



**KWAZULU-NATAL PROVINCE**

**EDUCATION**  
REPUBLIC OF SOUTH AFRICA

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**ACCOUNTING – PAPER 1**

**JUNE 2023**

**COMMON TEST**

*Stanmorephysics.com*

**MARKS:** 150

**TIME** : 2 hours

**N.B. This paper consists of 10 pages and  
an answer booklet of 8 pages**

**INSTRUCTIONS AND INFORMATION**

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

1. This question paper consists of 10 pages.
2. A special **ANSWER BOOK** consisting of 8 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: 70 Marks, 56 Minutes</b>	
<b>The topic of this question is:</b>	<b>Content:</b>
Statement of comprehensive income and current account note	<ul style="list-style-type: none"> <li>• Statement of comprehensive income</li> <li>• Calculation of interest on capital</li> <li>• Current account note</li> </ul>
<b>Question 2: 53 Marks, 42 Minutes</b>	
<b>The topic of this question is:</b>	<b>Content:</b>
Statement of financial position and analysis	<ul style="list-style-type: none"> <li>• Missing details / amounts in Statement of financial position</li> <li>• Calculation of ratios</li> <li>• Comment on solvency, stock holding and collection from debtors as well as payment to creditors</li> </ul>
<b>Question 3: 27 Marks, 22 Minutes</b>	
<b>The topic of this question is:</b>	<b>Content:</b>
Return and gearing	<ul style="list-style-type: none"> <li>• Concepts</li> <li>• Calculation of ratios</li> <li>• Comments on return, risk and gearing</li> </ul>

**QUESTION 1 (70 MARKS, 56 MINUTES)****STATEMENT OF COMPREHENSIVE INCOME AND CURRENT ACCOUNT NOTE**

NS Traders is a supermarket owned by partners Nonjinge and Shabalala. The financial year ends annually on 28 February.

**REQUIRED:**

1.1 The Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2023. (44)

1.2 **REFER TO ADDITIONAL INFORMATION B, ADJUSTMENT NUMBER 15** (9)

Use the space provided in your answer book to calculate the interest on capital that is due to each partner at the end of the financial year.

1.3 The Current account note to the Statement of Comprehensive Income as at 28 February 2023. (17)

**INFORMATION:****A Extract for the Pre-adjustment Trial Balance for February 2023.**

Balance sheet section	Debit	Credit
Capital: Nonjinge		1 500 000
Capital: Shabalala		1 350 000
Drawings: Nonjinge	460 000	
Drawings: Shabalala	420 000	
Current account: Nonjinge (1 March 2022)	10 000	
Current account: Shabalala (1 March 2022)		8 000
Fixed deposit	?	
Equipment	890 000	
Accumulated depreciation on equipment		265 000
Trading stock	1 623 000	
Debtors control	51 200	
Provision for bad debts	2 800	
Consumable stores on hand	1 650	
<b>Nominal section</b>		
Sales		4 516 970
Debtors allowances	18 600	
Cost of sales	2 908 750	
Salaries and wages	?	
Water and electricity	78 900	
Advertising	31 420	
Bad debts	11 460	
Consumable stores	15 260	
Rent income		74 250
Insurance	42 000	
Interest overdraft	7 640	
Interest on fixed deposit		18 750
Bank charges	9 215	

