

**NATIONAL SENIOR CERTIFICATE**

**GRADE 11**

**ACCOUNTING P1 EXEMPLAR NOVEMBER 2019**

# MARKS: 150

**TIME: 2 hours**

**This question paper consists of 11 pages, a 1-page formula sheet and a 9-page answer book.**

**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. | A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary. |
| 4. | Show ALL workings to earn part-marks. |
| 5. | You may use a non-programmable calculator. |
| 6. | You may use a dark pencil or blue/black ink to answer the questions. |
| 7. | Where applicable, show ALL calculations to ONE decimal point. |
| 8. | Write neatly and legibly. |

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| 9. | Use the information in the table below as a guide when answering the question  paper. Try NOT to deviate from it. |

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| --- | --- |
| **QUESTION 1: 25 marks; 20 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| GAAP and fixed assets | GAAP  Fixed assets Internal control |
|  | |
| **QUESTION 2: 50 marks; 45 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| Income Statement and Balance Sheet Note | Income Statement  Trade and Other Payables Note |
|  | |
| **QUESTION 3: 40 marks; 30 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| Partnerships | Concepts  Notes to the Balance Sheet Balance Sheet and ethics |
|  | |
| **QUESTION 4: 35 marks; 25 minutes** | |
| **Topic of the question:** | **This question integrates:** |
| Analysis and interpretation | Concepts  Analysis and interpretation of financial statements |

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| **QUESTION 1: GAAP AND FIXED ASSETS (25 marks; 20 minutes)** | |
| 1.1 | **GAAP** |
|  | Choose ONE word/term for each of the following statements by choosing a GAAP principle from the list below. Write only the GAAP principle next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK. |

matching; going concern; prudence; materiality

|  |  |  |
| --- | --- | --- |
| 1.1.1 | Service fees, cash deposit fees and ATM charges on the Bank Statement are added together and disclosed as bank charges. |  |
| 1.1.2 | Defaulting debtors' accounts are written off as bad debts, even though it may be recovered in the future. |  |
| 1.1.3 | Insurance includes R340, which relates to the next financial year. |  |
| 1.1.4 | The owner decides to purchase additional trading stock, which was offered at a discounted rate, as he knows that these can be sold in the following financial periods. (4 x 1) |  |
|  | (4) |

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| 1.2 | **FIXED ASSETS** | |  |
|  | The information below relates to Masimanga Ltd for the financial year ended on 28 February 2019. | |  |
|  | **REQUIRED:** | |  |
|  | 1.2.1 | Calculate the missing amounts denoted by **(i)** to **(iv)**. | (17) |
|  | 1.2.2 | Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen. |  |
|  |  | (2) |
|  | 1.2.3 | Land and buildings were bought five years ago for R1 200 000. Since property prices have increased by 20% since then, Partner Piet suggested that the value of this asset be recorded at a higher amount so that a profit of R500 000 can be reflected on the Income Statement. Partner Naomi disagrees.  Provide ONE point why you would agree with Partner Naomi. |  |
|  |  | (2) |

# INFORMATION:

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| --- | --- |
| **A.** | **FIXED ASSETS:** |

|  |  |  |
| --- | --- | --- |
|  | **LAND AND**  **BUILDINGS** | **VEHICLES** |
| Carrying value (01/03/2018) |  | 126 000 |
| Cost | 4 000 000 | 576 000 |
| Accumulated depreciation |  | (450 000) |
| **Movements:** |  |  |
| Additions | 570 000 | **(ii)** |
| Disposals | 0 | **(iii)** |
| Depreciation |  | **(iv)** |
| Carrying value (28/02/2019) | **(i)** |  |
| Cost |  | **564 000** |
| Accumulated depreciation |  |  |

1. Depreciation on vehicles is calculated at 10% p.a. on cost.
2. A new vehicle was purchased on 1 December 2018.
3. Extract from the Fixed Assets Register in respect of a vehicle sold:

|  |  |  |  |
| --- | --- | --- | --- |
| **Ford Fiesta**  **Date purchased:** 1 March 2016  **Date sold:** 30 September 2018 **Selling Price:** R81 348  **Depreciation rate:** 10% p.a. on cost (fixed instalment method) | | | |
|  | **COST** | **DEPRECIATION** | **CARRYING**  **VALUE** |
| 28 February 2017 | R132 000 | R13 200 | R118 800 |
| 28 February 2018 |  | **?** | **?** |
| 30 September 2018 |  | **?** | **?** |

**25**

# QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE

**(50 marks; 45 minutes)**

**MASALA TRADERS**

You are provided with information relating to the year ended 30 June 2019.

