



Education

KwaZulu-Natal Department of Education
REPUBLIC OF SOUTH AFRICA

ACCOUNTING

JUNE 2017

COMMON TEST

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

MARKS: 300

TIME : 3 hours

This question paper consists of 14 pages and a 11 page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions and be sure to follow them carefully:

1. Answer **ALL** the questions.
2. A special **ANSWER BOOK** is provided in which to answer all the questions.
3. Workings must be shown in brackets in order to earn part marks.
4. Non-programmable calculators may be used.
5. You may use dark pencil or black / blue pen to answer the questions.
6. Marks will be deducted for missing details and foreign entries.
7. Use the information in the table on the next page as a guide when answering the question paper:

QUESTION 1: 45 Marks; 24 Minutes

Topic of the question:	This question integrates:
Bank Reconciliation	<ul style="list-style-type: none"> • Transaction Analysis • Bank Reconciliation Statement • Year-end transaction • Internal control

QUESTION 2: 55 Marks; 33 Minutes

Topic of the question:	This question integrates:
Non Profit Organisations	<ul style="list-style-type: none"> • General Ledger • Internal Control

QUESTION 3: 45 Marks; 24 Minutes

Topic of the question:	This question integrates:
Partnerships – Current Account Note	<ul style="list-style-type: none"> • Capital Accounts • Current Accounts • Problem Solving

QUESTION 4: 55 Marks; 33 Minutes

Topic of the question:	This question integrates:
Partnerships – Financial Statements	<ul style="list-style-type: none"> • Calculation of Net Profit • Balance Sheet

QUESTION 5: 55 Marks; 33 Minutes

Topic of the question:	This question integrates:
Tangible Assets	<ul style="list-style-type: none"> • General Ledger • Asset Disposal • Tangible Assets Note • Internal Control

QUESTION 6: 45 Marks; 33 minutes

Topic of the question:	This question integrates:
Partnership Analysis and Interpretation	<ul style="list-style-type: none"> • Interpretation of financial information • Internal Control

QUESTION 1**(45 Marks; 24 Minutes)****BANK RECONCILIATION**

The information below was extracted from the books of WD Stores for January 2017

REQUIRED:

- 1.1 Complete the table provided in your answer book for all transactions that will be entered into either the **Cash Receipts Journal** or the **Cash Payments Journal**. (32)

Example:

R2 000 was received for rent from D Thotha, the tenant.

CRJ	CPJ	Amount	Account DR	Account CR
x		2 000	Bank	Rent Income

- 1.2 Prepare the Bank Reconciliation Statement as at 31 January 2017. (8)
- 1.3 **Refer to information J:** (5)
Explain how cheque number 571 would be treated when preparing the Financial Statements at the end of February 2017. Give a reason for your answer.

INFORMATION:**A. Details from the Bank Reconciliation Statement for December 2016:**

Favourable Balance as per Bank Statement	5 980
Outstanding Cheques	
No 560	2 300
No 564	1 860
No 566 (dated 5 January 2017)	3 620
No 569	5 577
Outstanding Deposits	7 070
Balance as per Bank Account	?

B - K. A comparison between the Bank Statement for January 2017 from Fig Tree Bank, and the Cash Journals for January 2017 revealed the following differences:

- B. The Bank Statement showed an unfavourable balance of R3 600 at the end of January 2017.
- C. Cheque no 560 had been issued to pay the account of a creditor. This cheque was lost in the post and must be cancelled. A new cheque (No 582) was issued to settle this amount. **No entries have been made.**

- D. The outstanding deposit, from December 2016, appeared on the Bank Statement for January 2017.
- E. Cheque no 564 appears on the Bank Statement for January 2017 for R1 680. It had been wrongly entered in the Cash Journal. This cheque has been issued to "Mr Fix It" for repairs.
- F. The Bank Statement showed a debit order for R2 600 in favour of the municipality for water and electricity.
- G. A cheque for R?, dated 30 January 2017, was received from a debtor in full settlement of her account of R700. A R60 discount was given. No entry has been made for this transaction.
- H. Cheque no. 569 for R5 777 is correct according the Bank Statement. The cheque had been issued for "LED Manufacturers" for Trading Stock purchased.
- I. Fig Tree bank charged WD Stores with the following amounts:

Service Fees	323
Interest on Overdraft	65

- J. The following cheques were recorded in the relevant Journal for January, but did not appear on the Bank Statement:

No 571 (dated 10 March 2017)	2 465
No. 574 (dated 31 January 2017)	854

- K. A deposit of R8 765 made on 30 January 2017, was correctly recorded in the relevant Journal, but did not appear on the Bank Statement.

