



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA



# PROVINCIAL EXAMINATION

## NOVEMBER 2023

### GRADE 11

**ACCOUNTING  
PAPER 1**

**TIME: 2 hours**

**MARKS: 150**

**11 pages + 1 formula sheet and an 8-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 provided at the back of this question paper.
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. Learners will forfeit marks for:
  - The use of non-standardised abbreviations
  - Overwriting of figures or words
  - Superfluous/Foreign entries
9. Write neatly and legibly.
10. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1	GAAP & Fixed Assets Note	30	24 minutes
2	Income Statement	45	36 minutes
3	Balance Sheet	50	40 minutes
4	Analysis and Interpretation	25	20 minutes
	<b>TOTAL:</b>	150	120 minutes



**QUESTION 1: GAAP & FIXED ASSETS NOTE**

**(30 MARKS; 24 MINUTES)**

**1.1 CONCEPTS**

State whether the following statements are TRUE or FALSE. Write only TRUE or FALSE next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.

- 1.1.1 Carrying value is the remaining value of an asset after it has been fully depreciated.
- 1.1.2 GAAP makes it possible to compare the financial results of different companies.
- 1.1.3 The materiality principle states that all incomes earned, and expenses incurred must be shown for the same financial period.
- 1.1.4 Accumulated depreciation is an expense.
- 1.1.5 Depreciation is a negative asset. (5)

**1.2 FIXED ASSETS NOTE**

**GOODY SHOE TRADERS**

You are provided with the following information from the records of Goody Shoe Traders. The financial year end is 31 December 2023.

**REQUIRED:**

- 1.2.1 Calculate the total depreciation on equipment for the year ended 31 December 2023. (4)
- 1.2.2 Complete the Fixed Assets Register for the vehicle sold. (5)
- 1.2.3 Calculate the depreciation on the old vehicles for the year ended 31 December 2023. (4)
- 1.2.4 Complete the Fixed Assets Note to the Financial Statements on 31 December 2023. (12)

**INFORMATION:**

**A. Extract of a Pre-adjustment Trial Balance of Goody Shoe Traders.**

**List of balances on 31 December 2023**

Vehicles	2 680 000
Equipment	810 000
Accumulated depreciation on vehicles	1 060 000
Accumulated depreciation on equipment	240 000

**B. Equipment**

- New equipment with a cost price of R120 000 was purchased on 1 October 2023. No entries have been made.
- Equipment is depreciated at 20% p.a. using the cost price method.

**C. Vehicles**

- One of the delivery vehicles was sold for R190 000 on 1 July 2023. The vehicle was purchased on 1 July 2021 for R320 000.
- Vehicles are depreciated at 10% p.a. using the diminishing balance method.

30

**QUESTION 2: INCOME STATEMENT**

**(45 MARKS; 36 MINUTES)**

**PLUMSTEAD HARDWARE**

You are provided with information relating to Plumstead Hardware. The financial year ends on 28 February 2023 and they use the perpetual stock system.

**REQUIRED:**

Prepare the Statement of Comprehensive Income for the year ended 28 February 2023.

(45)



**INFORMATION:**

**Pre-adjustment Trial balance on 28 February 2023**

<b>Balance Sheet Accounts Section</b>	<b>Debit</b>	<b>Credit</b>
Fixed deposit: Prosper Bank	50 000	
Vehicles	200 000	
Capital		538 610
Drawings	280 080	
Equipment	56 000	
Accumulated depreciation: Vehicles		75 000
Accumulated depreciation: Equipment		23 100
Trading stock	352 800	
Debtors' control	35 600	
Provision for bad debts		1 086
Bank	111 996	
Cash float	1 052	
Loan: ABSA		90 000
Creditors' control		45 170
<b>Nominal Accounts Section</b>		
Sales		1 797 600
Cost of sales	1 027 200	
Debtors' allowances	9 860	
Rent expense	59 850	
Advertising	10 800	
Stationery	3 490	
Salaries and wages	324 000	
UIF contributions	3 240	
Bad debts	5 670	
Bad debts recovered		1 342
Insurance	10 560	
Water and electricity	17 724	
Telephone	12 336	
Discount received		2 340
Discount allowed	1 990	
	<b>2 574 248</b>	<b>2 574 248</b>