**B ADJUSTMENTS AND ADDITIONAL INFORMATION**

1. Interest on the fixed deposit is still to be received for the last quarter of the financial year. Interest is not capitalised. The capital amount invested in the fixed deposit has remained unchanged for the duration of the financial year.
2. The bookkeeper neglected to reverse the consumable stores on hand account on 1 March 2022, the beginning of the financial year.
3. A debtor returned goods with a selling price of R4 780 to NS Traders. This stock was immediately returned to the creditor. A mark-up of 25% on cost was applied to this transaction.
4. Included in the advertising account is the amount of R15 210 paid in for a series of adverts that will appear monthly, for 6 months, starting from 1 February 2023.
5. A debtor owing R6 840 has been declared insolvent. NS Traders received 30 cents for every Rand owed by the debtor. The remainder is to be written off. No entries have been made as yet.
6. The Bank statement from BS Bank for February 2023 revealed the following:
  - Service Fees, R450
  - Cash Deposit fee, R410,
  - Interest on overdraft, R500
7. A debtor that was previously written off paid R5 000. This amount was erroneously entered into the Debtors Control column in the Cash Receipts Journal and posted to the General Ledger.
8. The provision for bad debts needs to be adjusted to 5% of book debts.
9. Rent was received in advance for March 2023. Note that rent was increased by 10% on 1 November 2022.
10. A fire in the storeroom caused the business to lose R256 000's worth of stock. The insurance company has agreed to pay out R218 500 for the loss. This payment is expected to be received mid-March 2023.
11. Consumable stores worth R14 890 were used during the financial year.
12. On 25 February, trading stock with a cost price of R10 000 was taken by Nonjinge for personal use. No entry has been made as in the financial records.
13. According to a physical stock taking, trading stock worth R1 359 600 was on hand on 28 February 2023.

14. Depreciation on equipment is to be calculated at 15% p.a. according to the diminishing balance method.
15. The partnership agreement stipulates the following:
- Interest on capital was increased from 6% to 8% on 1 October 2022. Note that Shabalala increased his capital by R350 000 on 1 May 2022. This addition was correctly recorded.
  - Partners salaries amounted to R400 000 for the year for Nonjinge and R365 000 for the year for Shabalala.
  - The net profit or loss is shared at a ratio of 1.5:1 respectively.



**QUESTION 2 (53 MARKS, 42 MINUTES)****STATEMENT OF FINANCIAL POSITION AND ANALYSIS**

Greens Fresh Produce is a family owned business that sells fresh fruit and vegetables to their customers.

**REQUIRED:**

Refer to the information provided below and complete the following:

- 2.1 **Refer to Equity section in the Statement of Financial Position provided in Information A.** (2)  
Is Greens Fresh Produce a sole trader or a partnership. Provide evidence to support your answer.
- 2.2 With the exception of Trade Creditors, list **TWO** accounts that can be found in the Trade and other payables note. (2)
- 2.3 Complete the amounts / details labelled **A** to **G** in the Statement of Financial Position. (19)
- 2.4 Calculate the following financial indicators (in days) for the year ended 28 February 2023
- 2.4.1 Debtors average collection period (in days) (6)
- 2.4.2 Creditors average payment period (5)
- 2.5 Refer to the financial indicators provided below and comment on the following for the year ended 28 February 2023. Ensure that you name the ratios and include trends in your comment.
- 2.5.1 The solvency situation (3)
- 2.5.2 The amount of stock held by this business and its effect on the overall liquidity of the business. (10)
- 2.5.3 The collection from debtors and payment of creditors. Should Greens Fresh Produce be concerned about this? Provide a reason for your answer. (6)

**INFORMATION****A Statement of Financial Position for the year ended 28 February 2023**

<b>Assets</b>	<b>2023</b>	<b>2022</b>
<b>Non-current Assets</b>	?	4 399 280
<b>A</b>	?	3 999 280
Financial Assets	550 000	<b>C</b>
<b>Current Assets</b>	<b>D</b>	389 520
Inventories	<b>E</b>	146 070
Trade and other Receivables (all debtors)	34 000	48 500
<b>B</b>	?	194 950
<b>Total Assets</b>	<b>F</b>	4 788 800
<b>Equity and Liabilities</b>		
<b>Equity</b>	?	3 066 500
Capital Accounts	<b>G</b>	3 050 000
Current Accounts	(22 500)	16 500
<b>Non-current Liabilities</b>	1 250 000	1 560 000
Mortgage Loan: ABC Bank	1 250 000	1 560 000
<b>Current Liabilities</b>	156 800	162 300
Trade and other Payables (all creditors)	156 800	162 300
<b>Total Equity and Liabilities</b>	?	4 788 800

**B Extract from the Statement of Financial Position for the year ended 28 February 2023.**

	<b>2023</b>	<b>2022</b>
Sales (10% on credit)	5 780 500	4 960 300

**C** Items valued at R1 375 000 were purchased on credit during the 2023 financial year. Creditors allow 60 days for Greens Fresh Produce to settle the amount owed.

