



# education

Department of  
Education  
FREE STATE PROVINCE

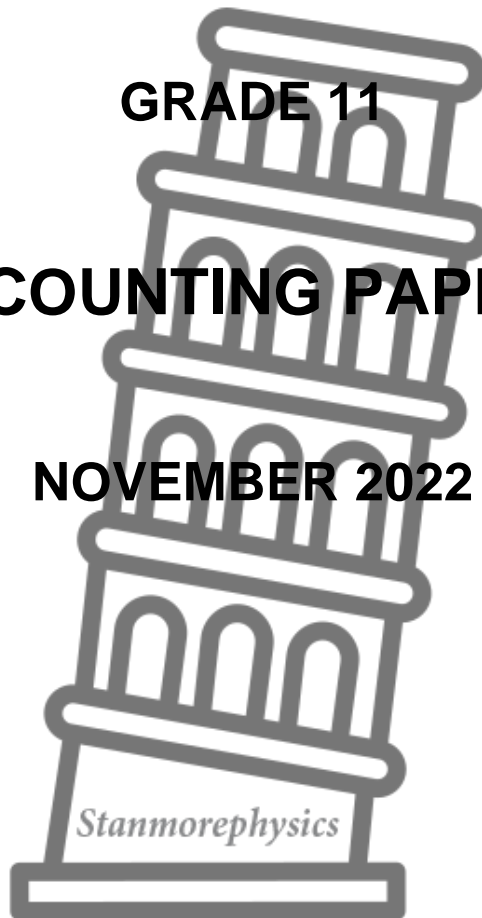
**GRADE 11**

**ACCOUNTING PAPER 1**

**NOVEMBER 2022**

**MARKS: 150**

**TIME: 2 HOURS**



This question paper consists of 9 pages and a 7-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. 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. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income (Income Statement)	60	50
2	Notes to the Balance Sheet Statement of Financial Position (Balance Sheet)	65	55
3	Analysis and interpretation	25	15
<b>TOTAL</b>		<b>150</b>	<b>120</b>



**QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME (60 marks; 50 minutes)**

**BONNY AND CLYDE TRADERS**

The information given below was taken from the books of Bonny and Clyde Traders on 28 February 2022.

**REQUIRED:**

- 1.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2022. (60)

**INFORMATION:**

**Pre-adjustment Trial Balance of Bonny and Clyde Traders on 28 February 2022**

	Debit	Credit
<b>Balance Sheet accounts section</b>		
Loan: Nigel Bank		?
Trading stock	184 750	
Debtors control	122 860	
Provision for bad debts		8 730
Fixed deposit: BASA Bank	360 000	
<b>Nominal accounts section</b>		
Sales		1 390 000
Cost of sales	868 750	
Debtors' allowances	34 850	
Water and electricity	46 300	
Interest on fixed deposit		18 900
Salaries and wages including contributions	226 500	
Rent income		203 175
Advertising	38 020	
Insurance	33 850	
Bad debts recovered		11 580
Discount allowed	2 160	
Discount received		3 560
Packing material	23 850	
Bank charges	11 410	
Bad debts	14 750	
Sundry expenses	44 760	
	?	?

**Adjustments and additional information:**

- A. A credit note for R? issued to a debtor, dated 27 February 2022, was not recorded. Cost price amounted to R6 800. The goods were placed back into stock. The business maintained a profit mark-up of 60% on cost.
- B. Depreciation on fixed assets amounts to R65 200.

