



Province of the  
**EASTERN CAPE**  
EDUCATION

**GRADE 11: ACCOUNTING P1**  
**2024 MID – YEAR EXAMINATION**  
**150 MARKS; 2 HOURS**  
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**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	25	20
2	Statement of Comprehensive Income	45	35
3	Statement of Financial Position	45	40
4	Analysis and Interpretation	35	25
TOTAL		150	120

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

**QUESTION 1 GAAP & ANALYSIS OF TRANSACTION**

**25 marks; 20 minutes**

**1.1 GAAP PRINCIPLES**

Match the GAAP principles in COLUMN A with the description/example in COLUMN B. Write only the letter (A – E) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.1.1 Business Entity	A. Packing material not used by the end of financial year is not reflected in the Statement of Comprehensive Income.
1.1.2 Historical Cost	B. A misstatement will remain in the books if it has no great influence on the results for the financial year.
1.1.3 Matching	C. Entity functions separately from the owner, owner has a claim to his equity in the business.
1.1.4 Materiality	D. Financial information must be recorded and reported in a conservative and pessimistic manner.
1.1.5 Prudence	E. Non – current assets must be shown at the original cost price.

(5 X 1) (5)

**1.2 ANALYSIS OF TRANSACTIONS**

Analyse the following transactions using the headings given in the answer book.

**NB.** Assume the bank balance is favourable and the continuous inventory system is in use for all transactions.

**Example:** Bought trading stock on credit from WB Wholesalers for R34 600.

**TRANSACTIONS:**

1.2.1 Nozuko, one of the partners, contributed a delivery vehicle to the value of R160 000 as part of capital contribution.

1.2.2 Stationery was bought on credit for R7 000.

1.2.3 The account of a debtor who owes an amount of R650 must be written off.

1.2.4 Goods sold on credit to a debtor, R45 000 (Cost price, R33 750). (20)

**QUESTION 2 STATEMENT OF COMPREHENSIVE INCOME****45 marks; 50 minutes****KUMATA TRADERS**

You are provided with information relating for the year ended 29 February 2024.

**REQUIRED:**

Prepare the statement of Comprehensive Income for the year ended 29 February 2024. (45)

**INFORMATION:****A Extract from Pre- adjustment trial balance on 29 February 2024**

Balance sheet accounts section	Debit	Credit
Trading Stock	25 580	
Provision for bad debts		2 340
Loan: Kirk Bank		?
<b>Nominal accounts section</b>		
Sales		1 260 000
Cost of sales	1 008 000	
Debtors' allowances	9 100	
Rent Income		101 250
Bad debts recovered		835
Water and electricity	20 600	
Stationery	2 980	
Bad debts	1 450	
Interest on fixed deposit		25 000
Insurance	6 400	
Salaries and wages	54 000	



**B. Adjustments and additional information:**



- (i) A credit note issued to a debtor, B Muir for goods returned by him, R5 600. A mark-up of 25% was applied to this transaction only. The transaction was not recorded.
- (ii) Inventory on hand on 28 February 2024 according to the physical stock take is as follows:
  - Inventory, R27 030
  - Stationery, R575
- (iii) Rent has only been received up to 30 November 2023. Rent increases every year on 1 December by 10%.
- (iv) Adjust the provision for bad debts to R1 800.
- (v) The following account for February 2024 was received, but not yet paid:  
Water and Electricity, R1 890
- (vi) The following details of K. De Bruin, an employee who started working at the business on 1 February 2024, was mistakenly omitted from the Salaries journal for February:

Gross Salary	Deductions	Employers Contribution
R10 000	R2 830	R1 000

- (vii) Provide for R326 000 depreciation for the financial year.
- (viii) Interest on fixed deposit was only received for ten months. The fixed deposit was unchanged during the financial year. Interest is not capitalised.
- (ix) The loan statement received revealed the following:

Balance on 1 March 2023:	R 180 000
Capitalised interest	?
Repayments during the year including interest	40 000
Balance on 29 February 2024	168 000

- (x) Insurance includes an annual premium of R1 800 that was paid on 1 May 2023.

**QUESTION 3 STATEMENT OF FINANCIAL POSITION 45 marks: 40 minutes**

- 3.1 Choose the correct description from the table below to match the statement. Write only the description next to the question number (3.1.1 – 3.1.4) in the Answer book.

Cash and cash equivalents; Trade and other receivables; Trade and other payables; Inventory; Fixed assets; Current account; Capital

- 3.1.1 Packing material on hand at the end of the financial year.  
 3.1.2 Future dated EFTs issued to creditors.  
 3.1.3 Rent expense paid in advance.  
 3.1.4 Fixed deposit matures within nine months of the next financial year.

(4 x 1) (4)

- 3.2 Bella and Chippa are partners in the firm who trades as BC Traders. The financial year ends on the last day of February each year

**REQUIRED:**

- 3.2.1 Prepare the following notes to the Statement of Financial Position.