**D The following financial indicators have been calculated for the financial year ended 28 February:**

	<b>2023</b>	<b>2022</b>
Solvency	3.2 : 1	2,7 : 1
Current Ratio	2.1 : 1	2,4 : 1
Acid Test Ratio	0.8 : 1	1,5 : 1
Stockholding period	15 days	12.7 days
Debtors average collection period	?	34 days
Creditors average payment period	?	30 days

**QUESTION 3 (27 MARKS, 22 MINUTES)****RETURN AND GEARING****3.1 CONCEPTS****REQUIRED:**

- 3.1 Choose a description from Column B that best matches the term / concept in Column A. Write only the letter (A–E) next to the question number in your answer book. (10)

Column A		Column B	
3.1.1	International Financial Reporting Standards (IFRS)	<b>A</b>	Business owners are personally responsible for all of the debts of the business.
3.1.2	Partnership agreement	<b>B</b>	The sharing of profit according to what was the partners agreed upon in terms of salaries, interest on capital and bonuses.
3.1.3	Unlimited liability	<b>C</b>	Guidelines for the preparation of financial statements to ensure consistency.
3.1.4	Primary distribution	<b>D</b>	The way in which the businesses surplus income will be shared between the partners.
3.1.5	Profit sharing ratio	<b>E</b>	A legal document that dictates how a small business will operate under two or more people.



### 3.2 AB STORES

The information below is extracted from the financial records of AB Stores with partners Anele and Bandile. The financial year ends annually on 28 February.

#### REQUIRED:

Refer to the information provided below and answer the questions that follow:

- 3.2.1 Calculate the following for the year ended 28 February 2023:
- 3.2.1.1 Percentage return on partners equity (13.5% in 2022) (5)
- 3.2.1.2 Debt Equity ratio (0.7 : 1 2022) (4)
- 3.2.2 Should be partners be satisfied with the percentage return that was earned in this business for the year ended 28 February 2023? Quote figures and trends to support your answer. (4)
- 3.2.3 Comment on the risk and gearing for the year ended 28 February 2023. Quote figures and trends to support your answer. (4)

### INFORMATION

#### A Extract from the Financial Statements for the year ended 28 February

	2023	2022
Capital Anele	950 000	900 000
Capital Bandile	750 000	710 000
Current account Anele	15 000	25 000
Current Account Bandile	9 000	(5 000)
Partners Equity	1 724 000	1 630 000
Mortgage Loan (11.25%)	1 551 600	1 141 000
Fixed Deposit (8%)	100 000	100 000
Net Profit	251 550	152 250

#### B Financial Indicators from 2022:

Return on partners equity	13.5%
Debt Equity Ratio	0.7 : 1

27

TOTAL MARKS

150

## FORMULAR 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 : Partners' Equity	Total Assets : Total Liabilities	



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**GRADE 11**

**ACCOUNTING  
ANSWER BOOK  
JUNE 2023  
COMMON TEST**

**MARKS** : 150

**TIME** : 2 hours

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

Question	Topic	Learners Mark	Moderators Mark
1	Statement of comprehensive income and current account note		
2	Statement of financial position and analysis		
3	Return and gearing		

**N.B. This answer book consists of 8 pages**

**QUESTION 1 (70 MARKS, 56 MINUTES)****STATEMENT OF COMPREHENSIVE INCOME AND CURRENT ACCOUNT NOTE**

- 1.1 **The Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2023.**

Sales		
Cost of sales		
<b>Gross profit</b>		
<b>Operating income</b>		
Rent income (74 250)		
<b>Gross operating Income</b>		
<b>Operating expenses</b>		
Salaries and Wages		
Water and Electricity		<b>78 900</b>
Insurance		<b>42 000</b>
Consumable stores (15 260)		
Advertising (31 420)		
Bank charges (9 215)		
<b>Net profit before interest income</b>		
Interest income (18 750)		
<b>Net profit before interest expense</b>		
Interest expense (7 640)		
<b>Net Profit for the year</b>	<b>1 157 800</b>	<b>44</b>

1.2 Calculate the interest on capital that is due to each partner at the end of the financial year.

Partner	Calculation	Total
Nonjinge		
Shabalala		

9

1.3 The Current account note to the Statement of Comprehensive Income as at 28 February 2023.

	Nonjinge	Shabalala	Total
Profit per Income Statement			1 157 800
Primary distribution of profits			
Final distribution of profits (1.5 : 1)			
Retained Income for the year			
Retained Income at the beginning of the year			
Retained Income at the end of the year			

17

70

**QUESTION 2 (53 MARKS, 42 MINUTES)**

**STATEMENT OF FINANCIAL POSITION AND ANALYSIS**

2.1 Refer to Equity section in the Statement of Financial Position provided in Information A.

Is Greens Fresh Produce a sole trader or a partnership. Provide evidence to support your answer.

