



Province of the
EASTERN CAPE
EDUCATION

GRADE 11: ACCOUNTING P1

2023 MID-YEAR EXAMINATION

150 MARKS; 2 HOURS

Stanmorephysics.com

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 of 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. 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	GAAP and Transaction Analysis	20	15
2	Statement of Comprehensive Income	60	50
3	Notes to the Statement of Financial Position	35	25
4	Analysis and interpretation of financial information	35	30
TOTAL		150	120

This Question Paper consists of 9 pages, a formula sheet and a 8 page Answer Book

QUESTION 1: GAAP PRINCIPLES AND TRANSACTION ANALYSIS**(20 marks; 15 minutes)****1.1 GAAP PRINCIPLES**

Provide the relevant GAAP principle for each of the following statements. Write only the answer next to the numbers (1.1.1 – 1.1.4) in the Answer Book.

1.1.1 Fixed assets must be recorded at their original purchase price irrespective of their market value at the present time.

1.1.2 Financial statements are prepared on the assumption that the business will continue operations in the foreseeable future.

1.1.3 The financial affairs of the partners and that of the business must be kept separate.

1.1.4 Items such as bank transaction fees (service fees) and cash withdrawal fees are grouped together and recorded as bank charges. (4)

1.2 TRANSACTION ANALYSIS

Tom and Jerry are partners of TJ Traders. The financial year ended on 28 February 2023.

REQUIRED :

Identify the General Ledger accounts that must be debited and credited for each of the transactions listed below. Write only the full name of the accounts in the respective columns provided in the Answer Book. (16)

Example: Paid the rent by making an electronic funds transfer (EFT) for R8 800.

No.	Account Debited	Account Credited	Amount
E.g.	Rent expense	Bank	8 800

TRANSACTIONS

1.2.1 Partner Tom took stationery from the office, R1 250, for his personal use.

1.2.2 Issued an EFT to Bull Suppliers (a creditor), R66 000 in settlement of their account of R73 000 after receiving a discount of R7 000.

1.2.3 Received R84 770 from Shark Bank being the maturity value of a fixed deposit together with interest of R770 for one month.

1.2.4 Interest on capital for Partner Tom amounted to R47 500 for the current financial year.

1.2.5 Partner Jerry's share of the remaining profit after the primary distribution, amounted to R56 800.

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME AND THE NOTE FOR TRADE AND OTHER RECEIVABLES (60 marks; 50 minutes)

The information relates to the partnership MS Traders, owned by partners M. Monday and S. Sunday. The financial year ended on 28 February 2023.

REQUIRED:

- 2.1 Prepare the Statement of Comprehensive Income for the financial year ended 28 February 2023. (51)
- 2.2 Complete the note for TRADE AND OTHER RECEIVABLES. (9)

INFORMATION:

A. Extract from the Pre-Adjustment Trial Balance on 28 February 2023

	R
Loan: Pharoah Bank	612 400
Fixed deposit	240 000
Trading stock	326 000
Debtors control	263 700
Provision for bad debts (1 March 2022)	11 960
Sales	3 815 000
Cost of sales	2 180 000
Rent income	109 120
Discount received	8 580
Packing material	86 600
Salaries and wages (including contributions)	432 000
Bad debts	16 150
Water and electricity	28 920
Bank charges	13 800
Sundry expenses	40 060
Insurance	52 240
Advertising	?
Interest on fixed deposit	14 400
Interest on loan	?

