicles	130 000
Equipment	78 500
Accumulated depreciation on vehicles	34 000
Accumulated depreciation on equipment	30 000
Trading stock	42 563
Debtors' control	31 900
Provision for bad debts	550
Bank (favourable)	8 540
Creditors' control	21 363
Fixed deposit : Zee Bank @ 15% p.a.	10 000
Loan : Zee Bank	60 000
Nominal Accounts Section	
Sales (less Debtors' Allowances)	337 600
Cost of sales	???
Repairs	1 618
Bad debts	1 510
Telephone	2 350
Rent income	17 836
Interest on fixed deposit	1 125
Rates	2 850
Insurance	4120
Discount received	600
Packing materials	13 500
Water and electricity	4 830
Salaries	78 000
U.I.F. contributions	3 120

2. Adjustments and additional information.

- 2.1 A credit note for R1600 issued to a debtor, dated 27 June 2020, was not recorded. The cost price of these goods was R1000. The goods were placed back into stock.
- 2.2 The business prices its goods at a mark up of 60% on cost. Trade discount of R4000 was allowed on invoices to certain customers.
- 2.3 A physical stock count on 30 June 2020 revealed the following to be on hand.
- Trading stock R 44 000
 - 80% of packing material was used during the year
- 2.4 A cheque issued to a creditor for R1 900 settling our account of R2 000 was dishonoured and sent back by the bank marked R/D.
- 2.5 On 18 June 2020, R1 370 was received from M. Stuurman whose debt had previously been written off as irrecoverable. The amount was credited to the Debtors' Control account in the General Ledger.
- 2.6 The provision for bad debts must be increased by R400.
- 2.7 Insurance includes a policy with an annual premium of R3 000 which expires on 31 October 2020.
- 2.8 A suite of offices has been let to an estate agent since 01 February 2019. The rent agreed upon was R15 600 for the first year and a 12 % increase in the second year. Make the necessary adjustments.
- 2.9 The telephone account for June 2020 must still be paid, R230.
- 2.10 On 30 December 2018 an amount of R10 000 was placed in a fixed deposit at 15 % interest per annum. Interest for the last quarter is still receivable. Interest is not capitalised.
- 2.11 Depreciation for the year totalled, R23 475.

2.12 The following details of a new employee, D. Laurence, were omitted from the Salaries Journal for June 2020.

• Gross salary	R4 200
• Deductions : P.A.Y.E.	R840
Medical aid	R150
U.I.F.	1%

- The enterprise contributes to the U.I.F. on a rand for rand basis.

No payments in respect of the above have been made.

2.13 The loan statement showed the following information:

• Balance on 01 July 2019	R60 000
• Balance on 30 June 2020	R48 000
• Repayments for the year	R18 000
• Interest capitalized	???

QUESTION 2: PARTNERSHIPS**(40 marks; 32 minutes)**

The following information was taken from the accounting records of Mighty Mouse Traders on 28 February 2020, the last day of the financial year. The business is a partnership with Mighty and Mouse as partners.

REQUIRED:

- 2.1 State whether the following statements are TRUE or FALSE. (5)
- 2.1.1 Owners' Equity for a partnership consists of Capital and Drawings only.
- 2.1.2 All current accounts are current liabilities.
- 2.1.3 The partnership agreement stipulates the amount of capital that each partner has to contribute to the business.
- 2.1.4 The double entry principle means that the partnership needs to have a separate bank account from the personal bank accounts of each of the partners.
- 2.1.5 A partner cannot contribute more capital to a partnership.
- 2.2 Use all relevant information and prepare the Current Account Note on 28 February 2020. (14)
- 2.3 Use all relevant information and prepare the Statement of Financial Position (Balance Sheet) on 28 February 2020. (21)
Where notes are not required, show all calculations in brackets to earn part marks.

