GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

NOVEMBER 2021

GRADE 11

ACCOUNTING (PAPER 1)

MARKING GUIDELINES

QUESTION	TOTAL
Question 1	30
Question 2	40
Question 3	50
Question 4	30
TOTAL	**150**

EXEMPLAR

9 pages

QUESTION 1.1

1.1.1	Residual ✓
1.1.2	GAAP ✓
1.1.3	Matching ✓
1.1.4	Depreciation ✓
1.1.5	Accumulated depreciation ✓

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QUESTION 1.2

1.2.1

Depreciation on equipment	**AMOUNT**
Old equipment 810 000 x 20%	162 000 ☑
New equipment 120 000 ✓ x 20% x 3/12 ✓ =	6 000 ☑
Total depreciation for the year	168 000 ☑

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1.2.2

Depreciation on vehicles	**AMOUNT**
Depreciation on vehicle sold 320 000 – 46 400 = 273 600 ✓ x 10/100 x 6/12 ✓	13 680 ☑

DRAFT

Depreciation on remaining vehicles 2 680 000 – 320 000 = 2 360 000 ✓ 1 060 000 – 46 400 = 1 013 600 ✓ 2 360 000 – 1 013 600 = 1 346 400 ✓ x 10%	134 640 ☑
Total depreciation for the year	148 320 ☑

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1.2.3 **FIXED/TANGIBLE ASSETS**

	VEHICLES		**EQUIPMENT**	
Carrying value at beginning of year	1 620 000	✓	570 000	✓
Cost	**2 680 000**		**810 000**	
Accumulated depreciation	**(1 060 000)**		**(240 000)**	
Movements				
Additions at cost			120 000	✓
Disposals at carrying value (320 000 – [46 400 + 13 680])	(259 920)	☑		
Depreciation	see 1.2.2 (148 320)	☑	see 1.2.1 (168 000)	☑
Carrying value at end of year	1 211 760	☑	522 000	☑
Cost	2 360 000	☑	930 000	☑
Accumulated depreciation	(1 148 240)	☑	(408 000)	☑

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TOTAL
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QUESTION 2

INCOME STATEMENT OF WESTVILLE TRADERS FOR THE YEAR ENDED 28 FEBRUARY 2021

Sales (945 300✓ – 28 620 ✓)	3	925 680	☑
Cost of sales		**(467 630)**	
Gross profit	1	458 050	☑
Other operating income	1	109 575	☑
Rent income (99 750 ✓ – 8 250 ✓✓)	4	91 500	☑
Provision for bad debts adjustment (3 500 ✓ – 2 975 ✓)	3	525	☑
Discount received		**17 550**	
Gross operating income	1	567 625	☑
Operating expenses	1	(390 660)	☑
Bad debts		**1 020**	
Stationery (12 520 ✓ – 1 420 ✓)	3	11 100	☑
Packing material	1	11 220	✓
Salaries and wages		**175 170**	
Utilities (45 210 ✓ + 3 180 ✓)	3	48 390	☑
Insurance		**15 460**	
Advertising (17 080 ✓ – 2 100 ✓)	3	14 980	☑
Telephone		**21 570**	
Motor expenses		**25 840**	
Maintenance		**13 710**	
Discount allowed	1	11 070	
Bank charges (3 560 ✓ + 320 ✓ + 1 120 ✓)	4	5 000	☑
Trading stock deficit (174 120 – 171 020)	2	3 100	✓☑
Depreciation	1	33 030	✓
Operating profit	1	176 965	☑
Interest income		**10 000**	
Profit before interest expense	1	186 965	☑
Interest expense (1 610 ✓ + 170 ✓ + 9 860 ✓)	4	(11 640)	☑
Net profit for the year	2	175 325	✓☑

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TOTAL
40

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QUESTION 3

3.1.1	C ✓
3.1.2	A ✓
3.1.3	B ✓
3.1.4	E ✓

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3.2 **FRANKENSTEIN TRADERS**

Extract of Balance Sheet on 28 February 2021

EQUITY AND LIABILITIES			
Partners' Equity		408 670	
Capitals (200 000✓ + 170 000✓ + 30 000✓)	4	400 00	☑
Current accounts (10 360 – 1 690)	2	8 670	✓☑
Non-current liabilities			
Loan: ABSA (40 000 – 20 000)	2	20 000	✓✓
Current liabilities	1	39 020	☑
Trade and other payables (9 070✓ + 3 500✓ + 500✓ + 700✓)	5	13 770	☑
Bank Overdraft (20 250 – 15 000)	2	5 250	✓☑
Short term loan	1	20 000	☑
Total equity and liabilities	1	467 690	☑

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3.3 **MARVELLOUS CANDY STORE**