B. ADJUSTMENTS AND ADDITIONAL INFORMATION:

- (i) Credit sales to debtor G. Daisy for R16 800 was not recorded. The cost of sales was R9 600.
- (ii) Debtor, M. Rose was declared insolvent. His outstanding balance was R12 500. Received 30 cents to the Rand owed, from his insolvent estate. This transaction was not recorded. The balance of his account must be written off.
- (iii) The provision for bad debts must be adjusted to 4% of the debtors balance after taking into account the above adjustments.
- (iv) Physical stock-take on 28 February 2023 revealed the following on hand:
- Trading stock, R313 400
 - Packing material, R2 200
- (v) Depreciation on fixed assets amounted to R112 300 for the financial year.
- (vi) The water and electricity account for February 2023, R2 350, will only be paid on 5 March 2023.
- (vii) Insurance includes an annual premium of R9 360 paid in full on 1 November 2022.
- (viii) The bank statement received on 28 February 2023 reflected bank charges of R1 120 and interest on favourable current account balance of R600.
- (ix) Rent income includes rent for March 2023. Note that rent was increased by 8% p.a. effective from on 1 August 2022.
- (x) A six-month advertising contract for the period 1 September 2022 to 28 February 2023 was paid in full. The fixed monthly instalment was R2 100, however, this was increased by an additional 25% per month for November and December 2022, due to the holiday season.
- (xi) Interest on fixed deposit was only received for 9 months. The fixed deposit was unchanged during the financial year. Interest is not capitalised.
- (xii) The loan statement received reflected the following:

Balance on 1 March 2022	R 880 000
Capitalised interest	?
Repayments during the year including interest	267 600
Balance on 28 February 2023	717 400

Interest is capitalized.

QUESTION 3: NOTES TO THE STATEMENT OF FINANCIAL POSITION**(35 marks; 25 minutes)****LC TRADERS**

The information relates to the financial year ended 28 February 2023.
The partners are Sue Lee and Gill Chan.

REQUIRED:

- 3.1 Prepare the Capital Note for the Statement of Financial Position. (6)
- 3.2 Calculate the amounts for (i) to (v) on the Current account note. (23)
- 3.3 Complete the **TRADE AND OTHER PAYABLES** note. (6)

INFORMATION:**A. Balances / totals from the ledger on 28 February 2023.**

	R
Capital: Lee	1 200 000
Capital: Chan (1 March 2022)	980 000
Creditors control	362 750
Accrued expenses	12 700
Accrued income	17 000
Prepaid expenses	16 300
Sales	4 720 000

B. Changes to Capital contributions:

- Lee increased her capital by R200 000 on 1 November 2022.
- Chan decreased her capital by R80 000 on 1 December 2022.

C. Extract of the Current Account Note on 28 February 2023:

	LEE	CHAN	TOTAL
Salary allowance	148 800	(i)	
Interest on capital	64 000	(ii)	
Bonus	(iii)	-	
Total primary distribution			452 000
Share in remaining profit	(iv)	33 600	
Net profit for the year			(v)
Drawings	(161 200)	(112 000)	(273 200)
		113 600	
Balance (1 March 2022)	28 400	(vi)	
Balance (28 February 2023)			262 000

D. Provisions of the partnership agreement:**Salary allowance:**

- Lee receives an annual allowance of R148 800.
- Chan's monthly salary allowance is R1 200 less than Lee's.

Interest on capital:

- Interest on capital is calculated at 6% p.a. on the capital balance.

Bonus:

- Lee, as sales manager, receives a bonus of 1% of the total sales.

Share in remaining profit:

- The remaining profit is shared in the ratio of their capital balance at the end of a financial year.

E. Additional Information:

The following information must be considered when completing the Trade and Other Payables Note:

The salary of a manager on leave was omitted from the February Salaries Journal. Details of his pay are as follows:

Gross Salary	Employee's Deductions				Employers Contribution		Net Salary
	Pension fund	UIF	SARS: PAYE	TOTAL	Pension fund	UIF	
R14 500	1 160	R145	2 610	R3 915	R2 030	R145	R10 585
Employer's contribution:							
<ul style="list-style-type: none"> • R1,75 to every R1 of the employee, to the Pension Fund • 1% of the gross to the UIF. 							

QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL INFORMATION**(35 marks; 30 minutes)**

The information relates to SP Traders with partners L. Salt and B. Pepper.
The financial year ended on 28 February 2023.