QUESTION 2**(55 Marks; 33 Minutes)****NON PROFIT ORGANISATIONS**

Your are provided with information from the records of Underberg Running Club.

REQUIRED:

- 2.1 Explain the difference between the Statement of Receipts and Payments and the Statement of Income and Expenditure. (4)
- 2.2 Prepare the following accounts in the General Ledger for the year ending 30 April 2017:
- 2.2.1 Membership Fees (19)
- 2.3.2 Tracksuits (13)
- 2.3 Complete the following questions regarding the club tracksuits:
- 2.3.1 Calculate the mark up percentage applied to each tracksuit sold. (6)
- 2.3.2 In your opinion, is this markup percentage suitable? Give a reason for your answer. (3)
- 2.3.3 Thandi, the club treasurer, is concerned that some tracksuits have been misplaced this year. Calculate how many tracksuits are missing. (6)
- 2.3.4 Discuss **TWO** ways in which control of the tracksuits can be improved upon so that more do not go missing in the future. (4)

INFORMATION:**A. Extract for the Balance Sheet on 30 April:**

	30 April 2017	30 April 2016
Stock of Tracksuits	6 400	4 000
Accrued Income (Membership Fees)	16 700	7 800
Deferred Income (Membership Fees)	?	10 000

B. Extract from the Statement of Receipts & Payments for the year ended 30 April 2017

Receipts	
Entrance Fees	18 000
Membership Fees	489 700
2016	5 200
2017	472 500
2018	12 000
Sale of 198 Tracksuits	118 800
Payments	
Refunds of membership Fees	4 400
Purchase of 215 tracksuits.	86 000

C. Membership Fees

- Some members choose to pay their membership fees in monthly installments.
- Members who had not settled the amounts owed in respect of their 2016 membership fees were expelled from the club.
- A honorarium of R2 500 is due to the clubs chairman. This will be offset against his membership fees.
- 3 members resigned from the club during the year. A portion of each member's fees were refunded to them in cash.
- Several new members joined the club during the year. Their membership fees were calculated according to the number of full months they were part of the club.

D. Tracksuits

- It is compulsory for all club members to have a tracksuit for any races that they attend.
- The cost price and selling price of tracksuits have remained constant.
- All purchases and sales of tracksuits are done for cash.
- Two tracksuits were given at prizes as the annual prize giving to the best male and best female athlete. This transaction was recorded as a donation.

QUESTION 3**(45 Marks, 24 Minutes)****PARTNERSHIPS – CURRENT ACCOUNTS NOTE**

The information given below relates to AMW Stores, with partners Andy, Mark and Wandile. The Financial year ends on 28 February each year.

REQUIRED

- 3.1 Complete the following Notes to the Balance Sheet as at 28 February 2017. Some amounts have been pre-printed for you.
- 3.1.1 Capital (The total column is not required). (8)
- 3.1.2 Current Accounts (35)
- 3.2 Mark has decided not to work for the business, so he does not get paid a salary. Identify **ONE** possible reason for him making this decision. (2)

INFORMATION:**Pre-adjustment Trial Balance on 28 February 2017**

Capital : Andrew	245 000
Capital: Mark	250 000
Capital: Wandile	280 000
Current Account: Andrew	56 500 (cr)
Current Account: Mark	10 400 (cr)
Current Account: Wandile	75 000(dr)

ADDITIONAL INFORMATION:

- Changes to the Capital accounts during the financial year were as follows:
 - Wandile increased his capital contribution by R60 000 on 31 August 2016, by transferring a vehicle into the name of the business.
 - Andrew decrease his capital by R45 000 on 28 February 2017. **This has not yet been recorded.**
- The Net Profit for the year ended 28 February 2017 amounted to R2 450 000.
- The Partnership agreement states the following:
 - Partners are entitled to an annual salary. The following amounts are due in this regard:

Andrew	R360 000 per year
Mark	R0 (He does not work in the business)
Wandile	R40 000 per month.