**A. Adjustments and additional information**

- (i) On 27 February 2023 a debtor, L. Abbas, returned goods with a selling price of R1 575. The business uses a mark-up of 75% on the cost price of goods.
- (ii) The owner, F. Madhi, took trading stock with a cost price of R1 300 for personal use.
- (iii) No entries have been made with regards to stock stolen on 3 February 2023. The insurance company has informed Plumstead Hardware that they have transferred R9 600 into the business's bank account in respect of the insurance claim. Plumstead Hardware bears 20% of the stock loss.

- (iv) On 28 February 2023 a physical stock count was done. It showed that the following were on hand:
- |                    |          |
|--------------------|----------|
| (a) Trading Stock, | R340 740 |
| (b) Stationery,    | R480     |
- (v) Several debtors had long overdue accounts. The partners decided to write-off accounts totalling R3 425.
- (vi) The provision for bad debts must be adjusted to 3% of outstanding debts.
- (vii) Rent expense is paid one month in advance. The rent was increased by 10% p.a. on 1 January 2023.
- (viii) On 1 January 2023, an amount of R720 was paid for the placement of an advertisement for the first three months of 2023.
- (ix) The following accounts were still payable on 28 February 2023:
- |                            |        |
|----------------------------|--------|
| (a) Water and electricity, | R1 098 |
| (b) Telephone,             | R662   |
- (x) An employee, Mr Martha, has been left out of the February 2023 salaries journal. His salary is as follows:
- |                  |                        |
|------------------|------------------------|
| Net salary       | R10 500                |
| Deductions       | R 1 500                |
| UIF contribution | 1% of his gross salary |
- (xi) The following information appeared on the Bank Statements received from Nedbank:
- Service fees, R1 120
  - Internet banking fees, R320
  - Interest on credit balance, R170
- (xii) The following statement was received from Prosper Bank with regards to the fixed deposit:
- |                             |         |
|-----------------------------|---------|
| Balance on 1 March 2022     | R50 000 |
| Interest capitalised        | ?       |
| Balance on 28 February 2023 | R53 250 |
- (xiii) Provide for depreciation of R13 987.

**QUESTION 3: BALANCE SHEET**

**(50 MARKS; 40 MINUTES)**

**3.1 CONCEPTS**

Match the concept in COLUMN A with the example in COLUMN B. Write only the letters (A – E) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Going concern	A	Does the partnership have enough assets to cover all debt?
3.1.2	Solvency	B	Analysis of the financial position of the partnership
3.1.3	Balance sheet	C	The partnership reflects trading stock in the Balance Sheet at R60 000, even though they are planning on having a sale next month. The stock will then be sold for R40 000.
3.1.4	Liquidity	D	The partnership must use the same inventory system from one financial year to another.
		E	Is the partnership able to pay off all short-term debt?

(4)

**3.2 HOPPITY POPPITY TRADERS**

**REQUIRED:**

Prepare the Equity and Liabilities section of the Statement of Financial Position on 28 February 2023. Show all the calculations relating to the notes in brackets.

(21)



**INFORMATION:**

The following balances appeared amongst others in the General Ledger of Hoppity Poppity Traders on 28 February 2023.

