GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

JUNE 2022

GRADE 11

MARKING GUIDELINES

ACCOUNTING (PAPER 1)

10 pages

Marking principles:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced items). No double penalty is applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
4. 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).
5. 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.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. 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.
9. Operation means check operation. One part correct means operation and one part correct. Note: Check operation must be +, -, x, ÷ or per memo.
10. In calculations, do not award marks for working if numerator and denominator are swapped – this also applies to ratios
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒
12. Be aware of candidates who provide valid alternatives beyond the marking guidelines.
13. Codes: f=foreign item; p=placement/presentation.

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QUESTION 1

1.1

1.1.1	B √
1.1.2	E √
1.1.3	A √
1.1.4	C √

4

1.2 **STATEMENT OF COMPREHENSIVE INCOME/INCOME STATEMENT OF BEST BUY SHOES FOR YEAR ENDED 28 FEBRUARY 2022**

Sales (916 000 – 8 000 √ – 540 √√)		907 460 ☑
Cost of sales (510 000 – 450 √)		(509 550) ☑
Gross profit		397 910 ☑
Other operating income		31 576 ☑
Discount received		**480**
Fee Income (16 000 – 250 √)		15 750
Rent Income (12 360 + 2640 √√)		15 000
Bad debts recovered		190 √
Provision for bad debts adjustment (1 000 – 844)		156 √√
Gross operating income		429 486 ☑
Operating expenses		(306 738) ☑
Consumable stores		**13 000**
Discount allowed		**600**
Salaries and wages (175 000 + 8 000 √)		183 000
Pension contribution (24 500 + 540 √)		25 040
Skills development levy (9 900 + 80 √)		9 980
Stationery (4 700 – 420 √ – 700 √)		3 580
Bad debts (6 550 + 300 √)		6 850
Insurance (5 400 – 1 800 √)		3 600
Water and electricity (7 200 + 560 √)		7 760
Telephone (30 750 + 4 670 √)		35 420
Depreciation		13 458 √
Trading stock deficit (68 000 – 72 000 + 450)		4 450 √√
Operating profit		122 748 ☑
Interest income (2 750 + 820 √ + 240 √ + 40 √)		3 850
Profit before interest expense		126 598 ☑
Interest expense		(20 000) √√
Net profit for the year		106 598 ☑

36

TOTAL
40

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QUESTION 2

2.1

Calculations for interest on capital: Mac	Calculations for interest on capital: Adam
100 000 x 10% x $\frac{9}{12}$ √ = 7 500 ☑	100 000 x 10% x $\frac{6}{12}$ √ = 5 000 ☑
200 000 x 10% x $\frac{3}{12}$ √ = 5 000 ☑	80 000 x 8% x $\frac{6}{12}$ √ = 3 200 ☑
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Total 12 500 ☑	Total 8 200 ☑
OR	
100 000 x 10% = $\frac{12}{12}$ √ = 10 000 ☑	
100 000 x 10% = $\frac{3}{12}$ √ = 2 500 ☑	

Total 12 500 ☑	

10

2.2

Calculate the drawings for the year for Mac
6 700 x 12 = 80 400 √√
80 400 + 4 670 √ + 8 790 √
= 93 860 ☑

5

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2.3 **MacAdam Stores**

2.3.1 **Capital Note**

	Mac	Adam
Balance at the beginning of the year	100 000 √	100 000 √
Increase during the year	100 000 √	---
Decrease during the year	---	(20 000) √
Balance at the end of the year	200 000 ☑	80 000 ☑

6

2.3.2 **Current Account Note**

	Mac	Adam	Total
Net profit as per Income Statement	155 000☑	156 300☑	**311 300**
Partners' salaries	80 400 √√	102 000 √	
Partners' bonuses	16 000 √	---	
Interest on capital	12 500 ☑	8 200 ☑	
Primary distribution of profits	108 900 ☑	110 200 ☑	
Final distribution of profits/(losses)	46 100 ☑	46 100 ☑	
Drawings for the year	(93 860) ☑	**(132 600)**	
Retained income for the year	61 140 ☑	23 700 ☑	
Balance at beginning of year	6 300 √	(1 400) √	
Balance at end of year	67 440 ☑	22 300 ☑	89 740 ☑

19

TOTAL
40

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QUESTION 3

3.1.1 **TRADE AND OTHER RECEIVABLES**	
Net trade debtors	68 900☑
Trade debtors (73 600 – 1 800√)	71 800☑
Provision for bad debts	(2 900)√
Prepaid expenses (1 980 + 7 280√√)	9 260☑
Accrued income	12 000√
	90 160

8

3.1.2 **TRADE AND OTHER PAYABLES**	
Trade creditors (42 700 - 1 800 √)	42 700☑
Accrued expenses	1 300√
Income received in advance	13 650√
Creditors for salaries	37 520√
Pension fund	1 700√
Medical fund (2 300√ + 2 600√)	4 900☑
PAYE	6 000√
UIF (480 + 480)	960√√
	106 930

12

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BALANCE SHEET/STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2022