- C. The telephone account (sundry expenses) for February 2022 was not recorded yet, R2 380.
- D. Packing material to the value of R1 370 was stolen during a burglary. It was not insured, and no entry has been made yet.
- E. The business donated stock, R4 800 to a local crèche before stock count. No entry was made of this transaction.
- F. A physical stock count on 28 February 2022 revealed the following on hand:
  - Trading Stock R182 840
  - Packing material R4 850
- G. A debtor was declared insolvent. A dividend of 40 cents (R750) to the rand was received and recorded. Write off the remaining debt as irrecoverable.
- H. An amount of R2 790 received from a debtor whose debt was written off as irrecoverable the previous year, was credited to the Debtors control account. Correct the error.
- I. The February 2022 Bank Statement was received after the Pre-adjustment Trial Balance was drawn up. The following must be adjusted:
  - Interest on favourable bank balance, R520.
  - Bank charges, R195
- J. Adjust the provision for bad debts to R8 500.
- K. The interest on fixed deposit is received for 9 months. There were no changes on the fixed deposit during the financial year.
- L. The insurance amount includes an annual premium of R3 900 paid on 1 July 2021.
- M. The rent increased by 15% from 1 October 2021. The rent for March 2022 and April 2022 was received and deposited.
- N. Advertising consists of a monthly contract with the local newspaper for the entire financial year. Advertising was paid for 11 months only. From 1 December 2021, the contract rate was increased by R310 per month.
- O. The loan statement on 28 February 2022 reflected the following:

Balance on 1 March 2021	R500 000
Repayments during the year (loan and interest)	R120 000
Interest capitalised	?
Balance on 28 February 2022	R455 000

**QUESTION 2: STATEMENT OF FINANCIAL POSITION AND NOTE****(65 marks; 55 minutes)****2.1 GAAP PRINCIPLES:**

Give the correct GAAP principle in each of the following scenario's:

2.1.1 Fixed assets are recorded in our books at cost price.

2.1.2 Stock got damaged in a thunderstorm. The insurance is not sure if they are going to pay out. We write off the entire value of the stock.

2.1.3 The cost of the family holiday of one of the partners was not recorded in the books of the business.

2.1.4 Bank Charges and interest on overdraft must be shown separately in the Statement of Comprehensive. (4)

**2.2 MOKKAB TRADERS**

You are provided with information taken from the books of Mokkal Traders with partners (M. Mokoatsi and K. Kabi) on 28 February 2022.

**REQUIRED:**

2.2.1 Prepare the following notes on 28 February 2022:

- Fixed Assets. Calculate (a – e). (18)
- Capital (4)
- Current Account (16)

2.2.2 Statement of Financial Position on 28 February 2022. (23)

**INFORMATION**

<b>Extract out of the Pre-Adjustment Trial Balance on 28 February 2022</b>	
Capital: Mokoatsi	R 700 000
Capital: Kabi	600 000
Current Account: Mokoatsi (1 March 2021) (Cr)	60 000
Current Account: Kabi (1 March 2021) (Dr)	10 500
Land and buildings (1 March 2021)	550 000
Vehicles (1 March 2021)	480 000
Equipment (1 March 2021)	180 000
Accumulated depreciation on vehicles (1 March 2021)	375 000
Accumulated depreciation on equipment (1 March 2021)	?
Fixed deposit: FNB	740 497
Trading stock	?
Debtors control	117 800
Provision for bad debts	34 700
Loan: ABSA	313 500
Creditors control	165 800
Income received in advance	18 600
Prepaid expenses	11 900
Accrued expenses	8 580
Accrued income	27 000
Bank overdraft	?
Cash and cash equivalents	?

**ADDITIONAL NOTES AND INFORMATION:**

**A FIXED ASSETS:**

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value (1/03/2021)		105 000	100 000
Cost	550 000	480 000	180 000
Accumulated depreciation		(375 000)	(80 000)
<b>Movements:</b>			
Additions	375 000	(b)	0
Disposals	0	0	(e)
Depreciation		(c)	(7 327)
Carrying value (28/02/2022)		(d)	
Cost	(a)	720 000	120 000
Accumulated depreciation			

**Land and building**

- During the year a new storeroom was built.

**Vehicles**

- A new vehicle was purchased on 1 June 2021.
- Depreciation on vehicles is calculated at 20% p.a. on cost.

