



**education**

Department:  
Education  
PROVINCE OF KWAZULU-NATAL

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**ACCOUNTING – PAPER 1**

**JUNE 2019**

**COMMON TEST**

**MARKS: 150**

**TIME : 2 hours**

**This paper consists of 7 pages, one formula sheet AND an answer booklet of 6 pages.**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions and be sure to follow them carefully:

1. This question paper consists of 8 pages.
2. A special **ANSWER BOOK** consisting of 5 pages is provided in which to answer all the questions.
3. Answer **ALL** the questions.
4. **Workings must be shown in brackets in order to earn part marks.**
5. Non-programmable calculators may be used.
6. You may use dark pencil or black / blue pen to answer the questions.
7. Marks will be deducted for missing details and foreign entries.
8. Use the information in the table below as a guide when answering the question paper:

<b>Question 1: 67 Marks, 54 Minutes</b>	
<b>The topic of this question is:</b>	<b>Content:</b>
Accounting Equation and Current Accounts	<ul style="list-style-type: none"> <li>• Partnership Agreement</li> <li>• Accounting Equation</li> <li>• Current Account note to the balance Sheet</li> </ul>
<b>Question 2: 49 Marks, 39 Minutes</b>	
<b>The topic of this question is:</b>	<b>Content:</b>
Balance Sheet (Statement of Financial Position) and Analysis	<ul style="list-style-type: none"> <li>• Balance Sheet (Statement of Financial Position)</li> <li>• Calculations</li> <li>• Comments</li> </ul>
<b>Question 3: 34 Marks, 27 Minutes</b>	
<b>The topic of this question is:</b>	<b>Content:</b>
Fixed Assets	<ul style="list-style-type: none"> <li>• GAAP</li> <li>• Fixed Asset Register</li> <li>• Asset Disposal</li> <li>• Internal Control</li> </ul>

**QUESTION 1****(67 Marks, 54 Minutes)****ACCOUNTING EQUATION AND CURRENT ACCOUNTS**

“Reflections Unisex Salon”, is a beauty salon that styles both men and women’s hair. The salon is run by Gugu and Anele. The financial year ends on 28 February each year.

**Required:**

- 1.1 State **TWO** reasons for Gugu and Anele deciding to start their business as a partnership. (4)
- 1.2 When this business was first formed, they would have needed to draw up a partnership agreement.
- 1.2.1 Identify **THREE** important items that should have been included in their partnership agreement. (3)
- 1.2.2 Although partnership agreements can be verbal, it is preferred that they are in a written format. Provide **ONE** reason for this. (2)
- 1.3 Refer to **Information A**  
Complete the table in your answer book to show the effect that the following year-end adjustments (from information A) will have on the accounting equation. The Bank account is favourable at all times. (32)

**Example:**

The telephone account of R180 still needs to be paid.

No.	Account DR	Account CR	Amount	A	O	L
E.g.	Telephone	Accrued Expenses / Expenses payable	180	0	-	+

- 1.4 Refer to **Information B**  
Complete the Current account note to the Balance Sheet on 28 February 2019: (26)

**Balances on 28 February 2019:**

Capital: Gugu	550 000
Capital: Anele	520 000
Current Account: Gugu (1 March 2018)	R5 400 (CR)
Current Account: Anele (1 March 2018)	R3 200 (DR)
Drawings: Gugu	R176 000
Drawings: Anele	R216 000

**Information A**

- A. R2 000 that was spent on repairs to the salon’s equipment was erroneously recorded as equipment.
- B. Stationery on hand at the year end, as per a physical count amounted to R140.

