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**GRADE 11**

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# ACCOUNTING PAPER 1

**JUNE 2024**

**MARKS: 150**

**TIME: 2 HOURS**

Examiner: Mr J. Valashiya

Moderator: Mr. P. J. Fouche

This question paper consists of 11 pages, and an 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. A FORMULA SHEET of financial indicators is provided at the back of this question paper. You may use this if necessary.
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	Statement of Comprehensive Income and notes	65	50
2	Notes to the Statement of Financial Position And Statement of Financial Position	60	50
3	Ratios, Analysis and interpretation	25	20
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: CONCEPTS, AND STATEMENT OF COMPREHENSIVE INCOME AND NOTES TO THE FINANCIAL STATEMENTS (65 marks; 50 minutes)**

- 1.1 Indicate where EACH of the following items would be placed in the financial statements by choosing a term from the list below. Write only the answer next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

non-current assets; current assets; operating income; equity; operating expenses

1.1.1 Consumable stores on hand

1.1.2 Fixed deposit that matures in three years' time

1.1.3 Profit on sale of assets

1.1.4 Depreciation

(4)

1.2 **JM STORES**

The information relates to JM Stores (partners Joseph and Mbuyi) for the financial year ended 29 February 2024.

**REQUIRED:**

- 1.2.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ended 29 February 2024.

(54)

- 1.2.2 Prepare the Trade and other receivables note on 29 February 2024.

(7)

**INFORMATION:**

Information extracted from the Pre-adjustment Trial Balance on 29 February 2024:

Balance Sheet Accounts Section	R
Land and buildings	1 440 000
Vehicles	?
Equipment	225 000
Accumulated depreciation on vehicles (1 March 2023)	?
Accumulated depreciation on equipment (1 March 2023)	76 500
Trading stock	357 850
Debtors' control	184 125
Provision for bad debts	9 950
Mortgage loan: Speed Bank	950 400



<b>Nominal Accounts Section</b>	
Sales	4 950 000
Cost of sales	2 835 000
Debtors' allowances	129 250
Bad debts	12 240
Rent income	152 550
Interest on loan	?
Insurance	17 290
Salaries and wages	427 500
Bad debts recovered	4 275
Consumable stores	60 750
Bank charges	16 984
Depreciation	22 000
Sundry expenses	140 088
Telephone	55 500
Interest income	35 645

**Adjustments and additional information:**

- A. A vehicle was sold on 1 November 2023 for R85 000 cash. The carrying value of this vehicle on the date of sale amounted to R87 500. All entries were made except the profit/loss on sale of the asset.
- B. Provide for depreciation as follows:
  - On remaining vehicles – R 88 500 for the financial year
  - On equipment – R14 850.
- C. Goods sold on credit to debtor, T. Saule, for R13 500 were not recorded. The mark-up is 50% on cost price.
- D. A physical stocktaking on 29 February 2024 reflected trading stock of R345 400 on hand.
- E. Consumable stores used during the financial year amounted to R55 530.
- F. A debtor was declared insolvent. Received and recorded R875 from the debtor as a final dividend of 35 cents to the Rand. Write off the remaining debt as irrecoverable.
- G. Entries according to the February 2024 Bank Statement and must still be recorded in the books of the business:
  - Bank charges, R783
  - Debit order payment for the insurance, R8 900. This included the premium of R4 450 for March 2024.
  - Telephone R4 800

H. Provision for bad debts must be adjusted to 5% of the outstanding debtors.

I. The loan statement received reflected the following:

Balance on 1 March 2023	1 220 400
Interest was capitalised	?
Repayment during the financial year	198 000
Balance on 29 February 2024	1 080 000

J. An employee, J. Jafta, who commenced work on 1 February 2024, was omitted from the Salaries Journal. Details of his salary for February 2024 are:

GROSS SALARY	DEDUCTIONS			CONTRIBUTIONS	
	PAYE	PENSION FUND	UIF	PENSION FUND	UIF
12 200	1 971	972	122	1 458	122

**NOTE:** All contributions are recorded as part of salaries and wages.

K. The rent income was increased by R1 250 per month from 1 December 2023. The tenant has paid the rent for March and April 2024 already in advance.