REQUIRED:

4.1 Calculate the following financial indicators on 28 February 2023:

- Acid-test ratio (4)
- Debt/Equity ratio (3)
- % Return on average equity earned by partner Pepper (6)

4.2 Quote and explain TWO profitability financial indicators for the current financial year. (4)

4.3 Comment on whether the business is managing its working capital (current assets and current liabilities) efficiently. Quote TWO financial indicators with trends in your answer. (6)

4.4 The partners have increased the loan significantly over the financial year.

- Explain the effect of this decision on the financial risk. Quote ONE financial indicator with figures in your explanation. (4)
- Provide TWO alternative options that the partners could have used to generate additional funds, if this was required. (2)

4.5 Partner Salt was not happy with his % return and wants to discuss this with partner Pepper.

- Explain whether Salt's feelings are justified or not. Provide TWO points. Quote figures. (4)
- Provide ONE point of advice to Salt on how he can improve the present situation. (2)

INFORMATION:**A. Extracts from the Statement of Financial Position on 28 February:**

	2023 R	2022 R
Tangible assets (at carrying value)	7 213 760	5 096 000
Fixed deposit	800 000	800 000
Current assets	1 351 000	1 395 000
Inventory	645 000	880 000
Trade and other receivables	583 000	510 000
Cash and cash equivalents	123 000	5 000
Partners equity	6 168 760	5 406 200
Loan: JJ Bank	2 500 000	1 200 000
Current liabilities	696 000	684 800
Trade and other payables	576 000	532 000

B. Extract from the Capital and Current Account Note:

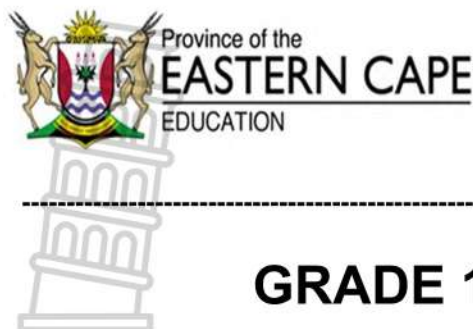
	Salt	Pepper	Total
Capital balance (28 February 2023) *	2 400 000	3 000 000	5 400 000
Total primary distribution	337 440	458 600	796 040
Share in the remaining profit	109 184	163 776	272 960
Net profit for the year	446 624	622 376	1 069 000
Drawings	121 440	185 000	306 440
Current account balance (1 March 2022)	42 000	(35 800)	6 200
Current account balance (28 Feb 2023)	367 184	401 576	768 760

* Partner Pepper decreased his capital contribution by R200 000 on 1 July 2022.

C. Financial indicators calculated at year-end:

	2023	2022
% Operating expenses on sales	26,5%	25,0%
% Net profit on sales	16,8%	20,6%
Current ratio	1,9 : 1	2,0 : 1
Acid test ratio	?	0,8 : 1
Average debtors collection period	36 days	44 days
Debt/equity ratio	?	0,2 : 1
% Return on total equity	18,5%	18,9%
% Return earned by partner Salt	17,1%	18,2%
% Return earned by partner Pepper	?	18,4%

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		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Owners' equity	Total assets: Total liabilities	



GRADE 11: ACCOUNTING P1

MID-YEAR EXAMINATION: 2023

MARKING GUIDELINE

150 MARKS; 2 HOURS

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, 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. Full marks for correct answer. If answer incorrect, mark the workings provided.
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. 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. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. 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 ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 7 pages.

QUESTION 1

1.1 Write only the term next to the question number

1.1.1	Historical cost ✓
1.1.2	Going concern ✓
1.1.3	Business entity or Entity ✓
1.1.4	Materiality ✓

4

1.2 ANALYSING TRANSACTIONS

No.	GENERAL LEDGER		AMOUNTS
	ACCOUNT DEBITED	ACCOUNT CREDITED	
1.2.1	Drawings: Tom ✓	Stationery ✓	1 250
1.2.2	Creditors control ✓	Bank ✓	66 000 ✓
		Discount received ✓	7 000 ✓
1.2.3	Bank ✓	Fixed deposit: Shark Bank ✓	84 000 ✓
		Interest on fixed deposit ✓	770 ✓
1.2.4	Interest on capital ✓	Current Acc: Tom ✓	47 500
1.2.5	Appropriation account ✓	Current Acc: Jerry ✓	56 800