- C. "Reflections Unisex Salon" was charged interest at 8% per annum on our overdue account of R6 000 by a creditor for 1 month.
- D. An annual insurance premium of R7 200 was paid during the year. This policy will insure the business assets until 30 June 2019.
- E. A debtor was declared insolvent. We received 30 cents in the rand from his estate. This amounted to R255. The balance of this account must be written off. **No entries have been made.**

### Information B

- The net profit for the year ended 28 February 2019 (after adjustments, in information A above, were recorded) was R399 300.
- Gugu has only taken drawings for the past 11 months. As per the partnership agreement, she withdraws the same amount each month.
- Gugu and Anele increased their capital by R50 000 and R40 000 respectively on 1 September 2018. This has been recorded.
- Both partners are entitled to interest on their capital at 10% per annum.
- Gugu is entitled to a salary of R12 000 per month, and Anele R10 900 per month.
- Remaining profits or losses are to be shared equally between Gugu and Anele.

### QUESTION 2

(49 Marks, 39Minutes)

#### BALANCE SHEET AND ANALYSIS

You are provided with information extracted from the accounting records of Pillay's Plumbers. This partnership business is owned by two brothers Sashin and Seren Pillay.

#### Required:

- 2.1 Use the information provided below to complete the Balance Sheet on 28 February 2019. Show calculations in brackets so that part marks can be awarded. (34)
- 2.2 Calculate the Percentage Return on Average Partners Equity (to 1 decimal place) (5)
- 2.3 Should the partners be satisfied with the percentage return earned? Provide **TWO** reasons, with figures, to motivate your answer. (5)
- 2.4 If the partners decide to raise more capital in the future, would you suggest that they increase their current loan? Quote relevant financial indicators to justify your answer. (5)



**Information:****A. Extract from the Pre-Adjustment Trial balance on 28 February**

	<b>2019</b>
Equipment at carrying value	125 140
Vehicles at carrying value	600 000
Fixed Deposit (5% p.a.)	50 000
Bank	35 000
Petty Cash	2 000
Debtors Control	26 000
Provision for Bad Debts	950
Inventories	?
Creditors Control	31 200
Capital: Sashin	240 000
Capital: Seren	220 000
Current Account: Sashin	21 500
Current Account: Seren	10 500
Mortgage Loan (10.5%)	?

**B. Fixed Assets**

- Equipment still needs to be depreciated by R10 000 for this financial year.
- Depreciation on vehicles is to be provided at 20% per annum on the diminishing balance method. No vehicles were bought or sold this year.

**C. Financial Assets**

- The fixed deposit has been in existence since 1 July 2017. No entry has been made for the interest earned on the fixed deposit for the financial year ended 28 February 2019. Interest is capitalised.
- The partners plan to withdraw R15 000 out of the fixed deposit when it matures on 30 June 2019. The rest of the money will be re-invested.

**D. Provision for Bad Debts**

- The current provision for bad debts needs to be adjusted to 3% of book debts.

**E. Financial Indicators:**

	<b>2019</b>	<b>2018</b>
Debt-Equity Ratio	0.4 : 1	0.3 : 1
Return on Average Partners Equity	?	17.3%
Current Ratio	2.8 : 1	2.2 : 1

F. Partners Equity on 28 February 2018 amounted to R485 300.

G. The Net profit for the year ended 28 February 2019, **after** the adjustments above were taken into consideration amounted to R90 870.

**QUESTION 3****(34 Marks, 27Minutes)****FIXED ASSETS**

Njabulo Nzama is the owner of "Njabulo's Cargo Services". He currently owns three trucks that are used to transport various items for his customers in Kwa Zulu Natal. The businesses financial year ends on 28 February each year.

**Required:**

3.1 Identify the GAAP concept that is applied to each of the following situations:

- 3.1.1 Vehicles are always recorded at the price originally paid for them. (1)  
 3.1.2 Vehicles are depreciated each year to record the book value of the vehicle. (1)  
 3.1.3 Any expenses paid to maintain a vehicle must be recorded within the year in which that maintenance occurred. (1)

3.2 Refer to Truck number 1:

<b>Truck Number 1</b>			
<b>Make:</b> ISUZU		<b>Date of Purchase:</b> ?	
<b>Registration:</b> ND 144 160		<b>Depreciation Method:</b> Cost	
<b>Cost:</b> R960 000		<b>Depreciation %:</b> 20%	
<b>Date</b>	<b>Depreciation</b>	<b>Accumulated Depreciation</b>	<b>Carrying value</b>
28 Feb 2016	160 000	160 000	800 000
28 Feb 2017	192 000	352 000	608 000
28 Feb 2018	192 000	544 000	416 000
31 Aug 2018	96 000	?	?