	2

2.2 With the exception of Trade Creditors, list **TWO** accounts that can be found in the Trade and other payables note.

	2

2.3 Complete the amounts / details labelled **A** to **G** in the Statement of Financial Position.

	Calculation	Detail / Amount
<b>A</b>		
<b>B</b>		
<b>C</b>		
<b>D</b>		
<b>E</b>		
<b>F</b>		
<b>G</b>		

19

2.4 Calculate the following financial indicators (in days) for the year ended 28 February 2023

2.4.1 Debtors average collection period (in days)

	
	6

2.4.2 Creditors average payment period


5

2.5 Refer to the financial indicators provided below and comment on the following for the year ended 28 February 2023. Ensure that you name the ratios and include trends in your comment.

2.5.1 The solvency situation

3

2.5.2 The amount of stock held by this business and its effect on the overall liquidity of the business.

<b>Relevant ratios and trends:</b>	
<b>Comment</b>	
	10

2.5.3 The collection from debtors and payment of creditors. Should Greens Fresh Produce be concerned about this? Provide a reason for your answer. (6)

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6

53





**QUESTION 3 (27 MARKS, 22 MINUTES)****RETURN AND GEARING****3.1 CONCEPTS**

3.1.1	
3.1.2	
3.1.3	
3.1.4	
3.1.5	

10

**3.2 AB STORES**

3.2.1 Calculate the following for the year ended 28 February 2023:

3.2.1.1 Percentage return on partners equity (13.5% in 2022)

(5)

--

3.2.1.2 Debt Equity ratio (0.7 : 1 2022)

(4)

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3.2.2 Should be partners be satisfied with the percentage return that was earned in this business for the year ended 28 February 2023? Quote figures and trends to support your answer.

(4)

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3.2.3 Comment on the risk and gearing for the year ended 28 February 2023. Quote figures and trends to support your answer. (4)

<b>Risk</b>

<b>Gearing</b>

27

**TOTAL MARKS**

150
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**KWAZULU-NATAL PROVINCE**

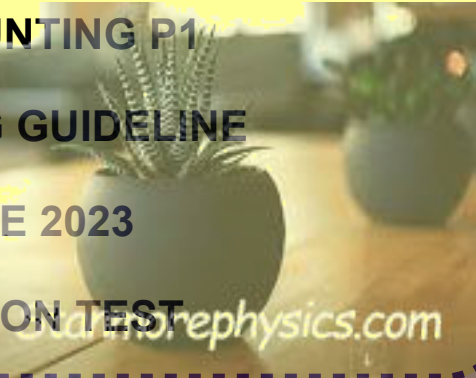
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## NATIONAL SENIOR CERTIFICATE

GRADE 11

### ACCOUNTING P1 MARKING GUIDELINE JUNE 2023 COMMON TEST



**MARKS** : 150

#### MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that 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. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as the final figure, award one mark. Not the method mark for the answer. Note: if figures are stipulated in memo for components of workings, these do not carry the method for final answer.
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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
9. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidates operation.
10. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒. Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
11. Be aware of candidates who provide valid alternatives beyond the marking guideline.
12. Codes: f=foreign item; p=placement.