16

TOTAL MARKS	20	
-------------	----	--

QUESTION 2

2.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2023

Sales	3 815 000 + 16 800	3 831 800 ✓✓*
Cost of sales	2 180 000 + 9 600	(2 189 600) ✓✓*
Gross Profit	Sales – COS	1 642 200 ✓
Other Operating Income	operation	110 300 ✓
Rent income	109 120 ✓ – 8 640 ✓✓	100 480 ✓*
Provision for bad debts adjustment	11 960 – 10 720	1 240 ✓✓
Discount received		8 580 ✓
Gross Operating income	GP + OOI	1 752 500 ✓
Operating Expenses	operation	(802 500) ✓
Salaries and wages		432 000
Bad debts	16 150 ✓ + 8 750 ✓✓	24 900 ✓*
Water and electricity	28 920 ✓ + 2 350 ✓	31 270 ✓
Sundry expenses		40 060 ✓
Advertising	8 400 ✓✓ + 5 250 ✓✓	13 650 ✓*
Insurance	52 240 ✓ – 6 240 ✓✓	46 000 ✓*
Packing material	86 600 ✓ – 2 200 ✓	84 400 ✓
Bank charges	13 800 + 1 120	14 920 ✓✓
Trading stock deficit	326 000 – 9 600 ✓ – 313 400 ✓	3 000 ✓*
Depreciation		112 300 ✓
Operating Profit	GOI - OE	950 000 ✓
Interest income	600 ✓ + 14 400 ✓ + 4 800 ✓✓	19 800 ✓*
Profit Before Interest Expense	OP + Int inc	969 800 ✓
Interest expense	717 400 + 267 600 – 880 000	(105 000) ✓✓*
Net Profit for the year	PBIE - IE	864 800 ✓*

51

* one part correct

2.2 TRADE AND OTHER RECEIVABLES

Trade debtors	263 700 ✓ + 16 800 ✓ – 12 500 ✓	268 000 ✓*
Provision for bad debts	4% of debtors control	(10 720) ✓
Net trade debtors	operation	257 280 ✓
Prepaid expenses (Insurance)	see 2.1	6 240 ✓
Accrued income (interest on fixed deposit)	see 2.1	4 800 ✓
	operation	268 320 ✓

9

* one part correct

TOTAL MARKS	60	
--------------------	-----------	--

QUESTION 3

3.1 CAPITAL NOTE

	LEE	CHAN
Balance on 1 March 2022	1 000 000 ✓	980 000 ✓
Increase in capital contribution	200 000 ✓	
Decrease in capital contribution		(80 000) ✓
Balance on 28 February 2023 operation	1 200 000 ✓	900 000 ✓

6

3.2 Calculate the following:

(i) Salary: Chan	
WORKINGS	ANSWER
$\frac{148\,800}{12}$ $(12\,400 \checkmark \checkmark - 1\,200 \checkmark) \times 12 \checkmark$ <p>11 200 three marks</p> <p>OR</p> $\begin{array}{r} 148\,800 \\ - 14\,400 \\ \hline \end{array}$ <p>one mark three marks</p>	<p>134 400 ✓ one part correct</p>
(ii) Interest on capital: Chan	
WORKINGS	ANSWER
$\begin{array}{l} (980\,000 \times 6\% \times 9/12) \\ 44\,100 \checkmark \checkmark \end{array} + \begin{array}{l} (900\,000 \times 6\% \times 3/12) \\ 13\,500 \checkmark \checkmark \end{array}$	<p>57 600 ✓ one part correct</p>
(iii) Bonus: Lee	
WORKINGS	ANSWER
$4\,720\,000 \times 1\%$	<p>47 200 ✓✓</p>

5

5

2

(iv) Share of remaining profits: Lee	
WORKINGS	ANSWER
33 600 ✓ x 4/3 ✓	44 800 ✓ one part correct
(v) Net profit for the year	
WORKINGS	ANSWER
452 000 ✓ + (33 600 ✓ + 44 800 ✓) <small>see (iv) above 78 400 two marks</small>	530 400 ✓ one part correct
(vi) Opening balance: Chan	
WORKINGS	ANSWER
28 400 ✓ – (262 000 – 257 200) 4 800 ✓✓	(23 600) ✓ One part correct Must be in brackets

