

PHOENIX CIRCUIT ACCOUNTING SOCIETY (PCAS)
HELPING ACCOUNTING EDUCATORS EXCEL

GRADE 11

ACCOUNTING PAPER 1
NOVEMBER 2019

MARKS 150

DURATION 2 HOURS

This paper consists of 8 pages, a one-page formula sheet and an answer book of 7 pages.

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: 30 marks; 24 minutes	
Topic of the question:	This question integrates:
FIXED ASSETS	Fixed assets Internal control

QUESTION 2: 60 marks; 48 minutes	
Topic of the question:	This question integrates:
PARTNERSHIP FINANCIAL STATEMENTS	Income statement Trade & other payables note GAAP

QUESTION 3: 30 marks; 24 minutes	
Topic of the question:	This question integrates:
PARTNERSHIP FINANCIAL STATEMENTS	Balance sheet

QUESTION 4: 30 marks; 24 minutes	
Topic of the question:	This question integrates:
ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS	Interpretation of financial information

QUESTION 1: FIXED ASSETS

(30 marks, 24 minutes)

1.1 You are provided with information relating to Chinamhora Stores whose financial year ends on 30 JUNE 2019. Refer to the information presented below to answer the questions based on it.

REQUIRED:

1.1.1 Prepare the Asset Disposal Account on 31 December 2018 (11)

1.1.2 Complete the Tangible (Fixed) Asset note on 30 June 2019. (10)

INFORMATION:

A

FIXED(TANGIBLE) ASSETS	LAND AND BUILDINGS	EQUIPMENT
Carrying Value (01/07/18)	2 000 000	165 000
Cost	2 000 000	300 000
Accumulated depreciation	0	(135 000)
Movements		
Additions	?	180 000
Disposal at carrying value	0	?
Depreciation	0	?
Carrying value (30/06/19)	2 600 000	?
Cost	?	?
Accumulated depreciation	0	?

B Equipment bought on 30 June 2016 for R50 000 was sold for cash on 31 December 2018 for R21 000.

New equipment was purchased on 1 February 2019 for R180 000.

C Depreciation is written off at 15% p.a. on cost price.

D Land and Buildings were purchased during the year.

E The following totals were extracted from the financial statements of Chinamhora Stores 30 June 2019:

BALANCE SHEET (EXTRACT)	2019	2018
Land and buildings	2 600 000	2 000 000
Equipment at cost	?	300 000
Accumulated depreciation	?	135 000
		136

- 1.2 The owner of Chinamhora Stores also owns vehicles that are used for deliveries. He has discovered that some of his drivers are using the business vehicles for private use. Identify **TWO** ways that the business can ensure that the vehicles are being used responsibly by staff. (4)
- 1.3 One of the vehicles is old and will soon need to be replaced. The manager of Chinamhora Stores was promised a gift by AMC Motors if he purchased the new vehicle from them. Will it be ethical to accept this gift? Briefly explain. (3)
- 1.4 Why is it important to record the new asset in the fixed assets register? (2)

QUESTION 2: PARTNERSHIP FINANCIAL STATEMENTS (60 marks; 48 minutes)

2.1 GAAP CONCEPTS

(5 marks)

Match the GAAP concepts listed in COLUMN A with an explanation provided in COLUMN B. Write the letter (A–E) only next to each number (2.1.1–2.1.5) in the ANSWER BOOK. E.G 2.1.1 B

COLUMN A	COLUMN B
2.1.1 Matching	A The affairs of the owners must be kept separate from the business records
2.1.2 Historical cost	B Significant expenses like bank charges and interest on overdraft must be shown separately in financial statements
2.1.3 Materiality	C Losses must be recorded when identified even though it may be recovered in the future
2.1.4 Business entity	D Income and expenses must be recorded in the period they are earned or incurred
2.1.5 Prudence	E Assets are recorded at the price purchased even though the market price may be higher

2.2 THALVIN TRADERS

You are provided with the information relating to two partners, Thabiso and Alvin, trading as THALVIN TRADERS.

Complete the following for Thalvin Traders for the financial year ended 28 February 2019.

- 2.2.1 Income statement for the year ended 28 February 2019. (43)
- 2.2.2 Trade and other payables note (12)

NOTE: Some figures have been recorded on the special answer book.