CAPITAL	Mr Marvel	Ms Lane
Balance at the beginning of the year	360 000 ✓	**760 000**
Contribution of capital during the year	175 000 ✓	
Withdrawals of capital during the year		
Balance at the end of the year	535 000 ☑	**760 000**

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CURRENT ACCOUNTS	Mr Marvel	Ms Lane
Profit per Income Statement	629 550 ☑	715 000 ☑
Partners' salaries	349 800 ☑✓	425 000 ✓
Partners' bonus	12 000 ✓	51 000 ☑✓
Interest on capital	80 250 ✓✓	114 000 ✓✓
Primary distribution of profits	442 050 ☑	590 000 ☑
Final distribution of profits	187 500 ☑✓	**125 000**
Drawings during the year *(25 000 + 35 000)	*(60 000) ✓✓	(30 000) ✓
Retained income for the year	569 550 ☑	685 000 ☑
Retained income at beginning of year	(2 300) ✓	4 500 ✓
Retained income at end of year	567 250 ☑	689 500 ☑

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Calculation: Interest on capital	
Mr Marvel 535 000 x 15% = 80 250	**Ms Lane** 760 000 x 15% = 114 000
Calculation: Salary Mr Marvel 26 500 x 1,1 = 29 150 29 150 x 12 = 349 800	**Calculation: Bonus Ms Lane** 425 000 x 12% = 51 000
Calculation: Final distribution Mr Marvel 125 000 x 3/2 = 187 500	

TOTAL
50

QUESTION 4

4.1 **CALCULATION OF FINANCIAL INDICATORS FOR 2021**

4.1.1 **Acid-test ratio:**

64 000 ✓ + 11 000 ✓ : 84 000 ✓

OR

171 000 ✓ – 96 000 ✓ : 84 000 ✓

OR

75 000 ✓✓ : 84 000 ✓

= 0,9 : 1 ☑ **accept 0,89 : 1**

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4.1.2 **Debt-equity ratio:**

240 000 ✓ : 858 000 ✓

0,3 : 1 ☑ **accept 0,27 : 1**

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4.1.3 **% return on average equity earned by the partnership:**

$$\frac{278\ 000\ \checkmark}{½\checkmark(858\ 000\checkmark + 1\ 210\ 000\checkmark)} \times \frac{100}{1}$$

OR

$$\frac{278\ 000\ \checkmark}{½\ \checkmark(2\ 068\ 000\ \checkmark\checkmark)} \times \frac{100}{1}$$

OR

$$\frac{278\ 000\ \checkmark}{(1\ 034\ 000\checkmark\checkmark\checkmark)} \times \frac{100}{1}$$

= 27% ☑ **accept 26.9%**

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4.2 **Should the partners be concerned about the liquidity of the business for 2021? Quote TWO financial indicators.**

Comment ✓ *Indicators* ✓✓ *Figures* ✓✓

Current ratio decreased from 3,9 : 1 in 2020 to 2,2 : 1 in 2021.
Acid test ratio decreased from 2,1 : 1 to 0,9 / 0,89 : 1 in 2021.

The partners should not be concerned because the business is liquid.
They should have no problem paying off their short-term debts.
The liquidity ratios are far more efficient in 2021 as they were too high in 2020.

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4.3.1 **Is it a good idea to borrow R300 000? Quote ONE financial indicator to support your answer.**

Comment ✓✓ *Indicators* ✓ *Figures* ✓

Debt-equity ratio increased from 0,1 : 1 in 2020 to 0,3 : 1 in 2021.
Yes, the partnership is lowly geared/has low risk. They are not making much use of loans.

OR

No, if they borrow R300 000 the debt-equity ratio will increase to 0,6 : 1 which increases the risk because there will be high interest and repayment commitments.

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4.3.2	**Provide TWO other suggestions that the partners can consider instead of increasing the loan.**	
	Two valid suggestions ✓✓ • Increase their capital contributions • Get another partner • Use the fixed deposit	2

4.4	**Mike is concerned about the % return that he is earning. Is this a valid concern? Quote ONE financial indicator to support your answer.**	
	Explanation ✓✓ *Figures* ✓✓ Mike should be concerned as his % return on equity decreased from 29% in 2020 to 22% in 2021, While Kate's % return on equity increased form 21% in 2020 to 36% in 2019	4

4.5	**Mike is not happy with Kate's current contributions to the partnership. He has decided to have a meeting with her about this. List THREE points he should discuss with her at this meeting.**	
	Three valid points ✓✓✓ • Kate withdrew R400 000 of her capital contribution during the year. • Kate has a negative current account due to drawings. • They receive the same salary, and they may not be doing the same amount of work. • They must renegotiate the partnership agreement as it is not fair on Mike. He provides 75% of the capital and has not drawn all his earnings, yet he is earning a lower return.	3

TOTAL
30

TOTAL: 150

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