Capital: Hoppity (1/03/2022)	200 000
Capital: Poppity (1/03/2022)	170 000
Current Account: Hoppity (Debit)	1 690
Current Account: Poppity (Credit)	10 360
Loan: ABSA Bank (12%)	40 000
Trading stock	58 040
Debtors' control	70 000
Accrued income	3 000
Cash float and petty cash	7 000
Creditors' control	24 070
SARS: PAYE	3 500
Bank overdraft	?
Pension fund	500
Income received in advance	700

**A. Adjustments and additional information**

- (i) On 28 February 2023 Poppity contributed equipment to the value of R30 000 to equalise her capital contribution. This entry was not recorded.
- (ii) The following statement was received from ABSA Bank regarding the loan:

Balance on 1 March 2022	R49 000
Repayments including interest	12 000
Interest capitalised	?
Balance on 28 February 2023	R40 000

The business will pay off the same capital portion of the loan in the next financial year as the current year.

- (iii) The current ratio is 2 : 1.

**3.3 IRONMAN TOY STORE**

The following information was extracted from the accounting records of IronMan Toy Store. The store is a partnership between Mr Iron and Mr Man.



**REQUIRED:**

Prepare the Current Account Note as it would appear in the notes to the financial statements for the year ending 28 February 2023.

(25)

**INFORMATION:**

A. The following balances appeared in the ledger of IronMan Toy Store on 28 February 2023.

Capital: Iron	R360 000
Capital: Man	R760 000
Current account: Iron	R2 300 (DR)
Current Account: Man	R4 500 (CR)
Drawings: Iron	R25 000
Drawings: Man	R30 000

**B. Additional information:**

- (i) Iron took stock to the value of R35 000. This was donated to a local charity in his personal capacity.
- (ii) On 1 March 2022 Iron increased his capital by R175 000. No entry has been made for this transaction.
- (iii) **The partnership agreement stipulated the following:**
  - Partners are entitled to interest at 15% p.a. on their capital balance at the end of the financial year.
  - On 1 January 2022 Iron received a 10% increase on his monthly salary of R26 500. No further increases were given.
  - Man's salary for the year amounted to R425 000.
  - At the end of the financial year only Man received a bonus equal to 12% of his annual salary.
  - Iron and Man shared the remaining profits or losses in the ratio 3 : 2.
- (iv) Iron received a bonus of R12 000 at the end of the financial year.
- (v) Man's portion of the final distribution of profit amounted to R125 000.

**QUESTION 4: ANALYSIS AND INTERPRETATION (25 MARKS: 20 MINUTES)**

**NOTA CLOTHING BOUTIQUE**

You are provided with information relating to Nota Clothing Boutique for the year ended 31 December 2023, together with comparative figures for 2022. The business is owned by partners Nombeko and Thandi.

**REQUIRED:**

- 4.1 Calculate the following financial indicators for 2023. Show all calculations and round-off your answer to one decimal place where necessary.
- 4.1.1 Percentage operating expenses on turnover (2)
  - 4.1.2 Acid-test ratio (4)
  - 4.1.3 Debt-equity ratio (3)
  - 4.1.4 Percentage returns on average partners' equity (4)
- 4.2 Comment on the liquidity position of the business for 2023. Quote ONE financial indicator and figures to support your answer. (4)
- 4.3 The business changed their policy with regard to the profit mark-up from 2022 to 2023. What was the change in policy? What are the risks in this regard and what effect did this change have on the business income? (4)
- 4.4 Does the business have good control over their expenses? Quote ONE financial indicator and figures to support your answer. (4)

**INFORMATION:**

**Extract from the Statement of Comprehensive Income:**

	<b>2023</b>	<b>2022</b>
Turnover	3 213 000	3 004 400
Cost of sales	2 142 000	2 146 000
Operating expenses	512 640	520 000
Interest on loans (14% p.a.)	53 200	70 000
Net profit	505 160	279 376

**Extract from the Statements of Financial Position:**

	<b>2023</b>	<b>2022</b>
Non-current assets (fixed assets)	647 200	631 000
Current assets	430 560	262 300
Inventories	357 660	175 600
Trade and other receivables	31 700	29 800
Cash and cash equivalents	41 200	56 900
Partners' equity	496 610	273 500
Non-current liabilities (Loans)	380 000	500 000
Current liabilities	201 150	119 800

