



# education

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**NORTH WEST PROVINCE**

**PROVINCIAL ASSESSMENT**

**GRADE 11**

**ACCOUNTING**

**PAPER 1**

**NOVEMBER 2019**

**MARKS: 150**

**TIME: 2 hours**

**This paper consists of 11 pages, 1 formula sheet  
and a 10-page answer book.**

**INSTRUCTIONS AND INFORMATION:**

Read the following instructions carefully and follow them.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legible.
8. Use the formula sheet provided.

9. Use the information in the table provided as a guideline to answer the question paper.  
Try Not to aviate from it.

**QUESTION 1: 20 marks; 15 minutes**

| <b>Topic of the question</b> | <b>This question integrates</b>  |
|------------------------------|--|
| Clubs                        | <b>Managerial accounting</b><br>Ledger accounts of clubs and interpretation of the accounts. |

**QUESTION 2: 55 marks; 45 minutes**

| <b>Topic of the question</b> | <b>This question integrates</b>  |
|------------------------------|--|
| Partnerships                 | <b>Financial accounting</b><br>Financial statements and calculations.<br><b>Managerial accounting</b><br>Analysis and interpretation of financial information of partnerships. |

**QUESTION 3: 45 marks; 35 minutes**

| <b>Topic of the question</b> | <b>This question integrates</b>  |
|------------------------------|--|
| Fixed assets and ethics      | <b>Financial accounting</b><br>Notes to the financial statements of a partnership.<br><b>Managing recourses</b><br>Internal control and ethics |

**QUESTION 4: 30 marks; 25 minutes**

| <b>Topic of the question</b>       | <b>This question integrates</b>  |
|------------------------------------|--|
| Inventory systems and partnerships | <b>Managing recourses</b><br>Periodic inventory systems<br><b>Managerial accounting</b><br>Analysis and interpretation of financial information. |

**QUESTION 1: INTERPRETATION OF LEDGER ACCOUNTS OF CLUBS****(20 marks; 15 minutes)****REQUESTED:**

Study the accounts below and answer the following questions:

- 1.1 How many new members joined at the beginning of the 2019 financial year? (3)
- 1.2 How many members does the club have? (3)
- 1.3 What will the amount/amounts be for *Membership fees* in the Statement of Receipts and Payments? (2)
- 1.4 There is an amount of R9 900 on the debit side of the *Membership fees account*. Explain why the contra account of this amount is strictly speaking incorrect and explain what the correct details should be. (3)
- 1.5 Give one possible explanation for the entry of R90 on the debit side of the *Membership fees* account. (1)
- 1.6 Give one possible explanation for the entry of R90 on the credit side of the *membership fees* account. (2)
- 1.7 How many members paid their 2020 membership fees during 2019? (1)
- 1.8 Explain why there is an *Accrued Income* entry on both sides of the *Membership fees* account. (4)
- 1.9 Explain why it is unlikely that there will be an *Accrued Income* entry in the *Entrance fees* account. (1)

**INFORMATION:**

**GENERAL LEDGER OF “DIE WILGERS” SOCIAL CLUB**  
**Membership fees**

|                   |    |                            |  |        |                   |    |                             |  |        |
|-------------------|----|----------------------------|--|--------|-------------------|----|-----------------------------|--|--------|
| Jan <sup>19</sup> | 1  | Accrued income             |  | 360    | Jan <sup>19</sup> | 1  | Income received in advance  |  | 270    |
| Dec               | 31 | Income received in advance |  | 540    | Dec               | 31 | Bank                        |  | 9 720  |
|                   |    | Bank                       |  | 90     |                   |    | Membership fees written off |  | 180    |
|                   |    | Profit and loss            |  | 9 900  |                   |    | Refreshments                |  | 90     |
|                   |    |                            |  |        |                   |    | Accrued income              |  | 630    |
|                   |    |                            |  | 10 890 |                   |    |                             |  | 10 890 |
|                   |    |                            |  |        |                   |    |                             |  |        |

**Entrance fees**

|                   |    |                  |  |       |                   |    |      |  |       |
|-------------------|----|------------------|--|-------|-------------------|----|------|--|-------|
| Dec <sup>19</sup> | 31 | Accumulated fund |  | 1 575 | Dec <sup>19</sup> | 31 | Bank |  | 1 575 |
|                   |    |                  |  |       |                   |    |      |  |       |

**Additional information:**

- (a) The Membership fee is R90 per member per year.
- (b) Each new member pays an entrance fee of R225 before being accepted as a member.
- (c) All the new members joined at the beginning of the year and no members resigned from the club.