\* Truck number 1 was written off in an accident on 31 August 2018. The insurance company refused to pay out for the claim as the accident was caused due to the vehicle not being in a roadworthy condition. This vehicle was therefore sold to a scrap dealer for R30 000 cash.

- 3.2.1 Identify the date on which this vehicle was initially purchased. (2)  
 3.2.2 Draft the asset disposal account to calculate the profit or loss made on the disposal of this vehicle on 31 August 2018. (8)  
 3.2.3 Discuss **TWO** internal control procedures that Njabulo can implement to ensure that accidents of this nature do not happen again for this reason. (4)

3.3 Refer to Truck number 2:

Truck Number 2			
Make: <i>HINO</i>		Date of Purchase: <i>1 March 2014</i>	
Registration: <i>ND 446 198</i>		Depreciation Method: <i>Cost</i>	
Cost: <i>R1 040 000</i>		Depreciation %: <i>20%</i>	
Date	Depreciation	Accumulated Depreciation	Carrying value
<i>28 Feb 2015</i>	<i>208 000</i>	<i>208 000</i>	<i>832 000</i>
<i>28 Feb 2016</i>	<i>208 000</i>	<i>416 000</i>	<i>624 000</i>
<i>28 Feb 2017</i>	<i>208 000</i>	<i>624 000</i>	<i>416 000</i>
<i>28 Feb 2018</i>	<i>(A)</i>	<i>(B)</i>	<i>(C)</i>
<i>28 Feb 2019</i>	<i>(D)</i>	<i>(E)</i>	<i>(F)</i>

3.3.1 Complete the missing amounts labelled A to F in the above fixed asset register for this truck. (6)

3.3.2 This vehicle has not been involved in any accidents, but Njabulo has still spent R468 000 maintaining and repairing it during the last financial year. Identify **TWO** possible reasons for this high maintenance cost. (4)

3.4 Refer to Truck number 3:

Truck Number 3			
Make: <i>Mercedes-Benz</i>		Date of Purchase: <i>1 Sept 2017</i>	
Registration: <i>ND 962 584</i>		Depreciation Method: <i>Cost</i>	
Cost: <i>R?</i>		Depreciation %: <i>20%</i>	
Date	Depreciation	Accumulated Depreciation	Carrying value
<i>28 Feb 2018</i>	<i>135 000</i>	<i>135 000</i>	<i>?</i>
<i>28 Feb 2019</i>	<i>270 000</i>	<i>405 000</i>	<i>?</i>

3.4.1 Calculate the cost price of this truck. (3)

3.4.2 This Truck has the lowest mileage. It only travelled 43 000 km in the last year. Identify **TWO** possible reasons for this low mileage. (4)

**TOTAL MARKS:150**



## FORMULAE SHEET: GRADE 11

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{COS}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total Earnings By Partner}}{\text{Partners' Average Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Av Partners' Equity}} \times \frac{100}{1}$	
Current Assets : Current Liabilities	(CA – Inventory) : Current Liabilities	
$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times \frac{365 \text{ (or 12)}}{1}$	$\frac{\text{Average Creditors}}{\text{Credit Purchases}} \times \frac{365 \text{ (or 12)}}{1}$	
$\frac{\text{Average Inventories}}{\text{Cost of Sales}} \times \frac{365 \text{ (or 12)}}{1}$	$\frac{\text{Cost of Sales}}{\text{Average Trading Stock}}$	
Non-Current Liabilities : Owners' Equity	Total Assets : Total Liabilities	