**Financial indicators:**

	<b>2023</b>	<b>2022</b>
Percentage gross profit on cost of sales	50%	40%
Percentage operating expenses on turnover	?	17,3%
Current ratio	2,1 : 1	2,2 : 1
Acid-test ratio	?	0,7 : 1
Stock turnover rate	8 times p.a.	12,2 times p.a.
Stock holding period	45 days	30 days
Debtors' collection period	34 days	36 days
Creditors' payment period	30 days	30 days
Debt : Equity ratio	?	1,8 : 1
Percentage returns on partners' equity	?	102,1%



**GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET**

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Average partners' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average partners' equity}} \times \frac{100}{1}$	
Current assets: Current liabilities	Current assets – Inventories: Current liabilities	
Trade and other receivables + Cash and cash equivalents: Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases or Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Partners' equity	Total assets: Total liabilities	
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$		





# PROVINCIAL EXAMINATION

## NOVEMBER 2023



### GRADE 11

<p><b>ACCOUNTING</b> <b>PAPER 1</b></p> <p><b>ANSWERBOOK</b></p>
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<b>Name of school:</b>	
<b>Name of learner:</b>	
<b>Date:</b>	

Question	Topic	Possible marks	Obtained marks	Moderated marks
1	GAAP & Fixed Assets Note	30		
2	Income Statements	45		
3	Balance Sheet	50		
4	Analysis and Interpretation	25		
		150		



**QUESTION 1**

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

5

1.2.1

Depreciation on equipment	AMOUNT
Old Equipment:	
New Equipment:	
Total depreciation for the year:	

4

1.2.2

EXTRACT OF FIXED ASSET REGISTER OF GOODY SHOE TRADERS FOR VEHICLES SOLD				
DELIVERY VEHICLE (SOLD)			COST PRICE = R320 000	
Date	Current depreciation	Accumulated depreciation	Carrying value	Calculation
31 Dec 2021	16 000	16 000		
31 Dec 2022				
1 Jul 2023				

5

1.2.3

Depreciation on old vehicles	AMOUNT
<b>SOLD</b>	
<b>OLD</b>	
<b>Total depreciation for the year:</b>	

<b>4</b>

1.2.4 **FIXED/TANGIBLE ASSETS**

	VEHICLES	EQUIPMENT
Carrying value at the beginning of the year		
Cost	<b>2 680 000</b>	<b>810 000</b>
Accumulated depreciation	<b>(1 060 000)</b>	<b>(240 000)</b>
<b>Movements</b>		
Additions at cost		
Disposals at carrying value		
Depreciation		
Carrying value at end of the year		
Cost		
Accumulated depreciation		

<b>12</b>

<b>TOTAL</b>
<b>30</b>



**QUESTION 2**

**PLUMSTEAD HARDWARE**

**STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 28 FEBRUARY 2023**

Sales			
Cost of sales			
<b>Gross profit</b>			
<b>Other operating income</b>			
Bad debts recovered		1 342	
Discount received		2 340	
<b>Gross operating income</b>			
<b>Operating expenses</b>			
Discount allowed		1 990	
Insurance		10 560	
Rent expense			
Advertising			
Stationery			
Salaries and wages			
UIF contributions			
Bad debts			
Water and electricity			
Telephone			
Bank charges			
<b>Operating profit</b>			
<b>Profit before interest expense</b>			
<b>Net profit for the year</b>			<b>45</b>

<b>TOTAL</b>
<b>45</b>



**QUESTION 3**

3.1

3.1.1	
3.1.2	
3.1.3	
3.1.4	



<b>4</b>

**3.2 HOPPITY POPPITY TRADERS**

**Extract of the Statement of Financial Position on 28 February 2023**

<b>EQUITY AND LIABILITIES</b>		
<b>Partners' Equity</b>		
Capital		
Current accounts		
<b>Non-current liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables		
<b>Total equity and liabilities</b>		

