



**HILLCREST HIGH SCHOOL
ACCOUNTING EXAM
JUNE 2021
GRADE 11**

MARKS: 150

TIME: 2 HOURS

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. 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 1: 42 marks; 40 minutes

Topic of the question:	This question integrates:
Financial Statements	Income Statement

QUESTION 2: 40 marks; 20 minutes

Topic of the question:	This question integrates:
Financial Statement - Partnerships	Matching Columns Capital Note Current Account Note

QUESTION 3: 24 marks; 22 minutes

Topic of the question:	This question integrates:
Fixed / Tangible Assets	Theory Fixed Asset Note to the Balance Sheet

QUESTION 4: 16 marks; 8 minutes

Topic of the question:	This question integrates:
Financial Indicators and Interpretation	Ratios, Analyses, and Interpretation of Financial Statements

QUESTION 5: 28 marks; 30 minutes

Topic of the question:	This question integrates:
Reconciliation	Bank Reconciliation

**QUESTION 1:
STATEMENT OF COMPREHENSIVE INCOME**

[42 MARKS]

HALALA TRADERS

You are provided with information taken from the books of Halala Traders. Their financial year ends on 28 February 2021. The business maintained a profit mark-up of 70% on cost.

REQUIRED:

- 1.1 Prepare the Income Statement (Statement of Comprehensive Income) for the year ended 28 February 2021.

(42)

INFORMATION:

Extract of the Pre-adjustment Trial Balance on 28 February 2021

	Debit	Credit
Balance Sheet accounts section		
Vehicles		?
Accumulated depreciation on vehicles		?
Equipment	180 000	
Accumulated depreciation on equipment		80 000
Trading stock	333 000	
Debtor's control	76 300	
Provision for bad debts		4 900
Fixed deposit: South Bank	200 000	
Loan: Africa Bank		?
Creditor's control		64 450
Nominal account section		
Sales		3 825 000
Cost of sales	2 250 000	
Debtors' allowances	53 500	
Discount allowed	4 900	
Advertising	24 500	
Packing material	22 800	
Insurance	31 500	
Bank charges	4 950	
Bad debts	21 500	
Rent income		198 000
Interest on fixed deposit		16 000
Interest on loan		?
Bad debts recovered		11 200
Salaries and wages	425 500	
Employers' contributions	23 800	
Sundry expenses	405 471	

Adjustments and additional information:

- A.** An invoice for R25 500 issued to a debtor, dated 27 February 2021 for buying of goods, was not recorded.
- B.** A physical stock count on 28 February 2021 revealed the following on hand:
Trading Stock R 310 500
Packing material R 4 800
- C.** Insurance of R675 was paid in advance for the next year.
- D.** Bank charges according to the February 2021 Bank Statement amounts to, R195.
- E.** An amount of R3 900 received from K. Kosie, a debtor whose debt was written off as irrecoverable the previous year.
- F.** A debtor, L. Lindani was declared insolvent. R440 as a final dividend of 40 cents to the rand was received and recorded. Write off the remaining debt as irrecoverable.
- G.** Adjust the provision for bad debts to R4 500.
- H.** One employee was omitted in the Salaries Journal for February 2021:

Gross Salary	Deductions	Employers Contribution	Net Salary
?	R5 600	R3 200	R18 400

- I.** The loan statement received from Africa Bank:

Balance on 1 March 2020	R 314 000
Capitalised interest	?
Repayments during the year including interest	98 000
Balance on 28 February 2021	248 000

- J.** Depreciation for the year amounts to R104 999.

QUESTION 2:
FINANCIAL STATEMENT – PARTNERSHIPS

[40 MARKS]

2.1 MATCHING ITEMS – CONCEPTS

Concepts relating to partnerships are listed in COLUMN A and explanations are listed in COLUMN B. Choose an explanation from COLUMN B that matches a concept in COLUMN A. Write only the letter (A – E) next to the question number (2.1.1 – 2.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.1.1	Income Statement	A	financial statements are prepared on the assumption that the company will continue operating for the foreseeable future
2.1.2	Historical cost	B	a statement that reflects the profit or loss of the partnership
2.1.3	Ethics	C	the financial position of the partnership
2.1.4	Balance Sheet	D	the responsible way of managing a business
2.1.5	Going concern	E	assets are recorded at the original purchase price unless otherwise stated
(5)			

2.2 PARTNERSHIP NOTES TO THE FINANCIAL STATEMENTS

The information was extracted from the books of HL Traders, owned by H. Hill and L. Louw. The financial year ends on 28 February 2021.

REQUIRED:

PARTNERSHIP



- 2.2.1 Capital Note on 28 February 2021 (5)
- 2.2.2 Calculation of Interest on Capital 28 February 2021 (5)
- 2.2.3 Current Account Note 28 February 2021 (25)

INFORMATION:

1. Balances on 28 February 2021, the last day of the financial year:

Capital: H Hill (1 March 2020)	2 080 000
Capital: L Louw (1 March 2020)	1 920 000
Current Account: H Hill (1 March 2020)	25 000
Current Account : L Louw (1 March 2020)	112 000(Dr)
Drawings: H Hill	875 000
Drawings: L Louw	910 000

1. H Hill increased her capital contribution on 28 February 2021 to R2 880 000. No entry for this was recorded in the books of the business. L Louw's capital contribution remained unchanged.
2. L Louw returned merchandise which was unsuitable for his personal use with a cost price of R5 000 before stock taking had been completed. The goods returned have not yet been recorded.
3. The partnership agreement stipulates the following:
 - Partners are entitled to monthly salaries of R65 000 each.
 - Partners are entitled to interest of 8% p.a. on their capital balances on the 1st day of the financial year. On 1 December 2020, the partners increased the interest to 12% p.a.
 - H Hill receives a special bonus of 5% of the net profit.
4. After all the year-end adjustments were taken into account, the net profit for the financial year amounted to R2 030 000.
5. Remaining profits and losses must be shared in proportion to the capital balances at the end of the financial year.