# REQUIRED:

* 1. Prepare the Income Statement (Statement of Comprehensive Income) for the

year ended 30 June 2019. (40)

* 1. Prepare the Trade and Other Payables Note. (10)

# INFORMATION:

**Extract from Pre-adjustment Trial Balance on 30 June 2019**

|  |  |  |
| --- | --- | --- |
| **Balance Sheet Accounts Section** | **Debit** | **Credit** |
| Loan from Kim Bank |  | 751 200 |
| Debtors' control | 185 000 |  |
| Creditors' control |  | 126 075 |
| Provision for bad debts |  | 10 725 |
| Trading stock | 564 000 |  |
| SARS: PAYE |  | 15 000 |
| Pension fund |  | 23 500 |
| **Nominal Accounts Section** |  |  |
| Sales |  | 9 600 000 |
| Cost of sales | 6 400 000 |  |
| Debtors' allowances | 168 000 |  |
| Sundry expenses | 386 100 |  |
| Bank charges | 62 850 |  |
| Commission income |  | 96 200 |
| Packing materials | 23 100 |  |
| Bad debts | 26 400 |  |
| Repairs and maintenance | 161 200 |  |
| Salaries and wages | 985 000 |  |
| Pension fund contributions | 108 350 |  |
| Interest income |  | 4 000 |
| Advertising | 56 800 |  |
| Rent income |  | 131 580 |

**Adjustments and additional information:**

* + 1. Provide for R417 300 depreciation for the financial year.
    2. On 29 June 2019, F Mazisi, a debtor, returned merchandise. A credit note for R4 500 was issued to her. The cost price was R3 000. No entries were made for the return of the merchandise. These items were placed back in stock.
    3. The insolvent estate of a debtor, N Johnson, paid out 45 cents in the rand and made a direct deposit of R3 015 on 30 June 2019. This transaction was not recorded.
    4. The provision for bad debts must be decreased to R10 000.
    5. The stock count on 30 June 2019 revealed:
       - Trading stock R553 650
       - Packing material R3 600
    6. The advertising expense is a fixed monthly contract with the local newspaper for the 12 months ending 30 June 2019. The monthly charge was increased by 12% on 1 March 2019. The premium for June 2019 was still outstanding.
    7. The loan statement received from Kim Bank reflected the following:

|  |  |
| --- | --- |
| Balance on 1 July 2018 | R902 400 |
| Repayments during the year (including interest) | R151 200 |
| Interest capitalised | **?** |
| Balance on 30 June 2019 | R810 000 |

* + 1. An employee was left out of the Salary Journal. His details are:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GROSS SALARY** | **DEDUCTIONS** | | **PENSION FUND CONTRIBUTION** | **NET SALARY** |
| **PAYE** | **PENSION**  **FUND** |
| R27 800 | **?** | **?** | R7 575 | R18 225 |

The employer contributes R1,50 for every R1 deducted from the employee's salary in respect of his pension fund.

* + 1. The monthly rent has remained unchanged during the financial year. During May 2019, the tenant paid R9 000 for repairs to the premises. As Masala Traders is responsible for all repairs, the tenant deducted this amount from the rent that he paid for May 2019. Note that the rent for June 2019 has not been received yet.

**50**

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| **QUESTION 3: PARTNERSHIPS (40 marks; 30 minutes)** | | |
| **KGALAGADI TRADERS** | | |
| You are provided with information for the financial year ended 28 February 2019. The partners are V Vilander and L Louw. | | |
| **REQUIRED:** | | |
| 3.1 | **Refer to Information B.**  Calculate the percentage interest on capital as per partnership agreement.  Note that there were no changes to the capital accounts during the financial year. |  |
|  | (3) |

* 1. Complete the Current Account Note for the financial year ended. (13)
  2. Complete the Balance Sheet on 28 February 2019. Show your workings. (24)