- If the business has a net profit over R2 000 000, a bonus of 30% of the annual salary is paid to both Andrew and Wandile.
- Interest on capital of 10% per annum.
- Remaining profits and losses are to be split between Andrew, Mark and Wandile in the ratio of 2 : 1 : 2.

QUESTION 4**(55 Marks; 33 Minutes)****PARTNERSHIPS – FINANCIAL STATEMENTS**

You are provided with information from the records of Shaggy Carpets. This business is owned by two partners, S. Sithole and M Moodley. The sell, fit and repair carpets. Installation and repair fees are reflected as fee income. A mark up of 50% is applied on all carpets sold.

REQUIRED:

- 4.1 Calculate the correct Net Profit for the year ended 28 February 2017. (15)
- 4.2 Complete the Balance Sheet for the year ended 28 February 2017. **Some answers have been completed for you.** (40)

INFORMATION:**A. Extract from the Pre-Adjustment Trial balance on 28 February 2017**

	DR	CR
Bank	25 200	
Loan: Easy Finance		?
Fixed Deposit: Violet Bank	160 000	
Trading Stock	677 000	
Debtors Control	255 000	
Provision for Bad Debts		16 000
Cash Float	3 000	
Petty Cash	2 000	
Creditors Control		282 000
SARS (PAYE)		19 300

- B. The Net profit, **before** the adjustments below were taken into consideration was R1 705 530.
- C. The water and electricity account for February 2017 of R2 520 still needs to be paid.

- D. A cash customer paid R4 500 for a carpet (Selling price is R3 000), and the installation of the carpet. The payment was recorded. This carpet will only be delivered and installed in March 2017.
- E. The rent has been paid up to 30 April 2017. Note that Rent was increased by 10% on 1 January 2017. The rent expense account currently has a total of R115 200.
- F. During a fire in February 2017, carpeting worth R80 000 was damaged. The policy stated that the excess payable on all claims made by the business is R10 000. The rest will be deposited into the business bank account during March 2017.
- G. Further bad debts of R6 000 are to be written off and the Provision for Bad Debts is to be adjusted to 8% of book debts.
- H. A physical count at the end of the year reflects that Trading Stock on hand at the end of the year amounted to R604 200.
- I. The loan statement received from Easy Finance reflected the following:

Balance on 1 March 2016	284 000
Interest capitalised	?
Repayments during the year (including interest)	74 000
Balance on 28 February 2017	239 400

All repayments have been debited to the loan account, but **no entry has been made to record the interest**. According to the loan agreement, the capital portion of the loan will be reduced by R4 500 per month for the next financial year.

- J. One of the fixed deposits, valued at R42 000 will mature in July 2017.

QUESTION 5**(55 Marks; 33 Minutes)****TANGIBLE ASSETS****5.1. FLOWER POWER FLORIST**

The information below relates to Flower Power, a specialist, on-line store that delivers flowers around the greater Durban area. The financial year ended 28 February 2017.

REQUIRED:

- 5.1.1 Complete the missing details/amounts labeled (A) to (I) in the given General Ledger accounts. (20)
- 5.1.2 Identify **TWO** possible reasons for Flower Power disposing this vehicle. (2)
- 5.1.3 The owner of "Flower Power" has discovered that some of her drivers are using the business vehicles for personal reasons. (3)
- a) In your opinion is this a problem? Give a reason for your answer. (3)
- b) What **TWO** control measures can be put into place to prevent this from happening in the future? (4)

INFORMATION

**General Ledger of Flower Power
Balance Sheet Section**

B1**Vehicles**

2016 Mar	1	Balance	b/d	450 000	2016 Aug	31	Asset Disposal	GJ	(A)
2016 Aug	31	(B)	CJ	170 000	2017 Feb	28	Balance	c/d	?
				?					?
2017 Mar	1	Balance	b/d	?					