**Equipment**

- Extract from the Fixed Assets Register of equipment sold:

<b>Xero 3 D Scanner</b>			
<b>Date purchased:</b> 1 March 2019			
<b>Date sold:</b> 1 September 2021		<b>Sold for:</b> R48 700	
<b>Depreciation rate:</b> 10% p.a. (diminishing-balance method)			
	COST	DEPRECIATION	BOOK VALUE
29 February 2020	R60 000	R6 000	R54 000
28 February 2021		?	?
1 September 2021		?	?

- Depreciation on equipment is calculated at 10% p.a. on diminishing balance method.



**B Partnership agreement:****(i) Capital Contribution:**

- M Mokoatsi decreased his capital contribution by withdrawing R150 000 from the business on 1 November 2021. This was properly recorded.
- K. Kabi increased her capital contribution on 1 September 2021 by an EFT transfer of R100 000. This was properly recorded

**(ii) Drawings:**

- M Mokoatsi withdrew R87 000 for the year.
- K. Kabi withdrew R63 000 for the year.

**(iii) Distribution of profit:****M. Mokoatsi is entitled to:**

- An annual salary of R180 000.
- Interest on capital at 12% p.a. on his total capital for the year. Remember the changes during the year.

**K. Kabi is entitled to:**

- An annual salary of R30 000 less than Mokoatsi.
- Interest on capital of R66 000
- An annual bonus of R30 000

- (iv) Net profit for the year amounts to R526 000. Remaining profit must be shared in the ratio 3:1 between Mokoatsi and Kabi.

**C** R200 000 of the fixed deposit matures in the next financial year.

**D** Provision for bad debts must be decreased by R3 200.

**E** The bank was in an overdraft.

**F** The loan from DD Bank was received on 1 December 2017. It is to be repaid in equal monthly instalments over a period of 7 years. Interest is not capitalised, and all payments (including the current financial year) are up to date.

**G** Current ratio is 1,5:1.



**QUESTION 3: ANALYSIS AND INTERPRETATION**

**(25 marks; 15 minutes)**

B. Blue and G. Green are partners in a partnership business trading as BG Stores. The financial year ends on 28 February 2022.

**REQUIRED:**

3.1 Calculate the following ratios for 2022. All calculations must be rounded off to ONE decimal place.

- Debt-equity ratio (3)
- Acid test ratio (4)
- Average percentage return on partners equity (5)

3.2 Comment on the liquidity position of the business. Quote THREE financial indicators with figures to support your answer. (8)

3.3 Comment on the risk and gearing of the business. Quote ONE financial indicator with figures to support your answer. (5)

**INFORMATION:**


A The following balances were extracted from the accounting records:

	<b>2022</b> R	<b>2021</b> R
Net profit	475 000	600 000
Partners' Equity	2 000 000	1 500 000
Capital: B. Blue	900 000	800 000
Capital: G. Green	900 000	600 000
Current account: B. Blue	260 000 Cr	80 000 Cr
Current account: G. Green	60 000 Dr	20 000 Cr
Mortgage loan (13% p.a.)	800 000	500 000
Current assets	180 000	100 000
Inventories	120 000	50 000
Trade and other receivables	40 000	40 000
Cash and cash equivalents	20 000	10 000
Current liabilities	120 000	50 000

B The following financial indicators are provided for you:

	<b>2022</b>	<b>2021</b>
Return on average partners equity	?	40%
Debt/equity ratio	?	0,3 : 1
Current ratio	1,5:1	2,0 : 1
Acid test ratio	?	1,0 : 1
Creditors payment period	65 days	40 days
Debtors' collection period	44 days	37 days



GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
 $\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partner's average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners' equity}} \times \frac{100}{1}$	
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: Owners' equity	Total assets: Total liabilities	
$\frac{\text{Total fixed cost}}{\text{Selling price per unit} - \text{Variable cost per unit}}$		





# education

Department of  
Education  
FREE STATE PROVINCE

**SURNAME:**

**NAME:**

**GRADE 11**

**ACCOUNTING PAPER 1**

**NOVEMBER 2022**

***SPECIAL ANSWER BOOK***

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
<b>TOTAL</b>	<b>150</b>		



This answer book consists of 7 pages.