INFORMATION:

1. **List of balances and totals extracted from the accounting records on 28 February 2020:**

Capital : Mighty	200 000
Capital : Mouse	100 000
Current account : Mighty (01 March 2019) (Debit)	4 800
Current account : Mouse (01 March 2019) (Credit)	6 200
Drawings : Mighty	20 000
Drawings : Mouse	6 800
Fixed assets at carrying value (Missing figure)	???
Fixed deposits (See information 3.1)	30 000
Inventories (Missing figure)	???
Total trade and other receivables (See information 4)	???
Petty cash	500
Cash float	1 000
Loan : Giant Bank (See information 4)	???
Total trade and other payables (Before adjustment 3.3)	45 050
Bank overdraft	12 200
Salaries : Mighty (See information 5.1)	49 600
Salaries : Mouse (See information 5.1)	78 000
Net profit for the year	141 000

2. **Transactions not yet recorded:**

- 2.1 Mighty returned merchandise with a cost price of R700. This merchandise was taken from stock for personal use.
- 2.2 A cash cheque for R1 000, drawn by Mighty for personal use, was recorded as Drawings : Mouse, by mistake.

3. **Additional information:**

- 3.1 The business has two fixed deposits:
- R10 000 at Giant Bank – matures on 01 April 2020
 - R20 000 at Small Bank – matures on 01 December 2021
- 3.2 A repayment of R5 000 on the loan is made annually on 28 February. The payment for this year was made on 28 February 2020. However, this has not been recorded in the books of the business.
- 3.3 After the Bank Reconciliation for February 2020 was completed, it showed, as part of the outstanding cheques, a total of R1 200 for post-dated cheques.

QUESTION 3: ANALYSIS AND INTERPRETATION**(20 marks; 16 minutes)**

The following information was taken from the accounting records of Kings Traders on 31 December 2020, the last day of the financial year. The business is a partnership, with King Midas and King Ben as partners.

REQUIRED:

Use all relevant information to do the following:

Where relevant, answers need to include financial indicators and figures.

- 3.1 Calculate King Ben's percentage earnings for the year ended 31 December 2020. Does he have reason to be satisfied? Give **ONE** reason for your answer. (10)
- 3.2 Calculate the debt-equity ratio on 31 December 2020. (3)
- 3.3 The partners are considering taking up an additional R200 000 loan at an interest rate of 12% per annum. Do you think this is a good idea? Refer to one financial indicator and to gearing to motivate your answer with figures. (3)
- 3.4 The partners are concerned about the liquidity position of the business. Refer to two financial indicators with figures to justify their concerns. (4)

INFORMATION:

1. **The following balances were taken from the accounting records:**

	31 Dec 2020	31 Dec 2019
Owners' equity	1 038 154	988 054
Equity : King Midas	532 592	401 042
Equity : King Ben	505 562	597 012
Loan @ 15 % p.a.	250 000	320 000

2. **Additional information for the year ended 31 December 2020:**

- 2.1 Net profit for the year, R420 100
- 2.2 Both King Midas and King Ben earn an annual salary of R165 000 each.
- 2.3 Interest on capital : King Midas, R48 000 and King Ben, R60 000

- 2.4 Drawing for the year : King Midas, R200 000 and King Ben, R180 000
- 2.5 Share of the remaining profit : partners share equally in the remaining R37 100.

3. **Some of the financial indicators of the business:**

Financial indicator	31 Dec 2020	31 Dec 2019
Current ratio	1,4 : 1	1,7 : 1
Acid test ratio	0,8 : 1	1,2 : 1
Stock turnover rate	9,2 times	8,4 times
Solvency ratio	2,4 : 1	3,5 : 1
Return on equity (partnership)	32,2 %	27,9 %
Debt-equity ratio	???	0,3 : 1
Interest on fixed Deposit	5%	5%

QUESTION 4: ASSET MANAGEMENT AND INTERNAL CONTROL

(35 marks; 30 minutes)

The following four questions are independent of each other.