INFORMATION

PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2019 [EXTRACT]

BALANCE SHEET ACCOUNTS SECTION	DEBIT	CREDIT
Trading stock	280 000	
Debtors control	43 450	
Provision for bad debts		2 100
Creditors control		18 280
Pension fund		8 400
SARS: Paye		19 900
NOMINAL ACCOUNTS SECTION		
Sales		910 600
Cost of sales	548 000	
Debtors' allowances	12 000	
Rent income		97 300
Salaries and wages	150 000	
Employer's contribution	12 130	
Bad debts	1 850	
Water and electricity	52 800	
Discount allowed	750	
Discount received		1 300
Telephone	9 610	
Insurance	11 000	
Consumable stores	7 100	
Bank charges	690	
Interest on loan	26 000	
Bad debts recovered		720

ADJUSTMENTS AND ADDITIONAL INFORMATION

- (a) A credit note for goods costing R3 500, issued to a debtor was not recorded. Goods were sold at a mark-up of 60 % on cost. The goods were placed back on the shelves.
- (b) A fire occurred in the store room and destroyed goods costing R12 000. The insurance company agreed to settle 75 % of the claim. No entries have been made.
- (c) The stock take on 28 February 2019 revealed the following on hand:
- Trading stock R270 000
 - Consumable stores R 1 800
- (d) A debtor, J. Judas was insolvent. Received amount of R450, representing 30 cents in a rand from the insolvent estate which was properly recorded. The balance must still be written off.
- (e) The provision for bad debts must be adjusted to R1 900.
- (f) Insurance has been paid in equal monthly instalments up to 31 December 2018. Provide for the outstanding insurance.

- (g) The bank statement received from True Bank showed the following:
- Service Fees, R480
 - Interest on current account, R1 410
 - Dishonoured cheque from a debtor, R. Robby for R1 600 in settlement of account of R1 750.
- (h) The rent for March 2019 was received and recorded. Take into account that the rent was increased by 10 % on 1 July 2018.
- (i) The details of an employee, Zinhle Gasu who commenced work on 1 February 2019 was omitted from the Salaries Journal. Details of her salary for February 2019 are as follows:

GROSS SALARY	DEDUCTIONS		CONTRIBUTIONS
	PAYE	PENSION FUND	PENSION FUND
21 000	4 190	1 680	?

NOTE: The employer contributes R1.50 for every R1 by the employee to the Pension Fund.

QUESTION 3: PARTNERSHIP FINANCIAL STATEMENTS(30 marks; 24 minutes)

You are provided with information from the records of Phoenix Traders for the financial year ended 28 February 2019. Phoenix Traders is owned by partners Bongeka and Mishka.

REQUIRED:

Complete the **BALANCE SHEET** on 28 February 2019.

NOTE: All workings must be shown in brackets as **NOTES** are **NOT** required.

INFORMATION:

A. EXTRACT FROM THE LIST OF BALANCES ON 28 FEBRUARY 2019

Balance Sheet Accounts Section		R	
Capital	Bongeka	2 500 000	
Capital	Mishka	1 250 000	
Current Account	Bongeka	600 000	CR
Current Account	Mishka	250 000	DR
Fixed assets at carrying value		?	
Fixed deposit: Africa Bank (8% p.a)		600 000	
Trading stock		?	
Debtors control		364 000	
Provision for bad debts		1 800	
Bank (favourable)		144 600	
Cash float		5 000	
Mortgage loan: ABSA Bank		480 000	
Accrued expenses/Expenses payable		3 800	
Prepaid expenses		4 000	
Accrued income/Income receivable		2 700	
Deferred income/ Income received in advance		1 400	

B. Fixed deposit

The fixed deposit is invested with Africa Bank. Interest of 8%p.a. for TWO months must be taken into account. Interest is CAPITALISED.

C Mortgage loan

The loan from ABSA Bank was originally received on 1 March 2016. The loan must be repaid in equal monthly instalments over a period of 5 years. Interest is not capitalised and is up to date.

D. Use the following ratio to calculate the missing figures:

Current ratio 2,3:1

QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS
(30 marks; 24 minutes)

You are provided with information relating to SC Traders. The business is owned by S. Sweet and C. Chilli who in the business of making sauces.

NOTE : Provide figures or financial indicators (ratios or percentages) and comparisons with the previous year to support your answer. All calculations must be done to ONE decimal place

REQUIRED:

4.1 Calculate the following financial indicators on 30 June 2019.

4.1.1 Acid test ratio (4)

4.1.2 Debt: Equity ratio (3)

4.1.3 % Return on average partners equity (5)

4.2 The partners are pleased that the liquidity of the partnership has improved. Quote THREE financial indicators to support their statement. (6)

4.3 The partners decided to increase the loan during the current financial year. Quote TWO financial indicators that are relevant to their decision. Explain why this was a wise decision or not (8)

4.4 Should the partners be satisfied with the % return on average partners' equity? State TWO points in your answer. (4)

INFORMATION:

A. The net profit for the year was R1 840 500

B. EXTRACT FROM THE BALANCE SHEET ON 30 JUNE

	2019	2018
Fixed Assets [carrying value]	17 420 950	14 683 300
Fixed Deposit [Keri Bank]	250 000	380 000
CURRENT ASSETS	1 015 000	456 000
Inventories	564 000	281 500
Trade and other receivables	246 000	167 000
Cash and cash equivalents	205 000	7 500
PARTNERS EQUITY	10 050 750	9 540 000
Capital Sweet	5 000 000	4 000 000
Chilli	5 000 000	5 000 000
Current a/c Sweet	20 750 CR	300 000 CR
Chilli	30 000 CR	240 000 CR
Loan: Bank	8 000 000	4 500 000
Trade and other payables	635 200	1 400 000
Bank overdraft	-	79 300

C. THE FOLLOWING FINANCIAL INDICATORS WERE CALCULATED ON 30 JUNE

	2019	2018
Current ratio	1,6 :1	0,3 :1
Acid-test ratio	?	0,1 :1
Stock turnover rate	8,5 times	10 times
Debtors Collection Period	36 days	43 days
Creditors Payment Period	63 days	63 days
Solvency ratio	2,2 :1	2,6 :1
Debt: Equity	?	0,1 :1
Return on total capital employed (ROTCE)	8,2%	9,5%
Interest rate on fixed deposit	8%	8%
Return on partners equity	?	6,2%
Interest rate on loans	12%	12%

GRADE 11 ACCOUNTING
FINANCIAL INDICATOR FORMULA SHEET

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



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GRADE 11

ACCOUNTING

NOVEMBER 2019

ANSWER BOOK

NAME OF SCHOOL _____

SURNAME & NAME _____

GRADE/DIV 11 _____

QUESTION	MAXIMUM MARK	LEARNER'S MARK	MODERATED MARK
1	30		
2	60		
3	30		
4	30		
TOTAL	150		

This answer book consists of 7 pages.

QUESTION 1

1.1.1 ASSETS DISPOSAL					
DATE	DETAILS	AMOUNT	DATE	DETAILS	AMOUNT

11

FIXED(TANGIBLE) ASSETS	LAND AND BUILDINGS	EQUIPMENT
Carrying value (01/07/2018)	2 000 000	165 000
Cost	2 000 000	300 000
Accumulated depreciation		(135 000)
Movements		
Additions at Cost		180 000
Disposal at Carrying value		
Depreciation		
Carrying value (30/06/19)	2 600 000	
Cost		
Accumulated depreciation	0	

10

1.2 The owner of Chinamhora Stores also owns vehicles that are used for deliveries. He has discovered that some of his drivers are using the business vehicles for private use. Identify TWO ways that the business can ensure that the vehicles are being used responsibly by staff.

4

1.3 One of the vehicles is old and will soon need to be replaced. The manager of Chinamhora Stores was promised a gift by AMC Motors if he purchased the new vehicle from them. Will it be ethical to accept this gift? Briefly explain.

3

1.4 Why is it important to record the new asset in the fixed assets register?

2

30

QUESTION 2: PARTNERSHIP

(60 marks; 48 minutes)

2.1 GAAP CONCEPTS

2.1.1	
2.1.2	
2.1.3	
2.1.4	
2.1.5	

5

2.2.2 TRADE AND OTHER PAYABLES NOTE

Trade Creditors	18 280

12

**2.2.1 THALVIN TRADERS
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019**

Sales (910 600)	
Cost of sales (548 000)	
Gross profit	
OTHER OPERATING INCOME	
Rent income (97 300)	
GROSS OPERATING INCOME	
OPERATING EXPENSES	
Salaries and wages (150 000)	
Employer's contribution (12 130)	
Bad debts (1 850)	
Water and electricity	
Discount allowed (750)	
Telephone	
Insurance (11 000)	
Consumable stores (7 100)	
Bank charges (690)	
OPERATING PROFIT	
INTEREST INCOME	
PROFIT BEFORE INTEREST EXPENSE	
INTEREST EXPENSE	(26 000)
NET PROFIT FOR THE YEAR	

QUESTION 3
 PHOENIX TRADERS
 BALANCE SHEET ON 28 FEBRUARY 2019

(30 marks; 24 minutes)

ASSETS	
NON-CURRENT ASSETS	
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
PARTNERS' EQUITY	
Capital (2 500 000 + 1 250 000)	3 750 000
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	109 200
TOTAL EQUITY AND LIABILITIES	

30

QUESTION 4: ANALYSIS AND INTERPRETATION (30 marks:24 minutes)

Calculate the following financial indicators on 30 June 2019

4.1.1 Acid test ratio

4

4.1.2 Debt: Equity ratio

3

4.1.3 % Return on average partners equity earned by the partnership

5

4.2 The partners are pleased that the liquidity of the partnership has improved. Quote THREE financial indicators to support their statement

6

4.3 The partners decided to increase the loan during the current financial year. Quote TWO financial indicators that are relevant to their decision. Explain why this was a wise decision or not

8

4.4 Should the partners be satisfied with the % return on average partners' equity? State TWO points in your answer.

4

30

10