**QUESTION 2: NOTES TO THE FINANCIAL STATEMENTS AND STATEMENT OF FINANCIAL POSITION**  
(60 marks; 50 minutes)

**SAKA TRADERS**

S. Samuels and K. Kamohelo are partners in the firm who trades as SAKA Traders. The financial year ends on the last day of February each year.

**REQUIRED:**

- 2.1 Prepare the following notes to the Statement of Financial Position on 29 February 2024:
- 2.1.1 Calculate the missing figures (a) to (d) in the Fixed assets note. (16)
- 2.1.2 Current Accounts (15)
- 2.2 Complete the Statement of Financial Position on 29 February 2024. (29)

**INFORMATION**

**A. Extract from the records of SAKA Traders on 29 February 2024.**

	<b>R</b>
Capital: S. Samuels	675 000
Capital: K. Kamohelo	378 000
Current Account: S. Samuels (1/3/2023)	55 800 (Dr)
Current Account: K. Kamohelo (1/3/2023)	36 950 (Cr)
Drawings: S. Samuels	84 400
Drawings: K. Kamohelo	111 330
Fixed assets at carrying value	?
Fixed deposit	377 490
Loan: SS Bank	1 292 895
Creditor's control	316 980
Debtors control	?
Income received in advance	14 040
Prepaid expenses	21 060
Trading Stock	427 500
Consumable stores on hand	2 800
SARS – PAYE	22 420
Cash Float	11 900
Petty Cash	1 200
Bank Overdraft	?



**B. FIXED ASSETS:**

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value (1/03/2023)	1 260 000	154 000	108 000
Cost price	1 260 000	612 000	166 000
Accumulated depreciation	(0)	(458 000)	(58 000)
<b>Movements:</b>			
Additions	(a)	?	63 000
Disposals at carrying value	0	(b)	(0)
Depreciation		(c)	(d)
Carrying value (29/02/2024)	1 755 000	331 400	157 050
Cost price	1 755 000	760 000	229 000
Accumulated depreciation			

**C. Additional information on 29 February 2024:**

- (i) A storeroom was built during the year and properly recorded.
- (ii) A vehicle was sold on 1 December 2023 for R22 500 cash.

Cost price	R192 000
Accumulated depreciation on 1/3/2023	113 400

- Depreciation on vehicles is calculated at 20% p.a. on cost price method.
- A new vehicle was purchased for R340 000 on 29 February 2024 on credit. This transaction was recorded.
- (iii) New equipment was purchased on 1 September 2023. This transaction was properly recorded. Depreciation on equipment is calculated at 10% p.a. on the diminishing balance method.
- (iv) **Changes to Capital contribution:**
  - S. Samuels decreased his capital contribution by withdrawing R135 000 from the business on 1 November 2023. This was properly recorded.
  - K. Kamohelo increased her capital contribution on 1 September by an EFT transfer of R108 000 to the business. This was properly recorded.

(v) **Drawings:**

- S. Samuels withdrew R16 600 of the stock on 27 February 2024. This transaction was not recorded.

(vi) **Distribution of profit:**

**S. Samuels is entitled to:**

- An annual salary of R324 000.
- Interest on capital at 12% p.a. on his total capital for the year. Remember the changes during the year.

**K. Kamohelo is entitled to:**

- Salary of R48 000 less than S. Samuels.
- Interest on capital of R38 880
- An annual bonus of R36 000

- (vii) Net profit for the year amounts to R786 680. The remaining profit must be shared in the ratio 1:1 between Samuels and Kamohelo.
- (viii) A debtor with a credit balance of R10 800 must be transferred to the Creditor's ledger.
- (ix) R167 500 of the loan will be repaid during 2025.
- (x) The current ratio was 1,6:1 on 29 February 2024.
- (xi) R247 745 of the fixed deposit will mature on 30 April 2024.