QUESTION 3

[24 MARKS]

FIXED / TANGIBLE ASSETS

The information relates to PPE Traders. The financial year ended on 28 February 2021

REQUIRED:

- 3.1 Provide a reason as to why Land & Buildings is usually not depreciated. (2)
- 3.2 Briefly explain why depreciation is described as a '*non-cash item*'. (2)
- 3.3 **Refer to Information B.** (10)
Prepare the **Asset Disposal account** on 28 February 2021.
- 3.4 Calculate the missing amounts labelled **(A)** to **(E)** in the Fixed assets note. (10)

B. Asset Disposal:

An old vehicle was traded-in and a new vehicle was bought to replace it on 28 February 2021. The old vehicle cost R30 000 several years ago and was depreciated by R20 382 at the date of sale (this includes the depreciation for the current year). A small profit of R200 was made on the trade-in.



INFORMATION:

	Land & Buildings	Vehicles
Carrying value: beginning of financial year	160 000	57 800
Cost	160 000	80 000
Accumulated depreciation	0	(22 200)
Movements		
Additions at cost	(A)	60 000
Disposals at carrying value	0	(B)
Depreciation	0	(8 670)
Carrying value: end of financial year	250 000	(E)
Cost	250 000	(C)
Accumulated depreciation	0	(D)

QUESTION 4

[16 MARKS]

FINANCIAL INDICATORS AND INTERPRETATION

SUNSHINE TRADERS

The information below was extracted from the books of Sunshine Traders.

REQUIRED:

4.1 Calculate the following financial indicators for the year ended 28 February 2021:

- 4.1.1 Acid test ratio (5)
- 4.1.2 Debt equity ratio (3)
- 4.1.3 Average percentage return earned by the partners (6)

4.2 The liquidity of the business is positive. Quote **ONE** financial indicator to motivate your answer. (2)

A. Balances extracted from the financial records on 28 February:

	2021	2020
Partners' equity	4 760 000	3 440 000
Mortgage loan (12% p.a.)	1 428 000	688 000
Current assets (including stock)	?	600 000
Trade and other receivables	420 000	
Cash and cash equivalents	30 000	
Inventory	450 000	60 000
Current liabilities	300 000	300 000

B. The net profit for the year amounted to R1 230 000.

C. Financial indicators on 28 February:

	2021	2020
Current ratio	3 : 1	2 : 1
Acid test ratio	?	1,8 : 1
Stock turnover rate	5 times	7 times
Average debtor's collection period	25 days	35 days
Average percentage return of partners	?	25%
Debt/equity ratio	?	0,2 : 1
Average creditors payment period	50 days	60 days
Interest rate on fixed deposit	5%	5%
Interest rate on loans	11%	11%

QUESTION 5
BANK RECONCILIATION

[28 MARKS]

The following information relates to Wellplaced Stores for March 2021.

REQUIRED:

- 5.1 Calculate the correct Bank Account balance on 31 March 2021. You may use the ledger format. (15)
- 5.2 Prepare the Bank Reconciliation Statement for March 2021. (13)

INFORMATION:

A. Extract from the Bank Reconciliation statement on 29 February 2021:

Outstanding deposits: 13 February 2021	R17 300
24 February 2021	14 000
Outstanding EFT: No. 134	7 600
Favourable balance as per bank account	7 500

NOTE:

- The outstanding deposit of R17 300 appeared on the March 2021 bank statement.
- The outstanding deposit of R14 000 did not appear on the Bank Statement. After investigation it came to light that the bookkeeper disappeared with the money. The business decided to write this amount off as it could not be recovered.
- EFT 134 appeared on the Bank Statement for March 2021.

B. Provisional totals from the Cash Journals on 31 March 2021:

- Cash Receipt Journal, R55 400
- Cash Payment Journals, R36 900

C. The following information on the March 2021 Bank Statement did not appear in the March 2021 Cash Journals:

[NOTE ADDITIONAL INFORMATION RELATING TO THE TRANSACTIONS ON THE BANK STATEMENT]

EXTRACT: BANK STATEMENT – NEDLINK BANK DETAILS	AMOUNT
EFT – payment Town Council - Water and electricity	R1 450
EFT – payment DD Traders	5 350
Cash handling Fees	333
L. Andrews	2 850
Direct deposit	6 400
EFT costs	444
Rent income	9 300
Service fees	613
Interest charge	232

Additional information – relating to the Nedlink Bank Statement

- EFT (DD Traders). This was for settlement of our account of R6 800.
- A direct deposit of R2 850 from a debtor L. Andrews.
- The direct deposit of R6 400 appear wrongly on the Bank Statement. This will be rectified on the next bank statement.
- The rent income was received from L. Kabi.
- The bank informed the business that they overcharged/overstated service fees by R200. This will be rectified on the next statement.

D. The following information in the March 2021 Cash Journals did not appear on the Bank Statement for March 2021:

- Outstanding deposit, R22 700
- EFT 333 for R6 500 for a payment of a creditor, WW Stores.



TOTAL : 150 MARKS

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	