B2**Accumulated Depreciation on Vehicles**

2016 Aug	31	Asset Disposal	GJ	84 000	2016 Mar	1	Balance	b/d	97 500
2017 Feb	28	Balance	c/d	108 500	2016 Aug	31	(C)	GJ	12 000
					2017 Feb	28	Depreciation	GJ	(D)
				192 500					192 500
					2017 Mar	1	Balance	c/d	108 500

**Nominal Section
Asset Disposal**

N5

2016 Aug	31	(E)	GJ	120 000	2016 Aug	31	Accumulated Depreciation: Vehicles	GJ	(F)
							(G)	CJ	30 000
							(H)	GJ	(I)
				?					?

5.2. SHEZI STORES.

Dimishka is the newly appointed bookkeepers of Shezi Stores. She is not confident in preparing the Tangible Asset note to the Balance Sheet so has asked for your assistance.

REQUIRED:

5.2.1 Calculate the depreciation for the year ended 30 April 2017. (10)

5.2.2 Complete the Tangible Assets note to the Balance Sheet. (16)

INFORMATION:

- A. Cost price of Equipment on 1 May 2016 was R250 000.
- B. Book value of Equipment on 1 May 2016 was R140 000.
- C. No entry had been made for the sale of an old fridge on 31 January 2017. The details for this piece of equipment, on 31 January 2017, were as follows:

Cost Price	R18 000
Accumulated Depreciation (1 May 2016)	R15 000
Selling Price	R4 500

- A. A new fridge, costing R26 000, was purchased for cash on 31 January 2017.
- B. Depreciation is provided at 10% p.a. on diminishing balance.

QUESTION 6**(45 Marks, 27 Minutes)****PARTNERSHIP ANALYSIS AND INTERPRETATION**

WB Traders is a retailer that sells various household cleaning materials like furniture polish, washing powder, etc.

REQUIRED:

Study the information provided below and answer the following questions:

- 6.1 Calculate the following, to **ONE** decimal place, for the year ending 28 February 2017:
- 6.1.1 Current Ratio (3)
- 6.1.2 Acid Test Ratio (4)
- 6.1.3 Debtors' Average Collection Period (in days). (5)
- 6.1.4 Percentage return on Average Equity for 2017 (9)
- 6.1.5 Debt Equity ratio (5)
- 6.2 Comment on the liquidity of this businesses. Quote relevant financial indicators to justify your answer. (6)
- 6.3 Should the partners be satisfied with the percentage return earned by WB Traders in 2017. Give **TWO** reasons for your answer. (5)
- 6.4 If this business wanted to expand, should they increase their long term liabilities? Give a reason for your answer. (8)

INFORMATION:

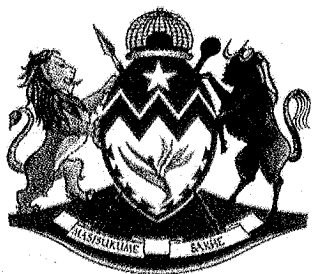
- A. The following amounts were extracted from the Financial Statements for the year ended 28 February 2017:

	28 February 2017	28 February 2016
Sales (40% on credit)	1 650 000	
Current Assets	492 800	
Current Liabilities	224 000	
Trading Stock	290 000	
Debtors Control	60 000	74 000
Creditors Control	180 000	204 000
Total Capital	1 000 000	400 000
Capital: Webster	600 000	200 000
Capital: Brown	400 000	200 000
Current Account: Webster	90 000 Cr	50 000 Cr
Current Account: Brown	80 000 Cr	20 000 Dr
Long Term Liabilities (9.5%)	458 000	350 000

- B. Net Profit is 11.5% of total sales for 2017.
- C. Financial indicators for the year ending 28 February 2016.

Current Ratio	2.6 : 1
Acid Test Ratio	0.7 : 1
Debtors Average Collection Period	42 days
Percentage return on Average Equity	19.3%
Debt Equity Ratio	0.8 : 1

45**TOTAL MARKS: 300**



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ACCOUNTING
ANSWER BOOK
JUNE 2017
COMMON TEST

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GRADE 11

Name: _____ Grade: _____

Question	Topic	Learners Mark	Moderators Mark
1	Bank Reconciliation		
2	Non Profit Organisations		
3	Partnerships – Current Account Note		
4	Partnerships – Financial Statements		
5	Tangible Assets		
6	Partnerships – Analysis and Interpretation		
	TOTAL		

This answer book consists of 11 pages.