**QUESTION 1**

**BONNY AND CLYDE TRADERS**

1.1

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2022**

Sales	
Cost of sales	
Gross profit	
Other operating income	
Rent income	
Gross operating income	
Operating expenses	
Water and electricity	46 300
Salaries and wages	226 500
Operating profit	
Profit before interest expense	
Net profit for the year	

<b>TOTAL MARKS</b>
<b>60</b>



**QUESTION 2**

2.1

**Give the correct GAAP principle in each of the following scenario's:**

2.1.1	
2.1.2	
2.1.3	
2.1.4	

4

2.2.1 Calculate the missing figures (a - e) in the Fixed asset note for 28 February 2022.

NR.	CALCULATIONS	AMOUNTS
a		
b		
c		
d		
e		

18

2.2.1

**CAPITAL ACCOUNT**

	MOKOATSI	KABI
Balance beginning of year		
Balance end of year	700 000	600 000

4

2.2.1 CURRENT ACCOUNTS

	MOKOATSI	KABI
Salaries	180 000	
Interest on capital		66 000
Bonus		
Primary distribution		
Final distribution		
Net profit for the year		
Drawings	(87 000)	
Retained income		
Balance at beginning		
Balance at end of year		

16

OR

2.2.1 CURRENT ACCOUNTS

	MOKOATSI	KABI
Net profit for the year		
Salaries	180 000	
Interest on capital		66 000
Bonus		
Primary distribution		
Final distribution		
Drawings	(87 000)	
Retained income		
Balance at beginning		
Balance at end of year		

16

**2.2.2 MOKKAB TRADERS  
STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2022**

<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Fixed assets	1 184 503	
<b>CURRENT ASSETS</b>	600 000	
Inventory	267 700	
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	1 725 500	
Capital	1 300 000	
Current account	425 500	
<b>NON-CURRENT ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		


<b>TOTAL MARKS</b>
65



23

**QUESTION 3**

**3.1 Calculate the following ratios for 2022. All calculations must be rounded off to ONE decimal place.**

<b>Debt-equity ratio</b> 	<input type="text"/> <input type="text"/>
<b>Acid test ratio</b>	<input type="text"/> <input type="text"/>
<b>Average percentage return on partners equity</b>	<input type="text"/> <input type="text"/>

**3.2 Comment on the liquidity position of the business. Quote THREE financial indicators with figures to support your answer.**