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**ACCOUNTING – PAPER 1**

**ANSWER BOOK**

**JUNE 2019**

**COMMON TEST**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

Name: \_\_\_\_\_ Grade: \_\_\_\_\_

Question	Topic	Learners Mark	Moderators Mark
1	Accounting Equation and Current Accounts		
2	Balance Sheet and Analysis		
3	Fixed Assets		
	<b>TOTAL</b>		

**This answer book consists of 6 pages.**

**QUESTION 1****(67 Marks, 54 Minutes)****ACCOUNTING EQUATION AND CURRENT ACCOUNTS**

- 1.1 State **TWO** reasons for Gugu and Anele deciding to start their business as a partnership. (4)

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- 1.2 When this business was first formed, they would have needed to draw up a partnership agreement.
- 1.2.1 Identify **THREE** important items that should have been included in their partnership agreement. (3)

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- 1.2.2 Although partnership agreements can be verbal, it is preferred that they are in a written format. Provide **ONE** reason for this. (2)

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- 1.3 (32)

No	Account DR	Account CR	Amount	A	O	L
A			2 000			
B			140			
C						
D						
E						

## 1.4 Current Account note to the Balance Sheet

(26)

	Gugu	Anele	Total
Profit per Income Statement			
Partners' Salaries			
Interest on Capital			
Primary distribution of profits			
Final distribution of profits			
Drawings			
Retained Income for the year			
Retained Income (1/3/2018)			
Retained Income (28/2/2019)			

## QUESTION 2

(49 Marks, 39 Minutes)

## BALANCE SHEET AND ANALYSIS

## 2.1 Balance Sheet on 28 February 2019.

(34)

<b>ASSETS</b>	
<b>Non-current assets</b>	
<b>Current assets</b>	
<b>Total assets</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Partners' equity</b>	
<b>Non-current liabilities</b>	
<b>Current liabilities</b>	
<b>Total equity and liabilities</b>	

- 2.2 Calculate the Percentage Return on Average Partners Equity (to 1 decimal place) (5)

- 2.3 Should the partners be satisfied with the percentage return earned on their investment? Provide **TWO** reasons, with figures, to motivate your answer. (5)

- 2.4 If the partners decide to raise more capital in the future, would you suggest that they increase their current loan? Quote relevant financial indicators to justify your answer. (5)



**QUESTION 3**

**(34 Marks, 27 Minutes)**

**FIXED ASSETS**

3.1 Identify the GAAP concept that is applied to each of the following situations:

3.1.1 Vehicles are always recorded at the price originally paid for them. (1)

3.1.2 Vehicles are depreciated each year to record the book value of the vehicle. (1)

3.1.3 Any expenses paid to maintain a vehicle must be recorded within the year in which that maintenance occurred. (1)

3.2 Refer to Truck number 1:

3.2.1 Identify the date on which this vehicle was initially purchased. (2)

3.2.2 (8)

**Asset Disposal**


3.2.3 Discuss **TWO** internal control procedures that Njabulo can implement to ensure that accidents of this nature do not happen again for this reason. (4)

3.3 Refer to Truck number 2:

3.3.1

A	
B	
C	
D	
E	
F	

(6)

3.3.2 Identify **TWO** possible reasons for this high maintenance cost.

(4)

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3.4 Refer to Truck number 3:

3.4.1 Calculate the cost price of this truck.

(3)

--

3.4.2 This Truck has the lowest mileage. It only travelled 43 000 km in the last year. Identify **TWO** possible reasons for this low mileage.