2.3.1 Calculate the mark up percentage applied to each tracksuit sold.

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6

2.3.2 In your opinion, is this mark up percentage suitable? Give a reason for your answer.

--

3

2.3.3 Thandi, the club treasurer, is concerned that some tracksuits have been misplaced this year. Calculate how many tracksuits are missing.

--

6

2.3.4 Discuss TWO ways in which control of the tracksuits can be improved upon so that more do not go missing in the future.

--

4

QUESTION 3**PARTNERSHIPS – CURRENT ACCOUNTS NOTE****3.1.1 Capital Accounts**

	Andrew	Mark	Wandile
Balance at the beginning of the year			
Contribution of Capital during the year			
Withdrawal of Capital during the year			
Balance at the end of the year			

8

3.1.2 Current Accounts

	Andrew	Mark	Wandile	Total
Profit per Income Statement				
Primary distribution of profits				
Final distribution of profits				
Drawings	(984 000)	(250 000)	(860 000)	(2 094 000)
Retained Income for the year				
Retained Income at the beginning of the year				
Retained Income at the end of the year				

35

3.2 Mark has decided not work for the business, so he does not get paid a salary. Identify ONE possible reason for him making this decision.

2

4.2

Shaggy Carpets
Balance Sheet as at 28 February 2017

Assets	Note	
Non-Current Assets		
Fixed Assets		742 000
Current Assets		
Total Assets		
Equity & Liabilities		
Owners' Equity		
Capital		
Current Accounts		501 360
Non-Current Liabilities		
Current Liabilities		
Total Equity & Liabilities		

QUESTION 5**TANGIBLE ASSETS****5.1. FLOWER POWER FLORIST**

5.1.1

A		
B		
C		
D		
E		
F		
G		
H		
I		
		20

5.1.2 Identify TWO possible reasons for "Flower Power" disposing this vehicle.

	2

5.1.3 The owner of "Flower Power" has discovered that some of her drivers are using the business vehicles for personal reasons.

a) In your opinion is this a problem? Give a reason for your answer.

	3

b) What TWO control measures can be put into place to prevent this from happening in the future?

	4

5.2. SHEZI STORES**5.2.1 Calculate the depreciation for the year ended 30 April 2017.**

Sold Equipment		
Remaining Equipment		
New Equipment		
Total		

10

5.2.2**Notes to the Financial Statements for the year ended 30 April 2017**

	Equipment
Carrying value at the beginning of the year	
Cost	
Accumulated Depreciation	
Movements	
Additions at cost	
Disposals at carrying value	
Depreciation	
Carrying value at the end of the year	
Cost	
Accumulated Depreciation	

16

QUESTION 6**6.1.1 Current Ratio**

--

3

6.1.2 Acid Test Ratio

--

4

6.1.3 Debtors' Average Collection Period (in days).

--

5

6.1.4 Percentage return on Average Equity for 2017

--

9

6.1.5 Debt Equity ratio

--

5

6.2 Comment on this businesses liquidity. Quote relevant financial indicators to justify your answer.

--

6

- 6.3** Should the partners be satisfied with the percentage return earned by WB Traders in 2017? Give TWO reasons for your answer.

--

5

- 6.4** If this business wanted to expand, should they increase their long term liabilities? Give a reason for your answer.

--

8

TOTAL MARKS: 300





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ACCOUNTING
MARKING GUIDELINE
JUNE 2017
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GRADE 11

MARKS : 300

MARKING PRINCIPLES:

- Penalties for foreign items are applied only if the candidate is not using marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
- Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
- Full marks for correct answer. If answer incorrect, mark the workings provided.
- 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).
- 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.
- Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
- Where penalties are applied, the marks for that section of the question cannot be a final negative.
- 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.
- In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
- Be aware of candidates who provide valid alternatives beyond the marking guideline.
- Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 10 pages.