# INFORMATION:

**A.**

|  |  |
| --- | --- |
| **Extract from the accounting records on 28 February 2019:** | |
|  | **R** |
| Capital: Vilander | 660 000 |
| Capital: Louw | 440 000 |
| Current account: Vilander (1 March 2018) (credit) | 65 000 |
| Current account: Louw (1 March 2018) (debit) | 15 200 |
| Drawings: Vilander | 33 000 |
| Drawings: Louw | 259 000 |
| Fixed assets at carrying value | 750 000 |
| Fixed deposit: FNB (12% p.a.) | 151 200 |
| Trading stock | **?** |
| Debtors' control | 58 000 |
| Provision for bad debts | 3 900 |
| Loan: Diamond Bank | 208 800 |
| Creditors' control | 85 300 |
| Accrued income | 9 500 |
| Prepaid expenses (See Information (a).) | **?** |
| Cash and cash equivalents | 6 000 |
| Bank (overdraft) | 55 400 |

|  |  |  |
| --- | --- | --- |
| **B.** | **Additional information:** | |
|  | (a) | **Information relating to the partnership agreement:** |
|  |  | **Partners' salaries:** |
|  |  | * Vilander received R10 000 per month. His salary was increased by R2 500 per month from 1 December 2018. * Louw receives R144 000 per year. |

|  |  |
| --- | --- |
|  | **Interest on capital:** |
|  | * Louw will receive R35 200 for the year. * Vilander receives the same % interest as Louw. |
|  | **Remaining profit (after the primary distribution):** |
|  | The remaining profit is distributed in the ratio of the capital contribution at the end of the year.  The net profit after the primary distribution was R90 000. |
| (b) | The loan from Diamond Bank was originally received on 1 March 2017. The loan must be repaid in equal monthly instalments over a period of 5 years.  Interest is not capitalised and is up to date. |
| (c) | Provision for bad debts must be decreased by R200. |
| (d) | Insurance includes an annual premium of R12 000 paid for the period 1 October 2018 to 30 September 2019. |
| (e) | Inventory is a balancing figure. |

**40**

**QUESTION 4: ANALYSIS AND INTERPRETATION (35 marks; 25 minutes)**

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| --- | --- |
| 4.1 | **FINANCIAL RESULTS FOR 2019** |

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| --- | --- | --- |
| The information relates to Ron-Y Fashions with partners Ronel Henning and Yvonne Twerefoo. The business opened on 1 March 2017 and sells ladies' clothes and jewellery.  Ronel Henning has given up a part-time job in order to run this business. She earned R102 000 p.a. in her previous job. Yvonne Twerefoo has decided to keep her existing job, where she is earning R109 800 p.a. She has decided not to work in Ron-Y Fashions for the first year (in other words she is a silent partner for the first year). She will review her situation at a later stage. | | |
| **REQUIRED:** | | |
| Show ALL calculations. Where comments are required, refer to figures in the statements provided or ratios/percentages calculated by you in order to support your answer. | | |
| 4.1.1 | The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.   * Calculate the % return on the partners' equity (use average equity). * Comment on this return. Provide ONE point. |  |
|  | (6)  (2) |
| 4.1.2 | Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job. |  |
|  | * Calculate the total amount earned by Ronel Henning during the first year of operation of this business. | (5) |
|  | * What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn? | (5) |
|  | * Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures. | (4) |

**INFORMATION:**

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| --- | --- | --- |
| **A. Figures extracted from the records for the year ended**  **28 February 2018** | | |
|  | **28 Feb.**  **2018** | **1 Mar.**  **2017** |
| Capital: Ronel Henning | 250 000 | 250 000 |
| Capital: Yvonne Twerefoo | 200 000 | 200 000 |
| Current account: Ronel | 66 400 (Cr) | 0 |
| Current account: Yvonne | 34 400 (Dr) | 0 |
| Fixed deposit: First Bank (8% p.a. – matures in 2021) | 30 000 | 30 000 |
| Loan from Ronel's father (15% p.a.) | 180 000 | 180 000 |