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**QUESTION 2: FINANCIAL STATEMENTS OF A PARTNERSHIP****(55 marks; 45 minutes)**

The accounting period for SAPA Traders, with partners S. Saul and S. Paul, ends annually on the last day of February. The given information appeared in their books on 28 February 2019.

**REQUIRED:**

- 2.1 Draw up SAPA Traders' Balance Sheet on 28 February 2019, with the given notes. (40)
- 2.2 Comment on the solvency and the liquidity of the business by calculating the following ratios: solvency ratio, current ration and the acid test ratio. (15)

**INFORMATION:****A. PRE-ADJUSTMENT TRAIL BALANCE OF SAPA TRADERS AS AT 28 FEBRUARIE 2019.**

| <b>Balance Sheet accounts</b>         | <b>Fol.</b> | <b>Debit</b> | <b>Credit</b> |
|---------------------------------------|-------------|--------------|---------------|
| Capital: S. Saul                      |             |              | 216 000       |
| Capital: S. Paul                      |             |              | 180 000       |
| Drawings: S. Saul                     |             | 80 120       |               |
| Drawings: S. Paul                     |             | 90 520       |               |
| Current account: S. Saul              |             |              | 4 201         |
| Current account: S. Paul              |             |              | 4 504         |
| Land and buildings                    |             | 340 000      |               |
| Vehicles                              |             | 72 000       |               |
| Equipment                             |             | 50 000       |               |
| Accumulated depreciation on vehicles  |             |              | 16 200        |
| Accumulated depreciation on equipment |             |              | 10 260        |
| Trading stock                         |             | 40 500       |               |
| Debtors control                       |             | 9 765        |               |
| Provision for bad debts               |             |              | 612           |

|                           |  |           |           |
|---------------------------|--|-----------|-----------|
| Bank                      |  | 22 210    |           |
| Creditors control         |  |           | 24 983    |
| Fixed deposit: AB Bank    |  | 17 000    |           |
| <b>Nominal accounts:</b>  |  |           |           |
| Sales                     |  |           | 1 001 500 |
| Cost of sales             |  | 511 200   |           |
| Debtors allowances        |  | 2 750     |           |
| Rates and taxes           |  | 2 808     |           |
| Stationery                |  | 1 962     |           |
| Rent income               |  |           | 15 400    |
| Bad debts                 |  | 206       |           |
| Repairs                   |  | 1 386     |           |
| Telephone                 |  | 5 120     |           |
| Bad debts recovered       |  |           | 2 246     |
| Insurance                 |  | 4 772     |           |
| Wages                     |  | 47 520    |           |
| Bank charges              |  | 1 841     |           |
| Water and electricity     |  | 4 251     |           |
| Interest on fixed deposit |  |           | 2 052     |
| Salaries                  |  | 172 000   |           |
|                           |  | 1 477 931 | 1 477 931 |

**B. Adjustments and additional information:**

- (a) Partner S. Saul took goods with a cost price of R1 200 for personal use before the stock take. The transaction has not been recorded yet.
- (b) Trading stock was sold to R. Viljoen on 27 February 2019 for R1 080 (cost price R940). All the necessary documentation has been completed and recorded. The goods have not been collected by R. Viljoen and the sale was not taken into account during the stock take.
- (c) Stock on hand:
- Trading stock                      R39 900
  - Stationery                              R101
- (d) An invoice was received from H&H Motors for the repair of a vehicle, R670. The necessary entries must still be done.
- (e) Included with the amount for insurance is an annual premium of R2 640 on a policy renewed on 1 May 2018.
- (f) Part of the building has been rented out since 1 May 2018. The rent for March 2019 has already been received and recorded.
- (g) The telephone account for February 2019 was received but not yet paid, R508.

(h) Sharing of profit:

- The partners are entitled to interest on capital at 15% per year.
- Each partner is entitled to a salary of R7 800 per month.
- Partner S. Saul receives a bonus of R4 000.
- The remaining profit/loss must be equally shared between the partners.

(i) Net profit for the year is R251 860.

|    |
|----|
| 55 |
|----|

**QUESTION 3: FIXED ASSETS AND ETHICS**

**(45 marks; 35 minutes)**

The following information was extracted from the records of Malofo Sports Club.