**This marking guideline consists of 6 pages.**

**QUESTION 1 (70 MARKS, 56 MINUTES)****STATEMENT OF COMPREHENSIVE INCOME AND CURRENT ACCOUNT NOTE**

1.1 The Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2023. (44)

Sales (4 516 970✓ - 18 600✓ - 4 780✓)	4 493 590✓
Cost of sales ( 2 908 750✓ - 3 824✓)	(2 904 926)✓
<b>Gross profit</b>	1 588 664✓
<b>Operating income</b>	76 371✓
Rent income (74 250 - 6 050✓✓)	68 200✓
Trading stock surplus	2 600✓
Bad debts recovered	5 000✓
Provision for bad debts (adj)	571✓✓
<b>Gross operating Income</b>	1 665 035✓
<b>Operating expenses</b>	(524 095)✓
Salaries and Wages <span style="float: right;">missing amount</span>	211 987✓✓
Water and Electricity	78 900
Insurance	42 000
Consumable stores (15 260 + 1 650✓ - 2 020✓)	14 890✓
Advertising (31 420 - 12 675✓✓)	18 745✓
Bank charges (9 215 + 450✓ + 410✓) <span style="margin-left: 20px;">OR 860 ✓✓</span>	10 075✓
Bad debts (11 460✓ + 4 788✓)	16 248✓
Depreciation	93 750✓✓
Loss due to fire (256 000 – 218 500)	37 500✓✓
<b>Net profit before interest income</b>	1 140 940✓
Interest income (18 750 + 6 250✓✓)	25 000✓
<b>Net profit before interest expense</b>	1 165 940✓
Interest expense (7 640 + 500✓)	(8 140)✓
<b>Net Profit for the year</b>	<b>1 157 800</b>

- 1.2 Calculate the interest on capital that is due to each partner at the end of the financial year. (9)

Partner	Calculation	Total
<b>Nonjinge</b>	$1\,500\,000 \times 6\% \times 7/12 = 52\,500$ ✓ $1\,500\,000 \times 8\% \times 5/12 = 50\,000$ ✓	R102 500 ✓ ✓ one part correct
<b>Shabalala</b>	$1\,000\,000 \times 6\% \times 2/12 = 10\,000$ ✓ $1\,350\,000 \times 6\% \times 5/12 = 33\,750$ ✓ $1\,350\,000 \times 8\% \times 5/12 = 45\,000$ ✓	R88 750 ✓ ✓ one part correct

- 1.3 The Current account note to the Statement of Comprehensive Income as at 28 February 2023. (17)

	Nonjinge	Shabalala	Total
Profit per Income Statement	623 430	534 370	<b>1 157 800</b>
Partners' Salaries	400 000 ✓	365 000 ✓	
Interest on Capital	102 500 ✓	88 750 ✓	
Primary distribution of profits	502 500	453 750	
Final distribution of profits (1.5 : 1)	120 930 ✓	80 620 ✓	201 550 ✓ ✓
Drawings	(470 000) ✓ ✓	(420 000) ✓	
Retained Income for the year	153 430	114 370	
Retained Income at the beginning of the year	(10 000) ✓	8 000 ✓	
Retained Income at the end of the year	143 430 ✓ ✓	122 370 ✓ ✓	



**QUESTION 2 (53 MARKS, 42 MINUTES)****STATEMENT OF FINANCIAL POSITION AND ANALYSIS**

- 2.1 Refer to Equity section in the Statement of Financial Position provided in Information A. (2)

Is Greens Fresh Produce a sole trader or a partnership? Provide evidence to support your answer.

Partnership ✓

The Statement of Financial Position shows both capital and current accounts in the equity section. ✓

- 2.2 With the exception of Trade Creditors, list **TWO** accounts that can be found in the Trade and other payables note. (2)

Any Two ✓ ✓

- SARS PAYE
- Creditors for Salaries / wages
- Pension fund
- Accrued Expenses / expenses payable
- Deferred Income / Income received in advance
- Current portion of loan

- 2.3 Complete the amounts / details labelled **A** to **G** in the Statement of Financial Position. (19)

	Calculation	Detail / Amount
<b>A</b>		Fixed / Tangible Assets ✓
<b>B</b>		Cash and Cash Equivalents ✓
<b>C</b>		R400 000 ✓
<b>D</b>	$156\,800 \times 2.1$ ✓	329 280 ✓
<b>E</b>	$329\,280 - (156\,800 \times 0.8)$ ✓ OR 125 440 ✓	203 840 ✓
<b>F</b>	$(1\,250\,000 + 156\,800) \times 3.2$ ✓	4 501 760 ✓
<b>G</b>	$4\,501\,760 - 156\,800 - 1\,250\,000 + 22\,500$ ✓	3 117 460 ✓