**QUESTION 3: FINANCIAL INDICATORS****(25 marks; 20 minutes)**

- 3.1 Choose the correct term from the list to complete each of the following statements. Write only the term next to the question number (3.1.1–3.1.4) in the ANSWER BOOK.

Profitability; Liquidity; Solvency; Return; Financial Risk and Gearing

- 3.1.1 The ability of a company to pay off its immediate (short-term) debts.
- 3.1.2 To what extent is the company financed by loans (borrowed money) compared to its own capital.
- 3.1.3 How efficient the company is in its normal operating activities.
- 3.1.4 The ability of a company to pay off all its debts. (4)

3.2 **AK TRADERS**

Information from the records of AK Traders (partners Athenkosi and Kutloano) for the financial year ended 30 April 2024:

**REQUIRED:**

- 3.2.1 Calculate the following for 2024:
- % operating expenses on sales (3)
  - Acid test ratio (3)
  - Debt/equity ratio (3)
- 3.2.2 Comment on the liquidity of the business. Quote and explain TWO financial indicators (with figures) in your answer. (4)
- 3.2.3 Were the partners justified in increasing the loan? Explain. Quote TWO financial indicators, with figures, in your explanation. (4)
- 3.2.4 Athenkosi is not happy with the return on his investment. Explain why you think he feels this way. Quote figures. (4)

**INFORMATION:****A. Extracts from the Income Statement on 30 April 2024:**

Sales	R3 831 300
Gross profit	R1 509 300
Operating expenses	R957 825
Net profit for the year	R648 000

B. Extracts from the partners' Current Accounts on 30 April 2024:

	ATHENKOSI	KUTLOANO
Total primary distribution	?	251 613
Share in the remaining profit	106 218	53 109
Drawings	178 200	189 000

C. Extracts from the Statement of Financial Position on 30 April:

	2024	2023
<b>Partner's Equity</b>	<b>1 113 570</b>	<b>754 470</b>
Capital	877 500	796 500
Current Accounts	236 070	(42 030)
<b>Loan: Sasa Bank</b>	<b>668 142</b>	<b>76 500</b>
<b>Current Assets</b>	<b>538 272</b>	<b>397 440</b>
Trading stock	248 760	180 720
Trade and other receivables	259 992	198 540
Cash and cash equivalents	29 520	18 180
<b>Current liabilities</b>	<b>384 480</b>	<b>331 200</b>
Trade and other payable	295 524	305 316
Short term loan	88 956	25 884

D. Details of the partners' equity on 30 April:

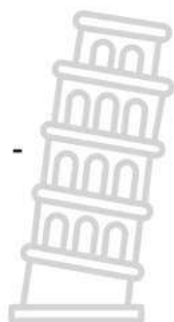
	ATHENKOSI		KUTLOANO	
	2024	2023	2024	2023
Capital	585 000	481 500	292 500	315 000
Current Accounts	182 448	20 070	53 622	(62 100)
	767 448	501 570	346 122	252 900

E. Financial indicators on 30 April:

	2024	2023
Current ratio	1,4:1	1,3 : 1
Acid test ratio	?	0,8 : 1
Stock holding period	62 days	154 days
Average Debtors collection period	59,8 days	92,5 days
Debt/equity ratio	?	0,2 : 1
Return on investment : Athenkosi	52%	48%
Return on investment : Kutloano	102%	81%
Return on capital employed	62%	39%
Interest rate on loan	14%	14%

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





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## ACCOUNTING

GRADE 11 – PAPER 1

JUNE 2024

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## ANSWER BOOK

SURNAME

\_\_\_\_\_

NAME

\_\_\_\_\_

SCHOOL

\_\_\_\_\_

QUESTION	MARK	MODERATOR	MODERATOR INITIAL
1			
2			
3			
TOTAL	150		

These Answer book consists of 7 pages.