(4)

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**TOTAL MARKS: 150**



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**ACCOUNTING – PAPER 1**

**MARKING GUIDELINE**

**JUNE 2019**

**COMMON TEST**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**MARKS** : 150

**TIME** : 2 hours

Question	Topic	Marks	Minutes
1	Accounting Equation and Current Accounts	67	54
2	Balance Sheet and Analysis	49	39
3	Fixed Assets	34	27
		150	120

**This marking guideline consists of 5 pages.**

**QUESTION 1****(67 Marks, 54 Minutes)****ACCOUNTING EQUATION AND CURRENT ACCOUNTS**

- 1.1 State **TWO** reasons for Gugu and Anele deciding to start their business as a partnership. (4)

- Share financial risks and costs. ✓✓
- Friends / family members that decided to work together ✓✓
- More resources (capital/skills/expertise)
- Each person has a different speciality that they can then focus on.
- **Any logical answer**

- 1.2 When this business was first formed, they would have needed to draw up a partnership agreement.

- 1.2.1 Identify **THREE** important items that should have been included in their partnership agreement. (3)

- Name of business. ✓
- Product or service provided. ✓
- Capital contribution. ✓
- Sharing of profits and losses.
- The amount of drawings taken by each partner.
- The right of a partner to salary and interest on capital.
- Admission of new partners.
- Whether or not the books will be audited and by whom.

- 1.2.2 Although partnership agreements can be verbal, it is preferred that they are in a written format. Provide **ONE** reason for this. (2)

- The agreement can be referred back to when needed. ✓✓
- The agreement needs to be signed by both parties to show that they agree with all items in the document.
- **Any logical answer**

- 1.3 (32)

No	Account DR	Account CR	Amount	A	O	L
A	Repairs ✓	Equipment ✓	2 000	- ✓	- ✓	0
B	Consumable Stores / Stationery on Hand ✓	Stationery ✓	140	+ ✓	+ ✓	0
C.	Interest Expense ✓	Creditors Control ✓	40 ✓✓	0	- ✓	+ ✓
D	Deferred / Prepaid Expense ✓	Insurance ✓	2 400 ✓✓	+ ✓	+ ✓	0
E	Bank ✓	Debtor's Control ✓	255 ✓✓	+ ✓ - ✓	0	0
	Bad Debts ✓	Debtors Control ✓	595 ✓✓	- ✓	- ✓	0



## 1.4 Current Account note to the Balance Sheet

(26)

	Gugu	Anele	Total
Profit per Income Statement	207 500✓	191 800✓	399 300✓
Partners' Salaries	144 000✓✓	130 800✓✓	274 800
Interest on Capital	52 500✓✓	50 000✓✓	102 500
Primary distribution of profits	196 500✓	180 800✓	377 300
Final distribution of profits	11 000✓✓	11 000✓✓	22 000
Drawings	(192 000)✓✓	(216 000)✓	(408 000)
Retained Income for the year	15 500✓	(24 200)✓	(8 700)
Retained Income (1/3/2018)	5 400✓	(3 200)✓	2 200
Retained Income (28/2/2019)	20 900✓	(27 400)✓	(6 500)

## QUESTION 2

(49 Marks, 39 Minutes)

## BALANCE SHEET AND ANALYSIS

## 2.1 Balance Sheet on 28 February 2019.

(34)

<b>ASSETS</b>	
<b>Non-current assets</b>	632 640✓
Tangible / Fixed assets(125 140✓ – 10 000✓ + 600 000✓ – 120 000✓)	595 140✓
Financial assets: Fixed deposit(50 000✓ + 2 500✓ – 15 000✓)	37 500✓
<b>Current assets</b> <sup>CL X 2.8</sup>	87 360✓✓
Inventories <sup>Missing amt</sup> OR - 780✓✓	10 140✓
Trade and other receivables (26 000✓ – 950✓ + 170✓)	25 220✓
Cash and cash equivalents (35 000✓ + 2 000✓ + 15 000✓)	52 000✓
<b>Total assets</b> <sup>TA = TE &amp; L</sup>	<b>720 000</b>
<b>EQUITY AND LIABILITIES</b>	
<b>Partners' equity</b>	492 000✓
Capital (240 000✓ + 220 000✓)	460 000✓
Current accounts (21 500✓ + 10 500✓)	32 000✓
<b>Non-current liabilities</b>	196 800✓
Mortgage Loan (10.5%) <sup>Partners Equity X 0.4</sup>	196 800✓✓
<b>Current liabilities</b>	31 200✓
Trade and other Payables	31 200✓
<b>Total equity and liabilities</b> (both totals to be equal)	<b>720 000✓</b>