QUESTION 1

BANK RECONCILIATION

1.1

(32)

CRJ	GPJ	Amount	Account DR	Account CR
x✓		2 300✓	Bank✓	Creditors Control✓
	x✓	2 300✓	Creditors Control✓	Bank✓
x✓		180✓	Bank✓	Repairs✓
	x✓	2 600✓	Water and Electricity✓	Bank✓
x✓		640✓	Bank✓	Debtors Control✓
	x✓	200✓	Trading Stock✓	Bank✓
	x✓	323✓	Bank Charges✓	Bank✓
	x✓	65✓	Interest on Overdraft✓	Bank✓

1.2

(8)

Bank Reconciliation Statement of WD Stores for January 2017

	DR	CR
Balance per Bank Statement		3 600✓
Outstanding Deposits		8 765✓
Outstanding Cheques		
	No 566	3 620✓
	No 571	2 465✓
	No 574	854✓
	No 582	2 300✓
Balance per Bank Account		4 074✓
	Both totals	12 839 ✓
		12 839

1.3

(5)

Explain how cheque number 571 would be treated when preparing the Financial Statements at the end of February 2017. Give a reason for your answer.

- Post dated cheque issued / ✓
- Add (CR) creditors control / accrued expenses✓ as this is still owed to the creditors/ No payment has been effected as yet ✓
- Add to (DR) bank✓ as this money is still in the Bank account.✓

QUESTION 2

NON PROFIT ORGANISATIONS

2.1 Explain the difference between the Statement of Receipts and Payments and the Statement of Income and Expenditure. (4)

- The Statements of Receipts and Payments includes all cash received and paid out by the club/It is used to calculate the bank balance at the end of the period. ✓✓
- The Statement of Income and Expenditure includes all incomes and expenses (including non cash transactions)/It is used to calculate the Net Profit for the period. ✓✓

2.2.1

Membership Fees N1

2016	1	Accrued Income✓	7 800	2016	1	Deferred Income✓	10 000
May			✓	May			✓
2017	30	Deferred Income✓	12 000	2017	30	Bank✓	489 700
April			✓	April			✓
		Bank✓	4 400✓			Accrued Income✓	16 700
						Honorarium✓	2 500
						Membership Fees	2 600
		Income & Expenditure✓	497 300			Written Off✓	✓
		Operator's bank account					
		Operator's bank account					
		Both totals	521 500				521 500

(19)

2.2.2

Tracksuits N3

2016	1	Stock of Tracksuits✓	4 000	2017	1	Bank (Sales)✓	118 800
May			✓	April			✓
2017	30	Bank✓	86 000			Donation✓	800
April			✓			Stock of Tracksuits✓	6 400✓
		Income and Expenditure✓	36 000				
			✓				
			126 000				126 000

(13)

2.3.1 Calculate the mark up percentage applied to each tracksuit sold. (6)

$SP = 118\ 800 / 198 = 600$
 $CP = 86\ 000 / 215 = 400$
 $600 - 400 = 200$
 $200 \times 100 = 20\ 000$
 $= 50\% \text{ (operation one part correct)}$

2.3.2 In your opinion, is this mark up percentage suitable? Give a reason for your answer. (3)

- Yes✓
- The club is only making a R200 profit on each tracksuit. ✓✓
 - Each member will only need to purchase one tracksuit every few years.
- No
- R600 is expensive for a tracksuit. Not everyone may be able to afford it.
 - It's an item is compulsory, the gross profit should be at a minimum
 - The club should not be making such a large profit off the item.

ANY LOGICAL ANSWER

2.3.3 Thandi, the club treasurer, is concerned that some tracksuits have been misplaced this year. Calculate how many tracksuits are missing. (6)

$10 \times + 215 \times - 198 \times - 2 \times - 16 \times = 9$

2.3.4 Discuss TWO ways in which control of the tracksuits can be improved upon so that more do not go missing in the future. (4)

- Tracksuits may only be given to club members once payment is received. ✓✓
 - Tracksuits need to be controlled by one person. ✓✓
 - They need to be kept in a safe place
 - All payments received need to be given to the treasurer and banked.
- ANY LOGICAL ANSWER**