**REQUIRED:**

- 3.1 The fixed/tangible asset-note for the Financial Statements on 31 December 2018. (40)
- 3.2 Calculate the amount paid to the supplier of the new equipment. (2)
- 3.3 Pete Malofo is not happy that his brother, Jo Malofo purchased old equipment at a loss from the business. He feels that they could sell it at a profit to someone else or trade it in on new equipment. Do you think he had a reason to be unhappy about it? Motivate your answer. (3)

**INFORMATION:**

**A. EXTRACT FROM THE POST-CLOSING TRAIL BALANCE ON 31 DECEMBER 2017:**

|                                       |         |
|---------------------------------------|---------|
| Vehicle                               | R90 000 |
| Accumulated depreciation on vehicles  | ?       |
| Equipment at cost                     | R25 000 |
| Accumulated depreciation on equipment | R7 200  |

**B. EXTRACT FROM THE STATEMENT OF RECEIPTS AND PAYMENTS ON 31 DECEMBER 2018:**

|                                 |        |
|---------------------------------|--------|
| <b>Payments</b>                 |        |
| Vehicles                        | ?      |
| Equipment                       | R2 000 |
| Creditor (for equipment bought) | ?      |

**C. Additional information that needs to be considered:****(a) Vehicles:**

- The vehicle for R90 000 was acquired on 30 June 2016.
- The second-hand vehicle was bought on 30 September 2018.
- No vehicles were sold during the current period.
- Vehicles are depreciated at 20% p.a. on carrying value.
- The year-end (31 December 2018) balance of the accumulated depreciation on vehicles after taking the above into account was calculated at R40 060.

**(b) Equipment:**

- On 31 May 2018 Jo Mafola bought outdated equipment (cost price R2 400) at a loss of R500 for himself. New equipment with a price of R25 000 was bought on credit to replace the old equipment. The book value of the old equipment was R840 on the first day of the accounting period. At year-end (31 December 2018) the supplier of the new equipment was still owed R9 000.
- Additional equipment was purchased for cash on 1 June 2018.
- Equipment is depreciated at 10% p.a. on carrying value.

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**QUESTION 4: PERIODIC INVENTORY AND ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS** **(30 marks; 25 minutes)**

**4.1 PERIODIC INVENTORY**

High Flying T-shirts imports one design of T-shirts from “The T-Shirt Co” in Egypt. They use the periodic inventory system.

**REQUIRED:**

Calculate the cost of sales for the year ended 31 December 2018. (10)

**INFORMATION:**

**A.** The following balances appear in the books on 31 December 2018:

|   |          |
|---|----------|
| Trading stock - 1 January 2018 (3 000 T-shirts) | R75 000  |
| Purchases (35 000 T-shirts)                     | R875 000 |
| Carriage on purchases                           | R90 250  |
| Carriage on sales                               | R12 500  |
| Custom duties                                   | R87 500  |



**B. Adjustments and additional information.**

- (a) An additional 10 000 T-shirts were ordered from “The T-Shirt Co.” in December. The order was received on 20 December 2018 and the account of R250 000 is still outstanding.
- (b) Custom duties equal to 10% of this purchase was paid immediately.
- (c) Carriage on purchase amounting to R16 000 was paid to Fast Freight for transporting the T-shirts from Egypt to South Africa.
- (d) T-shirts costing R20 000 were returned to “The T-Shirt Co.” on 30 December.
- (e) No entry has been made of 200 T-shirts with a cost price of R5 000 which were donated to the organizers of the local yacht race on 29 December.
- (f) According to a stock count on 31 December 2018 there were 3 750 T-shirts on hand valued at R93 750.

**4.2 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS.**

You have Financial Statements of two Clothing businesses for the year ended 28 February 2019.

**REQUIRED:**

- 4.2.1 The return on average equity of Bonny’s Clothing. (5)
- 4.2.2 Clyde’s current ratio. (3)
- 4.2.3 Bonny’s stock turnover rate. (4)
- 4.2.4 Clyde’s average debtors’ collection period. (5)
- 4.2.5 Clyde’s profit is higher than Bonny’s. Does this mean that her business is better? Explain. (3)

**INFORMATION:****A. Background**

Bonny started her clothing shop 5 years ago. Her aim is to supply good quality clothing at an affordable price. She is passionate about providing good service and is efficient and hardworking. She has an accounting qualification and does all the buying, management and administration of the shop herself. She employs only one salesperson to help her.

Clyde started her boutique 3 years ago. She did a clothing design course after school and is passionate about colourful, fashionable clothing. She is a “peoples person” who loves to be out and about in town so that she keeps in touch with the latest trends. She is not very disciplined and had to employ others to do the administration and accounting work for her.