- 2.2 Calculate the Percentage Return on Average Partners Equity (to 1 decimal place) (5)

$$\frac{90\,870}{(492\,000 + 485\,300)/2} \times 100$$

$$\frac{90\,870}{488\,650} \times 100$$

$$= 18.6\%$$

- 2.3 Should the partners be satisfied with the percentage return earned on their investment? Provide **TWO** reasons, with figures, to motivate your answer. (5)

Yes / No ✓

- The percentage return has increased from 17.3% in 2018 to 18.6% in 2019. ✓✓
- The return of 18.6% is higher than the investment in the fixed deposit which currently earns 5%. ✓✓

- 2.4 If the partners decide to raise more capital in the future, would you suggest that they increase their current loan? Quote relevant financial indicators to justify your answer. (5)

Yes ✓

The business is positively geared as the return on partners equity of 18.6% is higher than the interest rate on the loan of 10.5%. ✓✓

According to the Debt: Equity Ratio of 0.4 : 1, the business risk is moderate, thus allowing for more loans to be taken out in the future. ✓✓

### QUESTION 3

(34 Marks, 27 Minutes)

#### FIXED ASSETS

- 3.1 Identify the GAAP concept that is applied to each of the following situations:
- 3.1.1 Vehicles are always recorded at the price originally paid for them. (1)
- Historical Cost ✓
- 3.1.2 Vehicles are depreciated each year to record the book value of the vehicle. (1)
- Prudence Concept ✓
- 3.1.3 Any expenses paid to maintain a vehicle must be recorded within the year in which that maintenance occurred. (1)
- Matching Concept ✓
- 3.2 Refer to Truck number 1:
- 3.2.1 Identify the date on which this vehicle was initially purchased. (2)

1 May 2015 OR 30 April 2015 ✓✓

$192\,000 / 12 = 16\,000$  per month therefore 10 months old.

3.2.2

(8)

**Asset Disposal**

Vehicles	960 000 ✓	Accumulated Depreciation on Vehicles (544 000✓ + 96 000✓)	640 000 ✓
		Bank	30 000 ✓
		Loss on sale of asset	290 000 ✓☑
	960 000	☑	960 000

3.2.3 Discuss **TWO** internal control procedures that Njabulo can implement to ensure that accidents of this nature do not happen again for this reason.

(4)

- Service all vehicles regularly✓✓
- Check condition of all vehicles daily before they leave for delivery.✓✓
- Ensure the drivers inform the business of any problems with the vehicles.
- **Any logical answer**

3.3 Refer to Truck number 2:

3.3.1

A	208 000✓
B	832 000✓
C	208 000✓
D	207 999✓
E	1 039 999✓
F	1✓

(6)

3.3.2 Identify **TWO** possible reasons for this high maintenance cost.

(4)

- This is the oldest vehicle so will maintenance due to its age of 5 years.✓✓
- The driver might be driving erratically and therefore damaging the vehicle✓✓
- Older vehicles high mileage so repairs due to wear and tear are to be expected.
- **ANY LOGICAL ANSWER**

3.4 Refer to Truck number 3:

3.4.1 Calculate the cost price of this truck.

(3)

$$270\,000✓ \times 100/20✓$$

$$= 1\,350\,000✓$$

3.4.2 This Truck has the lowest mileage. It only travelled 43 000 km in the last year. Identify **TWO** possible reasons for this low mileage.

(4)

- The driver may have been ill✓✓
- This is the most expensive vehicle so it might only be used for deliveries within the city due to the risk of the current violence against trucks.✓✓
- It might not be suitable to transport all items like the other 2 vehicles do.
- Vehicle might have been unable to run due to repairs
- **ANY LOGICAL ANSWER**

**TOTAL MARKS: 150**