<b>21</b>

**3.3 IRONMAN TOY STORE**

<b>CURRENT ACCOUNTS</b>	<b>Iron</b>	<b>Man</b>
Profit per Income Statement		
Partners' salaries		
Partners' bonus		
Interest on capital		
Primary distribution of profits		
Final distribution of profits		<b>125 000</b>
Drawings during the year		
Retained income for the year		
Retained income at the beginning of the year		
Retained income at end of the year		

<b>Calculations:</b>	
<b>Interest on capital : Iron</b>	<b>Interest on capital : Man</b>
<b>Salary : Iron</b>	<b>Bonus: Man</b>
<b>Final distribution : Iron</b>	


<b>25</b>

<b>TOTAL</b>
<b>50</b>



**QUESTION 4**

**4.1 CALCULATION OF FINANCIAL INDICATORS FOR 2023**


4.1.1	<b>Percentage operating expenses on turnover:</b>  	<input type="text"/> <input type="text"/>
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4.1.2	<b>Acid-test ratio:</b>	<input type="text"/> <input type="text"/>
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4.1.3	<b>Debt-equity ratio:</b>	<input type="text"/> <input type="text"/>
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4.1.4	<b>% returns on average partners' equity:</b>	<input type="text"/> <input type="text"/>
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4.2	<b>Comment on the liquidity position of the business for 2023. Quote ONE financial indicator and figures to support your answer.</b>
	

4

4.3	<b>The business changed their policy with regard to the profit mark-up from 2022 to 2023. What was the change in policy? What are the risks in this regard and what effect did this change have on the business's income?</b>

4

4.4	<b>Does the business have good control over their expenses? Quote ONE financial indicator and figures to support your answer.</b>
	Yes/No


4

<b>TOTAL</b>
<b>25</b>





**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA



**PROVINCIAL EXAMINATION**  
**NOVEMBER 2023**  
**GRADE 11**  
**MARKING GUIDELINES**

**ACCOUNTING**  
**PAPER 1**

**9 pages**



## MARKING PRINCIPLES:

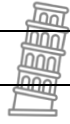
1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced items). No double penalty is applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Give full marks for correct answer. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark for that figure (not the method mark for the 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 and at least one part must be correct before awarding the mark.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with an .
10. Be aware of candidates who provide valid alternatives beyond the marking guidelines.
11. Codes: f = foreign item; p = placement/presentation.



**QUESTION 1**

1.1

1.1.1	True ✓
1.1.2	True ✓
1.1.3	False ✓
1.1.4	False ✓
1.1.5	False ✓



5

1.2.1

Depreciation on equipment	AMOUNT
<b>Old Equipment:</b> 810 000 x 20%	162 000 ✓
<b>New Equipment:</b> 120 000 x 20% x 3/12 ✓ =	6 000 ✓
<b>Total depreciation for the year:</b>	168 000 ✓

4

1.2.2

EXTRACT OF FIXED ASSET REGISTER OF GOODY SHOE TRADERS FOR VEHICLES SOLD				
DELIVERY VEHICLE (SOLD)		COST PRICE = R320 000		
Date	Current depreciation	Accumulated depreciation	Carrying value	Calculation
31 Dec 2021	16 000	16 000	304 000 ✓	
31 Dec 2022	30 400	46 400 ✓	273 600	304 000 x 10/100 ✓
1 Jul 2023	13 680	60 080 ✓	259 920	273 600 x 10/100 x 6/12 ✓



5

1.2.3

Depreciation on old vehicles	AMOUNT
<b>SOLD</b>	13 680
<b>See 1.2.2 above</b>	
<b>OLD</b>	
1 060 000 – 46 400 = 1 013 600	134 640 ✓
2 360 000 – 1 013 600 = 1 346 400 ✓✓ x 10% =	
<b>Total depreciation for the year:</b>	148 320 ✓