2.4 Calculate the following financial indicators (in days) for the year ended 28 February 2023

2.4.1 Debtors average collection period (in days)

(6)

$$\frac{(34\,000\checkmark + 48\,500\checkmark)/2}{(5\,780\,500\checkmark \times 10\%\checkmark)} \times 365$$

$$\frac{41\,250}{578\,050} \times 365$$

$$= 26 \text{ days}\checkmark\checkmark$$

2.4.2 Creditors average payment period

(5)

$$\frac{(156\,800\checkmark + 162\,300\checkmark)/2}{1\,375\,000\checkmark} \times 365$$

$$\frac{159\,550}{1\,375\,000} \times 365$$

$$= 42.4 \text{ days}\checkmark\checkmark$$

2.5 Refer to the financial indicators provided below and comment on the following for the year ended 28 February 2023. Ensure that you name the ratios and include trends in your comment.

2.5.1 The solvency situation

(3)

- The solvency ratio has improved✓ from 2.7 : 1 in 2022 to 3.2 : 1 in 2023.✓✓

2.5.2 The amount of stock held by this business and its effect on the overall liquidity of the business.

(10)

**Relevant ratios and trends:**

- Current ratio✓ decreased from 2.4 : 1 in 2022 to 2.1 : 1 in 2023✓
- Acid test ratio✓ decreased from 1.5 : 1 in 2022 to 0.8 : 1 in 2023✓
- Stock holding period✓ increased from 12.7 days in 2022 to 15 days in 2023.✓

**Comment**

- Business is liquid but there is too much stock on hand, when one considers that the current ratio for 2023 is 2.1: 1 (liquid) but the acid test ratio of 0.8 : 1 shows that there is a liquidity problem. Stockpiling equal to 1.3 in 2023. ✓✓
- Stock holding period has also increased. Having fresh produce on hand for 15 days is too long as it will affect the quality of the items.✓✓

2.5.3 The collection from debtors and payment of creditors. Should Greens Fresh Produce be concerned about this? Provide a reason for your answer.

(6)

- Debtors collection improved from 34 days in 2022 to 26 days in 2023✓ This is satisfactory as debtors are paying within the 30 days permitted to them. They are being well controlled.✓✓
- Creditors payment deteriorated from 30 days in 2022 to 42.4 days in 2023✓ Greens Fresh Produce should not be concerned as creditors are still being paid earlier than 60 days. The business will therefore still be able to take advantage of any discounts offered. ✓✓

**QUESTION 3 (27 MARKS, 22 MINUTES)****RETURN AND GEARING****3.1 CONCEPTS**

3.1.1	C✓✓
3.1.2	E✓✓
3.1.3	A✓✓
3.1.4	B✓✓
3.1.5	D✓✓

(10)

**3.2 AB STORES**

3.2.1 Calculate the following for the year ended 28 February 2023:

3.2.1.1 Percentage return on partners equity (13.5% in 2022)

(5)

$$\frac{251\,550}{(1\,724\,000 + 1\,630\,000)/2} \times 100$$

$$\frac{251\,550}{1\,677\,000} \times 100$$

$$= 15\% \checkmark \checkmark$$

3.2.1.2 Debt Equity ratio (0.7 : 1 2022)

(4)

$$1\,551\,600 : 1\,724\,000$$

$$0.9 : 1 \checkmark \checkmark$$

3.2.2 Should the partners be satisfied with the percentage return that was earned in this business for the year ended 28 February 2023? Quote figures and trends to support your answer.

(4)

Yes✓

- The percentage return on equity increased from 13.5% in 2022 to 15% in 2023.✓
- The return on 15% earned in 2023 is also higher than the interest rate on the fixed deposit of 8%.✓✓

3.2.3 Comment on the risk and gearing for the year ended 28 February 2023. Quote figures and trends to support your answer.

(4)

**Risk**

- The debt equity ratio has deteriorated✓ from 0.7: 1 in 2022 to 0.9 :1 in 2023.✓

**Gearing**

- This business is positively geared✓ as the return on equity of 15% is higher than the interest rate on loans of 11.25%.✓

27

**TOTAL MARKS**

150