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4
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1.2.1

JM STORES STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2024	
Sales (4 950 000	
Cost of sales	
Gross Profit	
Other Operating Income	
Bad debts recovered	
Rent income	
Gross Operating income	
Operating Expenses	
Operating Profit	
Interest income	
Profit Before Interest Expense	
Interest expense	
Net Profit for the year	

54
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## 1.2.2 TRADE AND OTHER RECEIVABLES

Nett Trade debtors	
Trade debtors	
Provision for bad debts	

7

TOTAL MARKS

65

## QUESTION 2

2.1.1 Calculate the missing figures (a - e) in the Fixed asset note for 29 February 2024.

NR.	CALCULATIONS	AMOUNTS
a	2	
b	5	
c	4	
d	5	

16



2.1.2

CURRENT ACCOUNTS		
	SAMUELS	KAMOHELO
Salaries	324 000	
Interest on capital		38 880
Bonus	0	36 000
Primary distribution		
Final distribution	10 000	
Net profit for the year		
Drawings		(111 330)
Balance at beginning		36 950
Balance at end of year		

15

OR

CURRENT ACCOUNTS		
	SAMUELS	KAMOHELO
Net profit for the year		
Salaries	324 000	
Interest on capital		38 880
Bonus	0	36 000
Primary distribution		
Final distribution	10 000	
Drawings		(111 330)
Balance at beginning		36 950
Balance at end of year		

15

2.2 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) OF SAKA TRADERS ON 29 FEBRUARY 2024.

<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Fixed assets		
<b>CURRENT ASSETS</b>		
Inventory		
Trade and other receivables		
Cash and cash equivalents		
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>OWNERS' EQUITY</b>		
Capital	1 053 000	
<b>NON-CURRENT LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>	600 500	
Trade and other payables		
Bank overdraft		
<b>TOTAL EQUITY AND LIABILITIES</b>		

29

**TOTAL MARKS**

60

QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	
3.1.4	

4

3.2 Calculate the following:

3.2.1 % operating expenses on sales

--

3

Acid test ratio

--

3

Debt/equity ratio for 2024

--

3

3.2.2 Comment on the liquidity of the business. Quote and explain TWO financial indicators (with figures) in your answer.

--

4



3.2.3

Were the partners justified in increasing the loan? Explain. Quote TWO financial indicators, with figures, in your explanation.

4

3.2.4

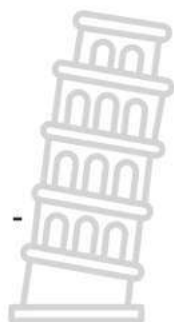
Athenkosi is not happy with his return on investment. Explain why you think he feels this way. Quote figures.

4

TOTAL MARKS

25

TOTAL: 150



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## ACCOUNTING

GRADE 11 – P1

JUNE 2024

### MARKS: 150 MARKING GUIDELINES:

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. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. 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.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consists of 7 pages.

QUESTION 1

1.1

1.1.1	Current asset	✓
1.1.2	Non-current asset	✓
1.1.3	Operating income	✓
1.1.4	Operating expenses	✓

4

1.2.1

<b>JM STORES</b>			
<b>STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED</b>			
<b>29 FEBRUARY 2024</b>			
<b>Sales</b> (4 950 000 – 129 250 ✓ + 13 500 ✓)		4 834 250	✓*
<b>Cost of sales</b> (2 835 000 ✓ + 9 000 ✓)		(2 844 000)	✓*
<b>Gross Profit</b>	7	1 990 250	✓
<b>Other Operating Income</b>	operation	133 575	✓*
<b>Bad debt recovered</b>		4 275	✓
<b>Rent income</b> (152 550 ✓ – 23 400 ✓ ✓)		129 150	✓*
<b>Provision for bad debts adjustment</b> (9 950 ✓ – 9 800 ✓)		150	✓*
<b>Gross Operating income</b>	operation 10	2 123 825	✓*
<b>Operating Expenses</b>	operation	(881 870)	✓
<b>Bad debts</b> (12 240 ✓ + 1 625 ✓ ✓)		13 865	✓*
<b>Insurance</b> (17 290 ✓ + 8 900 ✓ – 4 450 ✓)		21 740	✓*
<b>Salaries and wages</b> 439 700 two marks 1 580 two marks (427 500 ✓ + 12 200 ✓ + 1 458 ✓ + 122 ✓)		441 280	✓*
<b>Consumable stores</b>		55 530	✓
<b>Bank charges</b> (16 984 + 783)		17 767	✓✓
<b>Sundry expenses</b>		140 088	✓
<b>Loss on sale of asset</b> (85 000 ✓ – 87 500 ✓)		2 500	✓
<b>Telephone</b> (55 500 + 4 800)		60 300	✓✓
<b>Trading stock deficit</b> (357 850 ✓ – 9 000 ✓ – 345 400 ✓)		3 450	✓*
<b>Depreciation</b> (22 000 ✓ + 88 500 ✓ + 14 850 ✓)		125 350	✓*
<b>Operating Profit</b>	operation 32	1 241 955	✓*
<b>Interest income</b>		35 645	✓
<b>Profit Before Interest Expense</b>	NPFY+ Int. expenses	1 277 600	✓
<b>Interest expense</b> (1 080 000 + 198 000 – 1 220 400)		(57 600)	✓✓*
<b>Net Profit for the year</b>	5	1 220 000	✓
✓* operation one part correct			