4

1.2.4 FIXED/TANGIBLE ASSETS

	VEHICLES	EQUIPMENT
Carrying value at beginning of the year	1 620 000 ✓	570 000 ✓
Cost	<b>2 680 000</b>	<b>810 000</b>
Accumulated depreciation	<b>(1 060 000)</b>	<b>(240 000)</b>
<b>Movements</b>		
Additions at cost		120 000 ✓
Disposals at carrying value <b>see 1.2.2 above</b>	(259 920) ✓	
Depreciation	(148 320) ✓	(168 000) ✓
Carrying value at end of the year	1 211 760 ✓	522 000 ✓
Cost	2 360 000 ✓	930 000 ✓
Accumulated depreciation	(1 148 240) ✓	(408 000) ✓

12

<b>TOTAL</b>
<b>30</b>





**QUESTION 2**

**PLUMSTEAD HARDWARE**

**STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 28 FEBRUARY 2023**

Sales (1 797 600 – 9 860 √ – 1 575 √)	1 786 165 ☑	
Cost of sales (1 027 200 – 900 √√)	(1 026 300) ☑	
<b>Gross profit</b>	759 865 ☑	
<b>Other operating income</b>	4 190 ☑	
<b>Bad debts recovered</b>	<b>1 342</b>	
<b>Discount received</b>	<b>2 340</b>	
Trading stock surplus (352 800 + 900 √ – 1 300 √ – 12 000 √√ – 340 740 √)	340 ☑	
Provision for bad debts adjustment (1 086 – 918)	168 √√	
<b>Gross operating income</b>	764 055 ☑	
<b>Operating expenses</b>	(479 122) ☑	
<b>Discount allowed</b>	<b>1 990</b>	
<b>Insurance</b>	<b>10 560</b>	
Rent expense (59 850 – 4 950 √√)	54 900 ☑	
Advertising (10 800 – 240 √)	10 560 ☑	
Stationery (3 490 – 480 √)	3 010 ☑	
Salaries and wages (324 000 + 12 000 √)	336 000 ☑	
UIF contributions (3 240 + 120 √)	3 360 ☑	
Bad debts (5 670 + 3 425 √)	9 095 ☑	
Water and electricity (17 724 + 1 098 √)	18 822 ☑	
Telephone (12 336 + 662 √)	12 998 ☑	
Bank charges (1 120 + 320)	1 440 √√	
Depreciation	13 987 √	
Loss due to theft	2 400 √√	
<b>Operating profit</b>	284 933 ☑	
Interest income	170 ☑	
<b>Profit before interest expense</b>	285 103 ☑	
Interest expense (53 250 – 50 000)	(3 250) √	
<b>Net profit for the year</b>	281 853 ☑	<b>45</b>

<b>TOTAL</b>
<b>45</b>

**QUESTION 3**

3.1

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

4

**3.2 HOPPITY POPPITY TRADERS**

**Extract of the Statement of Financial Position on 28 February 2023**

<b>EQUITY AND LIABILITIES</b>		
<b>Partners' Equity</b>		408 670 ✓
Capital (200 000 ✓ + 170 000 ✓ + 30 000 ✓)		400 000 ✓
Current accounts (10 360 ✓ – 1 690 ✓)		8 670 ✓
<b>Non-current liabilities</b>		31 000
Loan: ABSA (40 000 – 9 000)		31 000 ✓✓
<b>Current liabilities</b>	<b>total CA/2</b>	69 020 ✓✓
Trade and other payables (24 070 ✓ + 3 500 ✓ + 500 ✓ + 700 ✓)		28 770 ✓
Bank overdraft	<b>balancing</b>	31 250 ✓✓
Short term loan	<b>see loan above</b>	9 000 ✓
<b>Total equity and liabilities</b>		<b>508 690 ✓</b>