ASSETS		
Non-current assets *(TA-CA)*		3 055 685☑
Fixed/Tangible assets		**1 840 000**
Fixed deposit: FND *(Non CA-Tangible assets)*		1 215 685√☑
Current assets *(CL x 1.5)*		242 895 ☑
Inventory *(CA-Rec-Cash)*		84 735 ☑
Trade and other receivables *(from 3.1.1)*		90 160 ☑
Cash and cash equivalents		**68 000**
Total assets *only if it is the same as total equity & liabilities*		3 298 580☑
EQUITY AND LIABILITIES		
Owners' equity *(NCL ÷ 0.5)*		2 091 100☑
Capital		**600 000**
Current Accounts *(missing figure Owners' equity – Capital)*		1 491 100☑
Non-current liabilities		1 045 550
Loan Capitec Bank (1 100 550 – 55 000)		1 045 550√☑
Current liabilities		161 930 ☑
Trade and other payables *(from 3.1.2)*		106 930 ☑
Short term loan		55 000√
Total equity and liabilities		3 298 580☑

15

TOTAL
35

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QUESTION 4

4.1

4.1.1	Gearing √
4.1.2	Operating efficiency √
4.1.3	Liquidity √
4.1.4	Return on equity √

4

4.2 4.2.1 **Percentage gross profit on cost of sales**

$$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$$

$$= \frac{3\,213\,000 - 2\,142\,000}{2\,142\,000}\ \sqrt{\ \sqrt{\ }} \times \frac{100}{1}$$

= 50% ☑

3

4.2.2 **Percentage operating expenses on turnover**

$$\frac{\text{Operating expenses}}{\text{Turnover}} \times \frac{100}{1}$$

$$= \frac{512\,640}{3\,213\,000}\ \sqrt{\ \sqrt{\ }} \times \frac{100}{1}$$

= 16% ☑

3

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4.2.3 **Acid-test ratio**	
Current Assets – Inventories : Current Liabilities = (430 560 √ – 357 660 √) : 201 150 √ **72 900 ✓✓** = 0,3 : 1 accept 0,4 : 1 ☑	**4**

4.2.4 **Debt-equity ratio**	
Non-current liabilities : Owners' Equity = 380 000 √ : 496 610 √ = 0,7 : 1 accept 0,8 : 1 ☑	**3**

4.3 **Comment on the liquidity position of the business for 2022. Quote TWO financial indicators and figures to support your answer.**	
Financial indicator and Trend √√ **Conclusion √√** The current ratio dropped from 2,2 : 1 (2021) to 2,1 : 1 (2022) The acid-test ratio deteriorated from 0,7 : 1 (2021) to 0,4 : 1 (2022) The stock turnover rate changed from 12,2 times (2021) to 8 times (2022) The stock holding period increased from 30 days (2021) to 45 days (2022) **CONCLUSION** The business is not liquid. The acid-test ratio for 2022 is 0,4 : 1. This implies that too much of the businesses assets are tied up in trading stock. The business will not be able to settle its short-term debts. The issue of too much trading stock might become a problem as stock does become obsolete.	**4**

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4.4	**The business changed their policy with regards to the profit mark-up from 2021 to 2022. What was the change in policy? What are the risks associated with this and what effect did this change have on the business income?**	
	CHANGE IN POLICY: The mark-up was 40% in 2021 and is 50% in 2022. The mark-up percentage increased by 10%. √ **RISKS:** Products will become more expensive, as a result the business might lose customers. √√ **EFFECT ON BUSINESS:** There was no negative effect for the business, in fact, there was an increase in the net profit for the year. √ **(Any relevant answers.)**	**4**

4.5	**Does the business have good control over their expenses? Quote ONE financial indicator and figures to support your answer.**	
	1 mark for YES or NO 1 mark for financial indicator and trend 1 mark for conclusion **YES/NO** If YES The operating expenses on turnover was 17,3% in 2021. It decreased to 16% in 2022. A smaller percentage of sales is being used for expenses. √ If NO Although the operating expenses on turnover decreased from 17,3% (2021) to 16% (2022), the percentage of sales used for expenses is still too high. It needs to drop further.	**3**

EXEMPLAR

4.6 **The partners want to expand the business, but they will need at least R900 000 to do this. Discuss each option and your opinion about it. Do not quote figures to support your answer. Make a conclusion and advise the partners on how they should finance the expansion.**	
Option 1: Adding capital will result in an increase in the partners' equity and the business will become more lowly geared. √√ The return on equity will also improve with an addition of capital. There will be no additional expenses (interest on loan). No repayment of a loan which would affect cash flow at a later stage. **(Accept any relevant answer.)**	
Option 2: Taking out a loan will increase the debt-equity ratio and as a result the business will become highly geared. √√ There will be additional expenses (interest on loan). There will be repayments of the loan, which will affect cash flow. **(Accept any relevant answer.)**	
Option 3: Taking in a third partner will result in additional capital which will increase the equity and decrease the gearing. √√ The partner will also add an additional skill to the business which might come in handy. There will be no additional expenses (interest on loan). No repayment of a loan which would affect cash flow at a later stage. **(Accept any relevant answer.)**	
CONCLUSION/ADVICE: Either take on a third partner or each of the two partners should increase their capital contribution. √	**7**

TOTAL
35

TOTAL: 150

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