54



## 1.2.2 TRADE AND OTHER RECEIVABLES

Nett trade debtors	186 200	
<b>Trade debtors</b> (184 125✓ + 13 500✓ – 1 625✓ )	196 000	*✓
Provision for bad debts	(9 800)	✓
Prepaid expenses	4 450	✓
	190 650	*✓

7

### TOTAL MARKS

65

## QUESTION 2

2.1.1 Calculate the missing figures (a - e) in the Fixed asset note for 29 February 2024.

NR.	CALCULATIONS	AMOUNTS
a	1 755 000 – 1 260 000 <span style="float: right;">2</span>	495 000 ✓✓ No part marks
b	192 000✓ – (113 400✓ + 28 800✓✓) 192 000 x 20/100 x 9/12 142 200 three marks	49 800 ✓* one part correct
c	Asset disposal see above 28 800✓ <b>Old vehicles</b> 612 000 – 192 000 / 760 000 – 340 000 420 000 x 20/100 = 84 000✓✓*	112 800✓* one part correct
d	<b>Old equipment</b> 166 000 – 58 000 108 000 x 10/100 = 10 800 ✓✓* <b>New equipment</b> 63 000 x 10/100 x 6/12 = 3 150 ✓✓*	13 950 ✓* one part correct

16

2.1.2

CURRENT ACCOUNTS		
	SAMUELS	KAMOHELO
Salaries	324 000	276 000 ✓✓
Interest on capital (64 800✓ + 27 000✓)	91 800✓	38 880
Bonus	0	36 000
Primary distribution	415 800✓	350 880✓
Final distribution (1:1)	10 000	10 000✓
Net profit for the year	425 800 ✓	360 880✓
Drawings (84 400 + 16 600)	(101 000) ✓✓ one part correct	(111 330)
	324 800	249 550
Balance at beginning	(55 800)✓	36 950
Balance at end of year	269 000✓	286 500✓

15

OR

CURRENT ACCOUNTS		
	SAMUELS	KAMOHELO
Net profit for the year	425 800 ✓	360 880✓
Salaries	324 000	276 000 ✓✓
Interest on capital (64 800✓ + 27 000✓)	91 800✓	38 880
Bonus	0	36 000
Primary distribution	415 800✓	350 880✓
Final distribution (1:1)	10 000	10 000✓
Drawings (84 400 + 16 600)	(101 000) ✓✓ one part correct	(111 330)
	324 800	249 550
Balance at beginning	(55 800)✓	36 950
Balance at end of year	269 000✓	286 500✓

15

2.2 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) OF SAKA TRADERS ON 29 FEBRUARY 2024.

