



HILLCREST HIGH SCHOOL

**ACCOUNTING EXAM
PAPER 1
NOVEMBER 2022
GRADE 11**

MARKS: **150**

TIME: **2 HOURS**

INSTRUCTIONS AND INFORMATION:

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions
3. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it 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 (Income Statement) Trade & Other Receivables Note	65	55
2	Notes to the Balance Sheet Extract to the Statement Financial Position (Balance Sheet)	60	50
3	Analysis and interpretation	25	15
TOTAL		150	120

QUESTION 1: STATEMENT OF COMPREHENSIVE AND NOTE (65 marks; 55 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 1.1.3) in the ANSWER BOOK.

non-current assets; current assets; non-cash item;
operating income; equity

1.1.1 Consumable stores on hand

1.1.2 Fixed deposit that matures in three years' time

1.1.3 Depreciation (3)

1.2 **MONKEY STORES**

Information from the records of Monkey Stores (with partners M. Monk and K. Keyser) for the financial year ended 28 February 2022 is provided.

REQUIRED:

1.2.1 Prepare the Trade and other receivables note to the Balance Sheet on 28 February 2022. (10)

1.2.2 Prepare the Statement of Comprehensive Income (Income Statement) for the financial year ended 28 February 2022. (52)

INFORMATION:

Extract from the Pre-Adjustment Trial Balance on 28 February 2022

BALANCE SHEET SECTION	Debit	Credit
Loan: BB Bank		?
Trading stock	197 600	
Debtor's control	68 500	
Provision for bad debts		9 760
Fixed deposit: BASA Bank (6% p.a.)	240 000	
Creditor's control		88 600
NOMINAL ACCOUNTS SECTION		
Sales		?
Cost of sales	2 506 000	
Debtors' allowances	56 300	

Discount received		5 370
Discount allowed	4 940	
Water and electricity	59 300	
Bad debts recovered		11 450
Salaries and wages	304 500	
Employers Contributions	33 940	
Stationery	33 800	
Rent income		134 992
Bank charges	9 210	
Interest income		?
Interest expense	?	
Insurance	43 500	
Bad debts	21 160	
Telephone	33 800	
Packing material	24 300	
	?	?

ADJUSTMENTS AND ADDITIONAL INFORMATION :

- A Goods are sold at a mark-up of 55% on cost. During February 2022, old stock costing R96 000 was sold at 25% below cost. This transaction was recorded.
- B The telephone account for February 2022 was not recorded yet, R2 450.
- C Stationery to the value of R1 960 was stolen during a burglary. It was not insured, and no entry has been made yet.
- D The business made a donation of stock, R5 200, to an old age home before stock count. No entry was made of this transaction.
- E A debtor was declared insolvent. Received R1 950 from the debtor as a final dividend of 25 cents to the Rand. This was received and recorded. Write off the remaining debt as irrecoverable.

- F Physical stock taking on 28 February 2022:
- Trading stock, R191 800
 - Packing material, R4 175
- G An amount of R7 460 received from a debtor whose debt was written off as irrecoverable the previous year, was credited to the Debtors control account. Correct the error.
- H Adjust the provision for bad debts to R7 745.
- i The February 2022 Bank Statement was received and bank charges for February 2022 amounted to R336.
- J The insurance amount includes an annual premium of R11 760 paid on 1 August 2021.
- K The rent increased by 11% from 1 October 2021. The rent for February 2022 was not received yet.
- L Depreciation correctly calculates:
- Vehicles, R71 700
 - Equipment, R18 500.
- M An employee on leave was not entered in the Salaries Journal for February 2022. The details from her payslip were as follows:

	R
Gross Salary	?
Net Salary	17 900
Total deductions	?
PAYE deduction	5305
Pension Fund (8%)	2 040
UIF	255

- The business contributes 12% of the gross salary to the Pension Fund and 1% to the UIF.
- N Interest on the loan is capitalised. The loan statement received from BB Bank reflected the following on 28 February 2022:

Balance on 1 March 2021	R440 000
Interest	?
Monthly payment amounted to R9 600	?
Balance on 28 February 2022	366 000

- O Interest on fixed deposit is the balancing figure.

QUESTION 2: NOTES TO BALANCE SHEET AND STATEMENT OF FINANCIAL POSITION
(60 marks; 50 minutes)

DORLU TRADERS

D. Doriaan and L. Lulu are partners in the firm who trades as Dorlu Traders. The financial year ends on the last day of February each year.