<b>Comment</b>	<input type="text"/> <input type="text"/>
----------------	--



3.3

**Comment on the risk and gearing of the business. Quote ONE financial indicator with figures to support your answer.**



**Comment**

5

<b>TOTAL MARKS</b>
25

**TOTAL: 150 MARKS**







# education

Department of  
Education  
FREE STATE PROVINCE

## GRADE 11

# ACCOUNTING PAPER 1

## NOVEMBER 2022

### MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a .
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

**This marking guideline consists of 7 pages.**

QUESTION 1

BONNY AND CLYDE TRADERS

1.1

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2022		
<b>Sales</b> (1 390 000✓ – 34 850✓ – 10 880✓) OR [1 390 000 – (34 850 + 10 880)]		1 344 270 *✓
<b>Cost of sales</b> (868 750✓ – 6 800✓)		(861 950) *✓
<b>Gross profit</b>	operation 8	482 320 ✓
<b>Other operating income</b>	operation	190 285 ✓
<b>Rent income</b> (203 175✓ – 31 050 ✓✓✓)		172 125 *✓
Bad debts recovered (11 580✓ + 2 790✓)		14 370 *✓
Discount received		3 560 ✓
Provision for bad debts adjustment		230 ✓✓
<b>Gross operating income</b>	operation 13	672 605 ✓
<b>Operating expenses</b>	operation	(516 770) ✓
<b>Water and electricity</b>		<b>46 300</b>
<b>Salaries and wages</b>		<b>226 500</b>
Advertising (38 020✓ + 3 710✓)		41 730 *✓
Insurance (33 850✓ – 1 300✓)		32 550 *✓
Discount allowed		2 160 ✓
Packing material (23 850✓ – 1 370✓ – 4 850✓)		17 630 *✓
Bank charges (11 410 + 195)		11 605 ✓✓
Bad debts (14 750✓ + 1 125✓)		15 875 *✓
Sundry expenses (44 760✓ + 2 380✓)		47 140 *✓
Loss due to theft		1 370 ✓✓
Donation		4 800 ✓
Trading stock deficit (184 750✓ + 6 800 ✓ – 4 800 ✓ – 182 840 ✓)		3 910 *✓
Depreciation	29	65 200 ✓
<b>Operating profit</b>	operation	155 835 ✓
Interest income (18 900✓ + 6 300✓✓ + 520✓)		25 720 *✓
<b>Profit before interest expense</b>	operation	181 555 ✓
Interest expense (455 000 + 120 000 – 500 000)		(75 000) ✓*✓
<b>Net profit for the year</b>	operation 10	106 555 ✓

\*✓ - one part correct

<b>TOTAL MARKS</b>
<b>60</b>



**QUESTION 2**

2.1

**Give the correct GAAP principle in each of the following scenario's:**

2.1.1	Historical cost principle	✓
2.1.2	Prudence principle	✓
2.1.3	Business entity principle	✓
2.1.4	Materiality concept	✓

4
---

2.2.1 Calculate the missing figures (a - e) in the Fixed asset note for 28 February 2022.

NR.	CALCULATIONS	AMOUNTS
a	550 000 + 375 000 2	925 000 ✓✓ No part marks
b	720 000 – 480 000 2	240 000 ✓✓ No part marks
c	Old = 480 000 x 20/100 = 96 000 ✓✓ New = 240 000 x 20/100 x 9/12 = 36 000 ✓ 5	132 000 * ✓ one part correct
d	105 000 ✓ + 240 000 ✓ – 132 000 ✓ see b see c 507 000 two marks 720 000 – (375 000 + 132 000) one mark one part mark one part mark 4	213 000 * ✓ one part correct
e	11 400 two marks 60 000 ✓ – (6 000 ✓ + 5 400 ✓ + 2 430 ✓) 5	46 170 ✓ one part correct

18
----

2.2.2

CAPITAL NOTE		MOKOATSI		KABI	
Balance in beginning	850 000	✓	500 000	✓	
Increase of capital			100 000	✓	
Decrease capital	(150 000)	✓			
<b>Balance end of year</b>	<b>700 000</b>		<b>600 000</b>		

4
---

2.2.3 CURRENT ACCOUNTS

	MOKOATSI	KABI
Salaries	180 000	150 000 ✓
Interest on capital (68 000✓ + 28 000✓)	96 000 ✓	66 000
Bonus		30 000 ✓
Primary distribution	276 000 ✓	246 000 ✓
Final distribution (3:1)	3 000 ✓	1 000 ✓
Net profit for the year	279 000 ✓	247 000 ✓
Drawings	(87 000)	(63 000) ✓
Retained income	192 000	184 000
Balance at beginning	60 000 ✓	(10 500) ✓
Balance at end of year	252 000 ✓	173 500 ✓

16

OR

2.2.1 CURRENT ACCOUNTS

	MOKOATSI	KABI
Net profit for the year	279 000 ✓	247 000 ✓
Salaries	180 000	150 000 ✓
Interest on capital (68 000✓ + 28 000✓)	96 000 ✓	66 000
Bonus		30 000 ✓
Primary distribution	276 000 ✓	246 000 ✓
Final distribution (3:1)	3 000 ✓	1 000 ✓
Drawings	(87 000)	(63 000) ✓
Retained income	192 000	184 000
Balance at beginning	60 000 ✓	(10 500) ✓
Balance at end of year	252 000 ✓	173 500 ✓