3

4

4

3.3 TRADE AND OTHER PAYABLES

Trade creditors	362 750
Accrued expenses	12 700 ✓
Creditors for salaries	10 585 ✓
SARS: PAYE	2 610 ✓
Pension Fund (1 160 + 2 030)	3 190 ✓✓
UIF	290 ✓
	392 125

6

TOTAL MARKS	35	
--------------------	-----------	--

QUESTION 4

4.1 Calculate the following financial indicators:

Acid test ratio	
WORKINGS	ANSWER
<p>706 000 two marks</p> <p>(1 351 000 ✓ – 645 000 ✓) : 696 000 ✓</p> <p>OR</p> <p>582 000 + 123 000 / 696 000</p> <p>one mark one mark one mark</p>	<p>1,0 : 1 <input checked="" type="checkbox"/></p> <p>one part correct</p>
Debt/equity ratio	
WORKINGS	ANSWER
<p>2 500 000 ✓ : 6 168 760 ✓</p>	<p>0,4 : 1 <input checked="" type="checkbox"/></p> <p>one part correct</p>
% return earned by partner Pepper	
WORKINGS	ANSWER
<p> $\frac{1}{2} \times \left[\frac{622\,376}{3\,282\,888} \times 100 \right]$ </p> <p>3 282 888 four marks</p>	<p>19% <input checked="" type="checkbox"/></p> <p>one part correct</p>

4

3

6

4.2 Quote and explain TWO profitability financial indicators for the current financial year.

TWO financial indicators ✓ ✓ (with figures and trends) ✓ ✓

- % operating expenses on sales increased from 25% to 26,5%.
- % net profit on sales decreased from 20,6% to 16,8%.

4

4.3 Comment on whether the business is managing its working capital (current assets and current liabilities) efficiently. Quote TWO financial indicators with trends in your answer.

TWO financial indicators ✓ ✓ (with figures and trends) ✓ ✓

Any TWO of:

- Current ratio decreased from 2,0 : 1 to 1,9 : 1
- Acid test ratio improved from 0,8 : 1 to 1,0 : 1 (see 4.1)
- Average debtors collection period improved from 44 days to 36 days

Explanation: ✓✓ (any ONE valid point or a combined statement)

- The business will be able to meet short term debts
- Efficient control of stock ensures better liquidity position this year.
- Cash from debtors at a quicker rate contributes to better liquidity.

6

4.4

Explain the effect of this decision on the financial risk. Quote ONE financial indicator with figures in your explanation.

ONE financial indicator ✓ (with figures and trend) ✓ Explanation ✓✓

Debt/equity ratio increased from 0,2 : 1 to 0,4 : 1

Explanation:

- Although the loan was increased, the risk is still low; the business must ensure that the funds are used to generate a profit.
- Lowly-gearred / creditworthy

4

Provide TWO alternative options that the partners could have used to generate additional funds, if this was required.

Any TWO points ✓ ✓

- They could increase their capital contribution
- The fixed deposit can be redeemed – instead of paying interest on loan
- The can extend the bank overdraft, which will only be used when required.

2

4.5

Explain whether Salt's feelings are justified or not. Provide TWO points. Quote figures.

Any TWO points (with figures) ✓✓ ✓✓

- His % return of 17,1% is less than Pepper's (19%) see 4.1
- His return of 17,1% is still favourable or better than alternative investments like fixed deposits which earn around 8%,
- His earnings are also below the % return of the business (18,5%)

4

Provide ONE point of advice to Salt on how he can improve the present situation.

Any ONE point of advice ✓✓

- Meet with partner Pepper to discuss business decisions like increasing the loan or managing expenses properly.
- Talk to Pepper about his drawings which are excessive.
- Suggest that the loan be paid back if it is not intended to be used effectively.
- Get a consultant to assist with improving internal controls / put systems in place to manage functions.
- Suggest an audit of income and expenses and decide where savings can be achieved.

2

**TOTAL
MARKS**

35