QUESTION 3

PARTNERSHIPS – CURRENT ACCOUNTS NOTE

3.1.1 Capital Accounts

	Andrew	Mark	Wandile
Balance at the beginning of the year	245 000✓	250 000✓	220 000✓
Contribution of Capital during the year	0	0	60 000✓
Withdrawal of Capital during the year	(45 000)✓	0	0
Balance at the end of the year	200 000✓	250 000✓	280 000✓

(8)

3.1.2 Current Accounts

	Andrew	Mark	Wandile	Total
Profit per Income Statement	1 005 900 ✓	281 700 ✓	1 162 400 ✓	2 450 000 ✓
Partners' Salaries	360 000 ✓	0	480 000 ✓	840 000 ✓
Bonus	108 000 ✓	0	144 000 ✓	252 000 ✓
Interest on Capital	24 500 ✓	25 000 ✓	25 000 ✓	74 500 ✓
Primary distribution of profits	492 500 ✓	25 000 ✓	649 000 ✓	1 166 500 ✓
Final distribution of profits (2 : 1 : 1)	513 400 ✓	256 700 ✓	513 400 ✓	1 283 500 ✓
Drawings	(984 000)	(250 000)	(860 000)	(2 094 000)
Retained Income for the year	21 900 ✓	31 700 ✓	302 400 ✓	356 000 ✓
Retained Income at the beginning of the year	56 500 ✓	10 400 ✓	(75 000) ✓	(8 100) ✓
Retained Income at the end of the year	78 400 ✓	42 100 ✓	227 400 ✓	347 900 ✓

(35)

3.2

Mark has decided not work for the business, so he does not get paid a salary. Identify ONE possible reason for him making this decision.

(2)

- He took a leave of absence for the year, so no work was done for the partnership. ✓✓
- He is a silent partner only.
- He has chosen to focus on another undertaking instead
- His health / age could be a factor
- Any logical answer

QUESTION 4

PARTNERSHIPS – FINANCIAL STATEMENTS

4.1 Calculate the correct Net Profit for the year ended 28 February 2017. (15)

Net Profit before adjustments	1 705 530✓
Water and Electricity owed	(2 520)✓
Carpet and installation prepaid	(4 500)✓
CP of carpet sold	2 000✓
Rent Expense prepaid	17 600✓✓
Insurance excess / Loss due to fire	(10 000)✓
Bad Debts	(6 000)✓
Provision for Bad Debts (Adj)	(3 920)✓✓
Trading stock Surplus	5 200✓✓
Interest on Loan	(29 400)✓✓
Net Profit after adjustments	1 673 990✓

Operation one part correct

Shaggy Carpets
Balance Sheet as at 28 February 2017

Assets	Note	
Non-Current Assets		860 000
Fixed Assets		742 000
Financial Assets / Fixed Deposit (160 000 - 42 000)		118 000
Current Assets		993 080
Inventories		604 200
Trade & Other Receivables (255 000 - 19 920 + 17 600 + 70 000 - 6 000) 16 000 One mark 3 920 One mark		316 680
Cash & Cash Equivalents (25 200 + 3 000 + 2 000 + 42 000)		72 200
Total Assets		1 853 080
Equity & Liabilities		
Owners' Equity		1 305 360
Capital		804 000
Current Accounts		501 360
Non-Current Liabilities		185 400
Loan: Easy Finance (284 000 + 29 400 - 74 000 - 54 000)		185 400
Current Liabilities		362 320
Trade & Other Payables (282 000 + 19 300 + 2 520 + 4 500)		308 320
Current Portion of Loan		54 000
Total Equity & Liabilities		1 853 080

QUESTION 5

TANGIBLE ASSETS

5.1. FLOWER POWER FLORIST

5.1.1

A	120 000
B	Creditors Control
C	Depreciation
D	83 000
E	Vehicles
F	84 000
G	Creditors Control
H	Loss on Sale of Asset
I	6 000 - 84 000 - 30 000

(20)

5.1.2 Identify TWO possible reasons for "Flower Power" disposing this vehicle.

(2)

- It is old
- High mileage
- High running costs
- Unreliable
- Bigger vehicle needed
- ANY LOGICAL ANSWER

5.1.3 The owner of "Flower Power" has discovered that some of her drivers are using the business vehicles for personal reasons.