**B. GENERAL LEDGER OF RON-Y FASHIONS**

**APPROPRIATION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2018  Feb. | 28 | Salary: Ronel |  | 91 200 | 2018  Feb. | 28 | Profit and loss |  | 152 000 |
|  |  | Interest on capital |  | 36 000 |  |  |  |  |  |
|  |  | Bonus: Ronel |  | 3 200 |  |  |  |  |  |
|  |  | Current account: Ronel |  | 12 000 |  |  |  |  |  |
|  |  | Current account: Yvonne |  | 9 600 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | 152 000 |  |  |  |  | 152 000 |
|  |  |  |  |  |  |  |  |  |  |

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| **C. Extracts from the existing partnership agreement:** | |
| (a) | Salary allowances:   * Ronel Henning is entitled to an annual salary of R91 200. * Yvonne Twerefoo (silent partner) does not receive a salary allowance. |
| (b) | Interest on capital is due to both partners at 8% p.a. |
| (c) | Ronel was allowed a special bonus for her extra managerial effort. |
| (d) | Remaining profits or losses are shared in proportion to the capital balance at the end of the financial year.  **NOTE:** There were no changes to capital balances during the year. |
| (e) | Each partner is allowed to draw a maximum of R5 000 cash or clothing at cost price per month. Each partner has made use of this facility to the maximum. |

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| 4.2 | **FINANCIAL DECISIONS FOR THE NEXT YEAR** |

Ronel Henning wants Yvonne Twerefoo to resign from her existing job and work as an active partner in the business in order to increase the returns earned by the partners.

If this is the case:

* + - They will retrench one of the three shop assistants, in other words he/she will lose his/her job.
    - They will reduce the accounting fee by 80% (as Yvonne will be able to do most of the accounting).
    - Yvonne will provide an extra R50 000 capital, which will be used to pay off part of the loan at the beginning of the financial year. Note that the loan was received from Ronel's father at 15% p.a. interest, which is not capitalised. It was also agreed that 50% of the loan must be settled at the end of the second year of business.
    - The partners' salary allowance will increase to R104 880 p.a. each.

# REQUIRED:

Assuming that profitability (and all income and expenses) remains the same in the second year of business:

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| --- | --- | --- |
| 4.2.1 | Calculate the change in net profit if Yvonne decides to work fulltime. Show workings. |  |
|  | (7) |
| 4.2.2 | Show the effect of this change to Yvonne's total earnings, if she gives up her job. |  |
|  | (4) |
| 4.2.3 | Briefly explain TWO other advantages for the business if Yvonne works on a full-time basis in the business. |  |
|  | (2) |

# ADDITIONAL INFORMATION:

The following is an extract from the Income Statement for Ron-Y Fashions for 2018:

|  |  |  |
| --- | --- | --- |
| **Income Statement for the year ending 28 February 2018** | |  |
| Gross profit | 555 000 |  |
| Operating expenses | (375 000) |  |
|  |  |  |
|  |  |  |
| Salaries of three sales assistants | 172 800 |  |
| Accounting and bookkeeping fees | 22 500 |  |
| Sundry operating expenses | 22 430 |  |
| Operating profit | 180 000 |  |
| Interest on investment (8% p.a.) | 2 400 |  |
| Profit before interest expense | 182 400 |  |
| Interest on loan (15% p.a.) | (27 000) |  |
| Interest on overdraft | (3 400) |  |
| Net profit for the year | **152 000** |  |

**35**

|  |  |
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| **TOTAL:** | **150** |

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| **GRADE 11 ACCOUNTING: FINANCIAL INDICATOR FORMULA SHEET** | | | | | | | | |
| Gross profit Sales | x 100  1 | Gross profit Cost of sales | | x 100  1 | Net profit Sales | | x 100  1 | |
| Operating expenses x 100  Sales 1 | | | Operating profit x 100 Sales 1 | | | | | |
| Total earnings by partner x 100 Partner's average equity 1 | | |  | Net profit Average owners' equity | | | x | 100  1 |
| Current assets **:** Current liabilities | | | (Current assets – Inventories) **:** Current liabilities | | | | | |
| (Trade and other receivables + Cash and cash equivalents) **:** Current liabilities | | | | | | | | |
| Average debtors x 365 Credit sales 1 | | | Average creditors x 365 Credit purchases 1 | | | | | |
| Average inventories x 365 or 12 Cost of sales 1 | | |  | Cost of sales Average inventories | | . |  |  |
| Non-current liabilities **:** Owners' equity | | | Total assets **:** Total liabilities | | | | | |