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| ACCOUNTING  GRADE 11  ANSWER BOOK |

**QUESTION 3 (85 marks; 50 minutes)**

**PARTNERSHIP FINANCIAL STATEMENTS**

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| 3.1 | **Choose an explanation from COLUMN B that matches a concept in COLUMN A**   |  |  | | --- | --- | | **COLUMN A** | **COLUMN B** | | **3.1.1** |  | | **3.1.2** |  | | **3.1.3** |  | | **3.1.4** |  | | **3.1.5** |  | | |  | | --- | |  | | **10** | |

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| 3.2.1 | |  |  |  |  | | --- | --- | --- | --- | | **CURRENT ACCOUNTS** | **MOROWA** | **RANI** | **Total** | | Net profit per Income Statement |  |  | **1 601 060** | | Partners’ salaries |  |  |  | | Interest on capital |  |  |  | | Partners’ bonuses |  |  |  | | Primary distribution of profit |  |  | **1 280 000** | | Final distribution of profit |  |  | **321 060** | | Drawings for the year |  |  |  | | Undrawn profits for the year |  |  |  | | Balance at beginning of year |  |  |  | | Balance at end of year |  |  | **719 060** | | |  | | --- | |  | | **20** | |

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| 3.2.2 | |  |  | | --- | --- | | **TRADE & OTHER PAYABLES** | | |  |  | |  |  | |  |  | |  |  | |  |  | |  |  | |  |  | |  |  | |  | **302 010** | | |  | | --- | |  | | **22** | |

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| 3.3 | |  |  |  | | --- | --- | --- | | **QUEEN TRADERS** | | | | **BALANCE SHEET ON 28 FEBRUARY 2015** | | | |  |  | **R** | | ASSETS |  |  | | Non-current assets |  |  | | Tangible assets |  |  | | Financial assets |  |  | | Current assets |  |  | | Inventories |  |  | | Trade and other receivables |  |  | | Cash and cash equivalents |  |  | | TOTAL ASSETS |  |  | | EQUITY AND LIABILITIES |  |  | | Owners’ equity |  |  | | Capital |  |  | | Current accounts |  |  | | Non-current liabilities |  |  | | Loan: Money Bank |  |  | | Current liabilities |  |  | | Trade and other payables | 9 |  | | Bank overdraft |  |  | | Short term loans / Instalment on loan |  |  | | TOTAL EQUITY AND LIABILITIES |  |  | | |  | | --- | |  | | **33** | |

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**QUESTION 4 (50 marks; 30 minutes)**

**PARTNERSHIP: RATIO ANALYSIS AND INTERPRETATION**

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| **4.1** | **FIXED ASSETS** |  |
| **4.1.1** | **NOTES TO FINANCIAL STATEMENTS OF RAZZLE DAZZLETRADERS**  **FIXED ASSETS** |  |
|  | |  |  |  |  | | --- | --- | --- | --- | |  | **Land and buildings** | **Vehicles** | **Equipment** | | Carrying value beginning of the year | **402 931** | **160 000** |  | | Cost price | **402 931** | **1 080 000** | **450 000** | | Accumulated depreciation |  |  | **(180 000)** | |  |  |  |  | | Movements |  |  |  | | Additions |  |  |  | | Disposals |  |  |  | | Depreciation |  |  |  | |  |  |  |  | | Carrying value at the end of the year |  |  | **265 048** | | Cost price |  |  | **470 000** | | Accumulated depreciation |  |  | **(204 952)** | |  | | | | | |  | | --- | |  | | **22** | |

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| **4.1.2** | **GENERAL LEDGER OF ORLANDO TRADERS** |  |
|  | |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **Dr.** | | **ASSET DISPOSAL** | | | | | | | **Cr.** | |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  | | |  | | --- | |  | | **8** | |

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| 4.1 | Calculate the following financial indicators: | |  | | --- | |  | | **8** | |
| 4.1.1 | **Debt/Equity Ratio (3)** |
| 4.1.2 | **Percentage return earned by Razzle (5)** |

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| 4.2 | **Do you agree with Razzle opinion that the business has a sound liquidity position? Mention TWO financial indicators to support your answer.** | |  | | --- | |  | | **5** | |

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| 4.3 | **On the other hand Dazzle is not satisfied with her return on equity. Quote figures to support why she feels this way.** | |  | | --- | |  | | **3** | |

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| 4.4 | **Two different ways to finance the extension of buildings** | |  | | --- | |  | | **4** | |

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**QUESTION 5 (30 marks; 18 minutes)**

**MANUFACTURING LEDGER ACCOUNTS**

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| **5.1** | **THREE FIXED COSTS** | |  | | --- | |  | | **3** | |
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**5.2**

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| **GENERAL LEDGER OF STUDIO MANUFACTURERS** | | | | | | | | | |
| **BALANCE SHEET ACCOUNT SECTION** | | | | | | | | | |
| **Dr.** | | **Raw Materials Stock** | | | | | | | **Cr.** |
| **2014**  **Mar** | **01** | **Balance** | **b/d** | **321 000** | **2015Feb** | **28** |  |  |  |
| **2015**  **Feb** | **28** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **Balance** | **c/d** | **256 500** |
|  |  |  |  | 1 591 200 |  |  |  |  | 1 591 200 |
| **2015**  **Mar** | **01** | **Balance** | **b/d** | **256 500** |  |  |  |  |  |