(3)

- a) In your opinion is this a problem? Give a reason for your answer.
- Yes
- It increases the cost of running the vehicle
 - Deliveries may not be made on time
 - Decreases the lifespan of the vehicle
 - ANY LOGICAL ANSWER

b) What TWO control measures can be put into place to prevent this from happening in the future?

(4)

- Install a tracking device
- Keep a logbook
- Sign vehicle in and out
- Hand in keys
- ANY LOGICAL ANSWER

5.2- SHEZI STORES

5.2.1 Calculate the depreciation for the year ended 30 April 2017. (10)

Sold Equipment	$(18\ 000 - 15\ 000) \times 10\% \times 9/12$	225 <small>Operation one part correct</small>
Remaining Equipment	$(232\ 000 - 95\ 000) \times 10\% \times 12/12$	13 700 <small>Operation one part correct</small>
New Equipment	$26\ 000 \times 10\% \times 3/12$	650 <small>Operation one part correct</small>
Total		14 575

5.2.2

(16)

Notes to the Financial Statements for the year ended 30 April 2017

	Equipment	
Carrying value at the beginning of the year	140 000	✓
Cost	250 000	✓
Accumulated Depreciation	(110 000)	✓✓✓
Movements	8 650	✓
Additions at cost	26 000	✓
Disposals at carrying value	(2 775)	✓✓✓
Depreciation	(14 575)	✓
Carrying value at the end of the year	148 650	✓
Cost	258 000	✓✓✓
Accumulated Depreciation	(109 350)	✓

QUESTION 6

6.1.1 Current Ratio (3)

$$492\ 800 \div 224\ 000$$

2.2 : 1 ✓

6.1.2 Acid Test Ratio (4)

$$\frac{492\ 800 - 290\ 000}{202\ 800} = \frac{202\ 800}{224\ 000}$$

0.9 : 1 ✓

6.1.3 Debtors' Average Collection Period (in days). (5)

$$\frac{(60\ 000 + 74\ 000) \div 2 \times 365}{1650\ 000 \times 40\%} = \frac{67\ 000 \times 365}{660\ 000}$$

= 37.1 days ✓
Two marks
Operation one part correct

6.1.4 Percentage return on Average Equity for 2017 (9)

$$\frac{(1\ 000\ 000 + 400\ 000) \div 2 + 90\ 000 + 50\ 000 + 80\ 000 - 20\ 000}{189\ 750} \times 100 = \frac{1\ 650\ 000 \times 11.5\%}{189\ 750} \times 100$$

= 23.7% ✓
Six marks
Operation one part correct

6.1.5 Debt Equity ratio (5)

$$\frac{458\ 000}{458\ 000 + 80\ 000} = \frac{458\ 000}{1\ 170\ 000}$$

0.4 : 1 ✓
Operation one part correct

6.2 Comment on this businesses liquidity. Quote relevant financial indicators to justify your answer. (6)

- Current ratio has decreased from 2.6 : 1 in 2016 to 2.2 : 1 in 2017 ✓✓
- Acid Test Ratio had improved from 0.7 : 1 to 0.9 : 1 in 2017 ✓✓
- Debtors Average Collection period has improved from 42 days in 2016 to 37.1 days in 2017 ✓✓

6.3 Should the partners be satisfied with the percentage return earned by WB Traders in 2017. Give TWO reasons for your answer. (5)

- Yes ✓
- The Return earned by the business has increased from 19.3% in 2016 to 23.7% in 2017 ✓✓
- This is more than what the owners would get in most alternative investments (e.g. at the bank) ✓✓

6.4 If this business wanted to expand, should they increase their long term liabilities? Give a reason for your answer. (8)

- Yes ✓
- The debt equity ratio of 0.4 : 1 is lower than last year's 0.8 : 1 ✓✓
- Risk is therefore low to moderate ✓✓
- The business is also positively geared ✓ as the percentage return of 23.7% is greater than the interest rate on the long term liabilities of 9.5% ✓✓