REQUIRED

- 2.1 Prepare the following notes to the Balance sheet on 28 February 2022.
- 2.1.1 Complete the Fixed Asset Note. (17)
- 2.1.2 Current Accounts (18)
- 2.2 Complete the Statement of Financial Position on 28 February 2022. (25)

INFORMATION

A. Extract from the records of Dorlu Traders on 28 February 2022.

	R
Capital: D. Doriaan	750 000
Capital: L. Lulu	420 000
Current Account: D. Doriaan (1/3/2021)	62 500 (Cr)
Current Account: L. Lulu (1/3/2021)	62 000 (Dr)
Drawings: D. Doriaan	84 800
Drawings: L. Lulu	123 700
Fixed assets at carrying value	?
Fixed deposit	300 000
Loan: DD Bank	1 436 549
Creditor's control	352 200
Debtor's control	456 000
Provision for bad debts	29 000
Income received in advance	15 600
Prepaid expenses	23 400
Trading Stock	475 000
Consumable stores on hand	13 600
SARS – PAYE	13 800
Cash Float	?
Bank Overdraft	?

B. FIXED ASSETS:

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value (1/03/2021)	1 400 000	60 000	120 000
Cost	1 400 000	680 000	185 000
Accumulated depreciation	(0)	(620 000)	(65 000)
Movements:			
Additions			70 000
Disposals at carrying value	0		(0)
Depreciation			
Carrying value (28/02/2022)			
Cost			255 000
Accumulated depreciation			

C. Additional information on 28 February 2022:

- (i) A storeroom was upgraded for R154 998, the bookkeeper recorded this as repairs. Correct the error.
- (ii) A vehicle was sold on 1 December 2021 for cash for R25 000.

Cost price	R180 000
Accumulated depreciation on 1/3/2021	126 000

- Depreciation on vehicles is calculated at 20% p.a. on cost price method.
 - A new vehicle for R360 000 was purchased on 27 February 2022 on credit. This transaction was recorded.
- (iii) New equipment was purchased on 1 September 2021. This transaction was properly recorded. Depreciation on equipment is calculated at 10% p.a. on the diminishing balance method.
- (iv) **Changes to Capital contribution:**
- D. Doriaan decreased his capital contribution by withdrawing R150 000 from the business on 1 November 2021. This was properly recorded.

- L. Lulu increased her capital contribution on 1 September by an EFT transfer of R120 000 to the business. This was properly recorded.
- (v) **Drawings:**
- D. Doriaan withdrew R7 500 stock on 28 February 2022. This transaction was not recorded.
- (vi) **Distribution of profit:**
- D. Doriaan is entitled to:**
- An annual salary of R180 000.
 - Interest on capital at 12% p.a. on his total capital for the year. Remember the changes during the year.
- L. Lulu is entitled to:**
- Salary of R60 000 less than D. Doriaan.
 - Interest on capital of R43 200
 - An annual bonus of R20 000
- (vii) Net profit for the year amounts to R495 200. Remaining profit must be shared in the ratio 1:1 between Doriaan and Lulu.
- (viii) A debtor with a credit balance of R12 000 must be transferred to the Creditor's ledger.
- (ix) R75 000 of the loan will be repaid during 2023.

QUESTION 3: ANALYSIS AND INTERPRETATION**(25 marks; 15 minutes)**

3.1 S. Summer and S. Spring are partners in a partnership business trading as SS Stores. The financial year ends on 28 February 2022.

REQUIRED:

3.1.1 Calculate the following ratios for 2022. All calculations must be rounded off to ONE decimal place.

- Acid test ratio (4)
- Debt-equity ratio (3)
- Average percentage return on partners equity (5)

3.2 Comment on the risk and gearing of the business. Quote ONE financial indicator with figures to support your answer. (6)

3.3 Comment on the liquidity position of the business. Quote THREE financial indicators with figures to support your answer. (7)

INFORMATION

A The following balances were extracted from the accounting records:

	2022 R	2021 R
Net profit	550 000	400 000
Partners' Equity	2 000 000	1 800 000
Capital: S. Summer	1 000 000	900 000
Capital: S. Spring	800 000	700 000
Current account: S. Summer	160 000 Cr	120 000 Cr
Current account: S. Spring	40 000 Cr	80 000 Cr
Mortgage loan (13% p.a.)	800 000	400 000
Current assets	180 000	150 000
Inventories	125 000	80 000
Trade and other receivables	35 000	55 000
Cash and cash equivalents	20 000	15 000
Current liabilities	120 000	75 000

B The following financial indicators are provided for you:

	2022	2021
Return on average partners equity	?	21%
Debt/equity ratio	?	0,1 : 1
Current ratio	1,5:1	2,0 : 1
Acid test ratio	?	1,0 : 1
Debtors' collection period	30 days	37 days
Return on total capital employed	25%	20%

25

TOTAL MARKS: 150

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		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Owners' equity	Total assets: Total liabilities	
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$		