<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>	2 373 595	✓
<b>Fixed assets</b> <small>balancing figure</small>	2 243 850	✓
<b>Financial assets</b> (377 490✓ – 247 745✓ <b>5</b> )	129 745	✓*
<b>CURRENT ASSETS</b> <small>CL x 1.6</small>	960 800	✓✓
<b>Inventory</b> (427 500✓ – 16 600✓ + 2 800✓)	413 700	✓*
<b>Trade and other receivables</b> <small>balancing figure</small>	286 255	✓*
<b>Cash and cash equivalents</b> (11 900✓ + 1 200✓ + 247 745 ✓)	260 845	✓*
<b>TOTAL ASSETS</b> <small>OE + L 12</small>	3 334 395	✓*
<b>EQUITY AND LIABILITIES</b>		
<b>OWNERS' EQUITY</b>	1 608 500	✓
<b>Capital</b>	1 053 000	
<b>Current accounts</b> <small>see 2.1.2 2</small>	555 500	✓
<b>NON-CURRENT LIABILITIES</b>	1 125 395	
<b>Loan: SS Bank</b> (1 292 895 – 167 500 <b>2</b> )	1 125 395	✓✓
<b>CURRENT LIABILITIES</b>	600 500	
<b>Trade and other payables</b> (316 980✓ + 14 040✓ + 22 420✓ + 10 800✓)	364 240	✓*
<b>Bank overdraft</b> <small>balancing figure</small>	68 760	✓
<b>Current portion of loan</b>	167 500	✓
<b>TOTAL EQUITY AND LIABILITIES</b> <small>8</small>	3 334 395	✓*

29

\* one part correct

**TOTAL MARKS**

60



QUESTION 3

3.1

3.1.1	Liquidity ✓
3.1.2	Financial Risk and Gearing ✓
3.1.3	Profitability ✓
3.1.4	Solvency ✓

4

3.2 Calculate the following:

3.2.1

% operating expenses on sales

$$\frac{957\ 825}{3\ 831\ 300} \times 100 = 25\% \quad \text{operation one part correct}$$

3

Acid test ratio

$$(538\ 272 - 248\ 760) / (259\ 992 + 29\ 520)$$

$$289\ 512 : 384\ 480$$

$$0,75 : 1 \text{ or } 0,8 : 1 \quad \text{operation one part correct}$$

3

Debt/equity ratio for 2024

$$668\ 142 : 1\ 113\ 570$$

$$0,6 : 1 \quad \text{operation one part correct}$$

3

3.2.2

Comment on the liquidity of the business. Quote and explain TWO financial indicators (with figures) in your answer.

Financial indicators (with figures) ✓ ✓ Comment ✓ ✓

- Acid test ratio decrease from 0,8:1 to 0,75:1 (Or: Stayed the same from 0,8:1 to 0,8:1) (See 3.2.1)
- The Stockholding period improved from 154 days to 62 days / by 92 days.
- Average Debtors collection period improved from 92.5 days to 59.8 days, by 32,7 days.
- Current ratio increased from 1,3:1 to 1,4:1

For 1 mark

- Business has too much stock on hand
- Business can encourage debtors to pay faster [give discounts / charge interest / send out reminders]

4



3.2.3

**Were the partners justified in increasing the loan? Explain. Quote TWO financial indicators, with figures, in your explanation.**

Yes/No ✓ Financial indicator with figures ✓✓ Explanation ✓

**Responses for YES:**

The business is making greater use of borrowed capital (loans).  
An improvement on the return on capital employed (39% to 62%) shows that the business is making effective use of the loan to improve profitability. Interest on loan is 14% - positive gearing

**Responses for NO:**

see 3.2.1

The debt equity ratio improved from 0,1 : 1 to 0,6 : 1  
It is still low geared. Can afford to take out the loan

4

3.2.4

**Athenkosi is not happy with his return on investment. Explain why you think he feels this way. Quote figures.**

Financial indicators with figures ✓✓ Explanation ✓✓

**Financial indicators with figures:**

Athenkosi's return has increased from 48% to 52%.  
Kutloano's return increased from 81% to 102%.

**Explanation:**

He is probably unhappy because his return is almost  $\frac{1}{2}$  of Kutloano's (48%).

-He is the partner that has contributed more capital (585 000: 292 500). He manages his Current Account better (182 448 : 53 622).

4

**TOTAL MARKS**

25

**TOTAL: 150**