4.1 ETHICS

REQUIRED:

Match each of the terms in COLUMN A with the most appropriate description in COLUMN B. Write down only the correct letter next to the question number (4.1.1 to 4.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	Confidentiality	A	“people, planet, profit”
4.1.2	Transparency	B	The ability to maintain economic, social and environmental resources without doing harm to any of the three.
4.1.3	Triple bottom line	C	The acknowledgement and assumption of responsibility for your actions, duties and decisions.
4.1.4	Code of ethics	D	A written set of rules and guidelines outlining ethical principles to be followed by a business and all its members.
4.1.5	Accountability	E	Information obtained while performing professional services should be treated appropriately.
		F	An open and honest way of doing things and does not seek to hide the truth.

(5)

4.2 ACCOUNTING EQUATIONS

REQUIRED:

Analyse the following transactions according to the headings provided in the answer book, using the example as a guide. The bank account is in overdraft at all times.

Example: Partner Barack deposited R50 000 directly into the bank account of the business as part of his capital contribution.

- 4.2.1 Paid partner Barack R8 000 by EFT as part of his monthly salary. According to the partnership agreement, he is entitled to a monthly salary of R8 000. (5)
- 4.2.2 Partner Michelle took goods, with a cost price of R800, for personal use. Goods are sold at a profit margin of 25% on cost. (3)

4.3 ASSET MANAGEMENT

REQUIRED:

Read through all the information relating to the tangible (fixed) assets of Disney Manufacturers and then answer the following questions.

- 4.3.1 If all vehicles are depreciated using the same method, what is the rate of depreciation used by the business? (3)
- 4.3.2 It was decided to sell Vehicle 2 (see fixed asset register) as it was costing too much in repairs and maintenance.

Complete the asset register page to calculate the vehicle's book value on the date it was sold. (Round off to the nearest rand when doing all depreciation amounts.) (10)

INFORMATION:

1. General Information

- Disney Manufacturers makes and delivers wooden furniture.
- They rent their factory.
- On 01 March 2020 they owned equipment and three delivery vehicles, which are used to deliver furniture in a 100 km radius around Johannesburg.

2. Fixed Asset Register

Type of asset: Vehicle 2				
Registration number: GT66YRGP			Date purchased: 31 August 2017	
Supplier: Toyota			Date sold: 31 May 2020	
Rate of depreciation: ?			Depreciation method: ?	
Movement				
Date	Cost price	Depreciation	Accumulated depreciation	Carrying value
28 February 2018	380 000	47 500	47 500	332 500
28 February 2019	380 000	83 125	130 625	249 375
28 February 2020	380 000			
31 May 2020	380 000			

4.4 **PROBLEM SOLVING****REQUIRED:**

Study all the given information and identify one problem in each branch. Provide a solution to the problem under the headings provided in the ANSWER BOOK.

(9)

INFORMATION:

Bongiwe Zwane opened an Accounting franchise called "Accounting Made Easy". After 10 months of operating, she has 3 branches open, one each in Daveyton, Actonville and Farramere.

The school offers extra Accounting lessons to high school learners from 14:00 to 18:30. All lessons are on an individual basis for 45 minutes (six lessons per day), Monday to Friday, at a cost of R120 per lesson. Each learner attends 1 lesson per month. The total number of learners a school can take in, is 360 per month. A total of 3 educators can teach at any one time at each branch. Educators are paid R70 per lesson.

Bongiwe has obtained the monthly figures from the 3 schools for November 2020. She is concerned that not all 3 schools are operating as efficiently as possible.

Figures for November 2020:

	Daveyton	Actonville	Farramere
Number of educators	3	3	2
Number learners	300	400	190
Income from lessons	R36 000	R48 000	R19 000
EXPENSES			
Rent	R6 000	R8 000	R12 000
Advertising	R600	R1 200	R0
Salaries	R22 400	R25 200	R13 300
Other expenses	R2 000	R2 000	R4 500

TOTAL: 150

END

ANNEXURE

FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total Earnings by Partner}}{\text{Average Partner's Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	
Current Assets: Current Liabilities	Current Assets – Inventories: 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	