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| **Dr.** | | **Work–in-Process Stock** | | | | | | | **Cr.** |
| **2014**  **Mar** | **01** | **Balance** | **b/d** | **77 400** | **2015Feb** | **28** |  |  |  |
| **2015**  **Feb** | **28** |  |  |  |  |  | **Balance** | **c/d** | **259 242** |
|  |  |  |  |  |  |  |  |  |  |
|  |  | **Factory Overhead Cost** |  |  |  |  |  |  |  |
|  |  |  |  | 2 659 242 |  |  |  |  | 2 659 242 |
| **2015**  **Mar** | **01** | **Balance** | **b/d** | **259 242** |  |  |  |  |  |

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| 5.3 | **Break-even point** | |  | | --- | |  | | **9** | |

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**QUESTION 3.1**

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| **3.1.1** | **You are required to match the example in the left-hand column with the appropriate**  **concept in the right-hand column**  **.**  **[Business Entity, Historical Cost, Prudence, Matching, Materiality, Going concern]** | |
|  | |  |  |  | | --- | --- | --- | |  | **Examples of year-end adjustments** | **Appropriate principle applied** | | **A** | Trading stock is reflected at R23 500 in the financial statements of the partnership. The trading stock will sell at R35 250 in the next financial year |  | | **B** | Postage stamps purchased for R250 is recorded as Sundry Expenses. |  | | **C** | One of the partners receives R1,5 million as part of his inheritance. The amount is not recorded in the books o the partnership |  | | **D** | The partnership has purchased dental equipment for R1,7 million. Technology is changing virtually every day. The equipment will be useless to anyone in the future. Therefore the partnership decides to depreciate it over its useful life time of 8 years. |  | | **E** | The Income Statement of the partnership will reflect the telephone account with the amount paid for the11 months and the accrual amount. |  | | **F** | Land and Building is recorded in the Balance Sheet for R300 000 for the past 5 years. It was recently appraised at R2,3 million. |  | | |
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| **3.1.2 General Ledger of Westridge Traders** | | | | | | | | | |
| **Dr Appropriation Account F3 Cr** | | | | | | | | | |
| **2015**  **Feb** | **28** | **Salary: West** |  |  |  |  |  |  |  |
|  |  | **Salary: Ridge** |  |  |  |  |  |  |  |
|  |  | **Interest on capital** |  |  |  |  |  |  |  |
|  |  | **Partners bonus** |  |  |  |  |  |  |  |
|  |  | **Current a/c: West** |  |  |  |  |  |  |  |
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| **3.1.3** | **West suggests that the interest on capital of 12 % p.a. in the partnership agreement be reduced to 8 % p.a. in line with current interest rates offered by commercial banks. How would this decision affect the partners if they had to share in a remaining loss?** | |
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| **3.2** | **RM Traders: Extract of Balance Sheet on 28 February 2015** | | | |
|  | **EQUITY AND LIABILITIES** | **Note** |  |  |
|  | **Partners’ Equity** |  |  |  |
|  | Capital | **7** |  |  |
|  | Current Accounts | **8** |  |  |
|  | **Non-current liabilities** |  |  |  |
|  | Loan: Ching Bank |  |  |  |
|  | **Current liabilities** |  |  |  |
|  | Bank Overdraft |  |  |  |
|  | Trade and other payables  [**45 350** | **9** |  |  |
|  | Current portion of loan |  |  |  |
|  | **TOTAL EQUITY AND LIABILITIES** |  |  |  |
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**QUESTION 4**

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| **4.1** | **Letter** |
| **4.1.1** |  |
| **4.1.2** |  |
| **4.1.3** |  |
| **4.1.4** |  |
| **4.1.5** |  |
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| **4.2.1** | **Comment on whether the business was more profitable in 2012 than in 2011. Support your answer with a suitable financial indicator. Show your calculation. [Refer to information A]** | |
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| **4.2.2** | **Comment on whether the owner should be pleased with his return. Use a suitable financial indicator to support your answer. Show your calculation.**  **[Refer to information A]** | |
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| **4.2.3** | **Do you think that the business will run into liquidity problems? Support your answer by quoting two financial indicators. Show calculations.**  **[Refer to information B]** | |
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**QUESTION 5**

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| **5.1.1** | **Calculate Direct Labour Cost** | |  | | --- | |  | | **10** | |

**5.1.2**

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| **GENERAL LEDGER OF SNUG-FIT CALCULATORS** | | | | | | | | | |
| **BALANCE SHEET ACCOUNT SECTION** | | | | | | | | | |
| **Dr.** | | **Raw Materials Stock** | | | | | | | **Cr.** |
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| **Dr.** | | **Work–in-Process Stock** | | | | | | | **Cr.** |
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| **Dr.** | | **Finished Goods Stock** | | | | | | | **Cr.** |
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**1.2**

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| **1.2.1** | **THREE FIXED COSTS** | |  | | --- | |  | | **3** | |

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| **1.2.2** | **Calculate the break even value of MEED Manufacturers.** | |  | | --- | |  | | **5** | |

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| **1.2.3** | **In your opinion should MEED Manufacturers change to the cheaper supplier? Give two reasons for your answer.** | |  | | --- | |  | | **7** | |
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