21

**3.3 IRONMAN TOY STORE**

<b>CURRENT ACCOUNTS</b>	<b>Iron</b>	<b>Man</b>
Profit per Income Statement	629 550 ✓	715 000 ✓
Partners' salaries	349 800 ✓ ✓	425 000 ✓
Partners' bonuses	12 000 ✓	51 000 ✓ ✓
Interest on capital	80 250 ✓✓	114 000 ✓✓
Primary distribution of profits	442 050 ✓	590 000 ✓
Final distribution of profits	187 500 ✓ ✓	<b>125 000</b>
Drawings during the year *(25 000 + 35 000)	*(60 000) ✓✓	(30 000) ✓
Retained income for the year	569 550 ✓	685 000 ✓
Retained income at beginning of the year	(2 300) ✓	4 500 ✓
Retained income at end of the year	567 250 ✓	689 500 ✓

<b>Calculations:</b>	
<b>Interest on capital: Iron</b> $535\ 000 \times 15/100 = 80\ 250$	<b>Interest on capital: Man</b> $760\ 000 \times 15/100 = 114\ 000$
<b>Salary: Iron</b> $110/100 \times 26\ 500 = 29\ 150$ $= 349\ 800$	<b>Bonus: Man</b> $12/100 \times 425\ 000 = 51\ 000$
<b>Final distribution: Iron</b> $125\ 000 = 2/5$ $125\ 000 \times 3/2 = 187\ 500$	



<b>25</b>

<b>TOTAL</b>
<b>50</b>



**QUESTION 4**

**4.1: CALCULATION OF FINANCIAL INDICATORS FOR 2023**

4.1.1	<p><b>Percentage operating expenses on turnover:</b></p> $\frac{512\,640}{3\,213\,000} \times \frac{100}{1}$ <p>= 15,96% ✓✓ </p>	<div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto; text-align: center;">2</div>
4.1.2	<p><b>Acid-test ratio:</b></p> <p>430 560 ✓ – 357 660 ✓ : 201 150 ✓ of</p> <p><b>31 700 + 41 200</b></p> <p><b>72 900 two marks</b> : 201 150</p> <p>0,36 : 1 ✓</p>	<div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto; text-align: center;">4</div>
4.1.3	<p><b>Debt-equity ratio:</b></p> <p>380 000 ✓ : 496 610 ✓</p> <p>0,77 : 1 ✓</p>	<div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto; text-align: center;">3</div>
4.1.4	<p><b>% returns on average partners' equity:</b></p> $\frac{505\,160 \checkmark}{(496\,610 + 273\,500) / 2 \checkmark} \times \frac{100}{1}$ <p><b>385 055 (two marks)</b></p> <p>= 131,19% ✓</p>	<div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto; text-align: center;">4</div>
4.2	<p><b>Comment on the liquidity position of the business for 2023. Quote ONE financial indicator and figures to support your answer.</b></p>	
	<p>Ratio ✓    Trend ✓    Conclusion ✓✓</p> <p>The business is facing liquidity problems.                  The acid test ratio has decreased from 0,7 : 1 in 2022 to 0,36 : 1 in 2023.                  The current ratio has decreased form 2,2 : 1 in 2022 to 2,1 : 1 in 2023.                  This is an indication that too much of the business's assets is tied up in trading stock and the business might face liquidity problems should the stock become obsolete.</p> 	<div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 50px; height: 20px; margin: 0 auto; text-align: center;">4</div>

4.3	<b>The business changed their policy with regard to the profit mark-up from 2022 to 2023. What was the change in policy? What are the risks in this regard and what effect did this change have on the business's income?</b>
	<p>The business increased their profit mark-up from 40% in 2022 to 50% in 2023. ✓</p> <p>The increase in mark-up resulted in an increase in price. This may force customers to go elsewhere to buy./The effect on the change resulted in the net profit increasing in 2023. ✓✓</p>

4

4.4	<b>Does the business have good control over their expenses? Quote ONE financial indicator and figures to support your answer.</b>
	<p><b>Yes</b> ✓</p> <p>The business's operating expenses on profit decreased from 17,3% in 2022 to 15,96% in 2023. ✓ This is a clear indication that the business is managing its expenses better in the current year. ✓✓</p>

4

<b>TOTAL</b>
<b>25</b>

**TOTAL: 150**