- Trade and other receivables
- Current accounts

(4)

(15)

- 3.2.2 Complete the Statement of Financial Position on 29 February 2024.

(22)

**INFORMATION:****A. Extract from the accounting records of BC Traders on 29 February 2024.**

Capital: Bella		810 000
Capital: Chippa		270 000
Current account: Bella (1 March 2023)	Cr	46 080
Current account: Chippa (1 March 2023)	Dr	150 120
Drawings: Bella		117 630
Drawings: Chippa		172 080
Fixed assets at carrying value		?
Fixed deposit		500 000
Loan: DZ Bank		1 413 000
Creditors control		320 250
Debtors control		247 140
Provision for bad debts		10 080
Accrued income		17 570
Trading stock		?
Accrued expenses		15 750
Income received in advance		2 790
Cash and cash equivalents		7 130
Bank overdraft		35 475
Profit and loss (Net profit)		730 800



**B. Additional information:**

i) Changes to capital contribution:

- Bella increased her capital contribution by donating equipment valued at R210 000 on 1 August 2023 to the business. This was properly recorded.
- Chippa decreased his capital contribution by withdrawing R90 000 from the business on 1 December 2023. This was properly recorded.

ii) Drawings:

Bella withdrew an additional R21 975 cash on 25 February 2023. This transaction was NOT recorded.

iii) Fixed deposit:

- Interest on the fixed deposit for the period amounted to R32 400. The fixed deposit was invested on 1 June 2023 at an interest rate of 8% per annum.
- R225 000 of the fixed deposit will mature on 30 April 2024.

iv) Loan:

R153 000 of the loan will be paid back during the next financial year.

v) The partnership agreement stipulates the following:

- An annual salary of R172 800 for Bella.
- An annual salary for Chippa which is R6 300 per month more than the monthly salary of Bella.
- Interest on capital at 12% p.a. on their capital contribution for the year.
- The remaining profit must be shared in the ratio 3:2 between the partners, in favour of Bella.

vi) After all the adjustments were made one of the financial indicators calculated was the following:

Current ratio 1,5 : 1



**QUESTION 4 ANALYSIS AND INTERPRETATION 35 marks; 30 minutes****A & D TRADERS**

A & D Traders is a shoe store run by partners Kumo and Congo.  
The financial year ends at the end of February each year.

**REQUIRED:**

**NOTE:** Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures.
- Give a reason or an explanation for the financial indicators quoted.

4.1 Calculate the following financial indicators for 2024:

- Acid test ratio (4)
- Debt equity ratio (3)
- % Return on average equity earned by the partnership (5)

4.2 Explain whether the partners should be concerned about the liquidity of the business for 2024. Quote TWO financial indicators. (6)

4.3 The business needs to expand to take advantage of the increased demand for their products. The partners are considering increasing the loan by R180 000.

- Explain why this might be a good idea. Quote ONE financial indicator. (3)
- If they consider to not increase the loan, give TWO other suggestions they could consider. (4)

4.4 Kumo is concerned about his return on earnings.

- Explain why Kumo should be concerned about this. Quote ONE financial indicator. (4)
- Mention THREE points Kumo should mention to Congo about this. (6)

**INFORMATION:****Extract from the Balance Sheet of A & D Traders on 29 February 2024:**

	<b>2024 R</b>	<b>2023 R</b>
Fixed deposit: Shama Bank (10% p.a)	180 000	234 000
Current assets	102 600	182 400
Inventory	57 600	80 400
Trade and other receivables	38 400	27 000
Cash and cash equivalent	6 600	75 000
Capital accounts	480 000	720 000
Current accounts	34 800	6 000
Mortgage loan: ABC Bank (Interest rate 12% p.a)	144 000	81 000
Current liabilities	50 400	46 800

**Extract from the Appropriation and Partners Current Accounts:**

	<b>Kumo</b>	<b>Congo</b>
Current account at the beginning of the year	24 000	18 000
Current account at the end of the year		(30 000)
Net profit for the year	166 800	
Partners' salaries	42 000	42 000
Interest on capital (6% p.a.)	21 600	10 900
Partners' share of remaining profit	25 200	25 200
Partners' drawings for the year	48 000	90 000

**NOTE:**

- (a) Each partner contributed R360 000 when the business started, but Congo reduced his capital by R240 000 halfway through the 2019 financial year.
- (b) Kumo maintained his capital contribution at R360 000 throughout the year.

**FINANCIAL INDICATORS**

	<b>2019</b>	<b>2018</b>
% operating profit on sales	24%	28%
% net profit on sales	14%	18%
Current ratio	2,6:1	4,7:1
Acid test ratio	?	2,2:1
Debt – equity ratio	?	0,2:1
Return on equity: Kumo	26%	35%
Return on equity: Congo	43%	25%
Return on equity of partnership	?	22%



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