16

2.2.2

**MOKKAB TRADERS**  
**STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2022**

<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>		1725 000	* <input checked="" type="checkbox"/>
<b>Fixed assets</b>		<b>1 184 503</b>	
Fixed deposit (740 497 – 200 000)	<b>3</b>	540 497	<input checked="" type="checkbox"/>
<b>CURRENT ASSETS</b>		<b>600 000</b>	
<b>Inventory</b>		<b>267 700</b>	
Trade and other receivables (117 800 <sup>✓</sup> – 31 500 <sup>✓✓</sup> + 11 900 <sup>✓</sup> + 27 000 <sup>✓</sup> ) <small>34 700 one mark 3 200 one mark</small>		125 200	<input checked="" type="checkbox"/>
Cash and cash equivalents <small>balancing figure</small>		207 100	<input checked="" type="checkbox"/>
<b>TOTAL ASSETS</b>		<b>2 325 000</b>	<input checked="" type="checkbox"/>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>		<b>1 725 500</b>	
<b>Capital</b>		<b>1 300 000</b>	
<b>Current account</b>		<b>425 500</b>	
<b>NON-CURRENT LIABILITIES</b>		199 500	
Loan: ABSA (313 500 <sup>✓</sup> – 114 000 <sup>✓✓</sup> )	<b>4</b>	199 500	<input checked="" type="checkbox"/>
<b>CURRENT LIABILITIES</b>		400 000	<input checked="" type="checkbox"/>
Trade and other payables (165 800 <sup>✓</sup> + 18 600 <sup>✓</sup> + 8 580 <sup>✓</sup> )		192 980	<input checked="" type="checkbox"/>
Bank overdraft <small>balancing figure</small>		93 020	<input checked="" type="checkbox"/>
Current portion of loan <small>see loan</small>		114 000	<input checked="" type="checkbox"/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 325 000</b>	<input checked="" type="checkbox"/>

<b>TOTAL MARKS</b>
<b>65</b>



<b>23</b>
-----------

**QUESTION 3**

3.1 Calculate the following ratios for 2022. All calculations must be rounded off to ONE decimal place.

<p><b>Debt-equity ratio</b></p> <p>800 000 ✓ : 2 000 000 ✓</p> <p>0,4:1 <input checked="" type="checkbox"/> one part correct</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
<p><b>Acid test ratio</b></p> <p>60 000 ✓✓ : 120 000 ✓</p> <p>0,5 :1 <input checked="" type="checkbox"/> One part correct</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">4</div>
<p><b>Average percentage return on partners equity</b></p> $\frac{475\,000 \checkmark}{\frac{1}{2} \checkmark (2\,000\,000 \checkmark + 1\,500\,000) \checkmark} \times \frac{100}{1}$ <p style="text-align: center; margin-left: 100px;">1 750 000 three marks</p> <p>= 27,1% <input checked="" type="checkbox"/> one part correct</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">5</div>

3.2 Comment on the liquidity position of the business. Quote THREE financial indicators with figures to support your answer.

Indicator ✓✓✓	Figure and trend ✓✓✓	Comment ✓✓
Current ratio decrease from 2:1 to 1,5:1	Acid test ratio decrease from 1:1 to 0,5:1 <span style="background-color: yellow;">See 3.1.1</span>	Debtors' collection increase from 37 days to 44 days
Do not accept: Creditors payment period		
<b>Comment</b>		
The business' liquidity is not good and will be able to pay current liabilities under normal conditions.		
The acid test ratio shows that too much cash tied up in stock.		
67% of current assets is tied up in stock. Too much stock is held.		
Business should have a sale to sell stock.		
Business takes too long (44 days) to collect money from debtors.		

3.3

**Comment on the risk and gearing of the business. Quote ONE financial indicator with figures to support your answer.**

**Indicator** ✓      **Figure and trend** ✓✓      **Comment** ✓✓

- Debt/equity ratio increase from 0,3 to 0,4:1 See 3.1

**Comment**

Risk has increased / Low financial risk / Business is mostly financed by own capital.

5

<b>TOTAL MARKS</b>
25

**TOTAL: 150 MARKS**