**B. Setting the scene.**

Clyde has just had a meeting with her accountant to discuss the Financial Statements of Clyde’s Boutique. He has pointed out that there are a few problem areas in the business which need attention. He suggests that she thinks of going into partnership with someone and has suggested that she meets Bonny, a friend of his, who also owns a clothing shop.

**C. EXTRACT FROM THE INCOME STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019.**

|                    | <b>Bonny Clothing</b> | <b>Clyde’s Boutique</b> |
|--------------------|-----------------------|-------------------------|
| Sales              | 1 950 000             | 2 500 000               |
| Cost of sales      | (1 300 000)           | (1 250 000)             |
| Gross profit       | 650 000               | 1 250 000               |
| Operating expenses | (450 000)             | (700 000)               |
| Operating profit   | 200 000               | 550 000                 |
| Interest expense   | -                     | (35 000)                |
| Net profit         | 200 000               | 515 000                 |

**D. BALANCE SHEETS ON 28 FEBRUARY 2019**

|                                     | <b>Bonny Clothing</b> | <b>Clyde’s Boutique</b> |
|-------------------------------------|-----------------------|-------------------------|
| <b>ASSETS</b>                       |                       |                         |
| Non-current assets                  | 255 000               | 1 520 000               |
| Current assets                      | 290 000               | 590 000                 |
| Inventory (only trading stock)      | 150 000               | 245 000                 |
| Trade and other receivable amounts  | 90 000                | 344 000                 |
| Cash and cash equivalents           | 50 000                | 1 000                   |
| <b>TOTAL ASSETS</b>                 | <b>545 000</b>        | <b>2 110 000</b>        |
|                                     |                       |                         |
| <b>EQUITY AND LIABILITIES</b>       |                       |                         |
| Owners equity                       | 405 000               | 1 390 000               |
| Capital                             | 385 000               | 1 425 000               |
| Net profit                          | 200 000               | 515 000                 |
| Drawings                            | (180 000)             | (550 000)               |
| Non-current liabilities             | -                     | 350 000                 |
| Mortgage loan (10%p.a.)             | -                     | 350 000                 |
| Current liabilities                 | 140 000               | 370 000                 |
| Trade and other payable amounts     | 140 000               | 295 000                 |
| Bank overdraft                      | -                     | 75 000                  |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>545 000</b>        | <b>2 110 000</b>        |

**E. The following information has been taken from the two sets of Financial Statements:**

| <b>FINANCIAL INDICATORS</b> |   | <b>Bonny Clothing</b> | <b>Clyde's Boutique</b> |
|-----------------------------|---|-----------------------|-------------------------|
| 1.                          | Gross profit as a percentage of cost of sales | 50%                   | 100%                    |
| 2.                          | Gross profit as a percentage of sales         | 33 $\frac{1}{3}$ %    | 50%                     |
| 3.                          | Operating expenses as a percentage of sales   | 23,1%                 | 28%                     |
| 4.                          | Net profit as a percentage of sales           | 10,3%                 | 20,6%                   |
| 5.                          | Return on average equity                      | ?                     | 36,6%                   |
| 6.                          | Degree of solvency                            | 3,9 : 1               | 3 : 1                   |
| 7.                          | Current ratio                                 | 2,1 : 1               | ?                       |
| 8.                          | Acid test ratio                               | 1 : 1                 | 0,9 : 1                 |
| 9.                          | Rate of stock turnover                        | ?                     | 5,5 times               |
| 10.                         | Stock holding period                          | 39 days               | 66 days                 |
| 11.                         | Average debtors collection period             | 26 days               | ?                       |
| 12.                         | Average creditors payment period              | 58 days               | 90 days                 |
| 13.                         | Debt: equity ratio                            | 0                     | 0,25 : 1                |

**F. NOTES**

|                                     |          |          |
|-------------------------------------|----------|----------|
| Trading stock at end of last year   | R130 000 | R210 000 |
| Debtors balance at end of last year | R95 000  | R310 000 |
| Credit sales                        | 50%      | 80%      |

**30****TOTAAL: 150**

**FORMULA SHEET GRADE 11**

|   |   |
|---|---|
| Current assets – Current liabilities                                      | $\frac{\text{Creditors}}{\text{Credit purchases}} \times \frac{365}{1}$       |
| Total assets : Total liabilities  | Non-current liabilities : Owners equity                                       |
| $\frac{\text{Cost of sales}}{\text{Average inventory}}$                   | $\frac{\text{Trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$      |
| $\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$ | Current assets : Current liabilities  |
| Current assets – inventory : Current liabilities                          | $\frac{\text{Net profit}}{\text{Average owners equity}} \times \frac{100}{1}$ |