GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2019

GRADE 11

ACCOUNTING
PAPER 1

MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, 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 item). No double penalty 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 answer 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). Note: If figures are stipulated in memo for components of workings, these do not carry the method mark for the final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + of – sign or brackets 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. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. 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.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement / presentation.

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QUESTION 1: CONCEPTS AND INCOME STATEMENT

1.1

CONCEPTS

1.1.1	Current liabilities	✓
1.1.2	Operating expenses	✓
1.1.3	Non-current liabilities	✓
1.1.4	Operating income	✓

4

1.2 **MADUNA TRADERS**
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019

Sales (**800 000** – 14 600✓- 4 500✓)	one part correct	☑	780 900
Cost of sales (390 000 - 2 500)	one part correct	☑✓	(387 500)
Gross Profit	check operation	☑	393 400
Other Operating Income			39 100
Rent income (42 000✓ - 3 300✓ ✓)	one part correct	☑	38700
Provision for bad debts		✓	400
Gross Operating income	check operation	☑	354 300
Operating Expenses	check operation	☑	(220 203)
Employer's contribution			**10 520**
Bad debts			**3 600**
Discount allowed			**530**
Telephone			**6 300**
Salaries and wages (150 000 +12 000✓✓)		☑	162 000
Bank charges		✓	748
Insurance (9 800 -1 400✓✓)	one part correct	☑	8 400
Packing material(8 305 -2 300)		✓✓	6 005
Trading stock deficit (68 000 +2 500 -66 400)		☑✓✓	4 100
Depreciation		✓	18 000
Operating Profit		☑	134 097
Interest income		☑	**9 600**
Profit Before Interest Expense		☑	143 697
Interest expense (205 000+ 8 000-260 000)		☑ ✓	(25 000)
Net Profit for the year	check operation	☑	118697

32

Total marks
36

QUESTION 2: CONCEPTS, TANGIBLE ASSETS AND ETHICS

2.1 **CONCEPTS**

2.1.1	False	✓
2.1.2	True	✓
2.1.3	False	✓
2.1.4	False	✓
2.1.5	True	✓

5

2.2.1 **NOTE TO THE FINANCIAL STATEMENTS ON 31 DECEMBER 2018**

TANGIBLE ASSETS

	Vehicles	**Equipment**
Carrying value at the beginning of year	☑64 800	✓18 800
Cost	✓90 000	**26 000**
Accumulated depreciation	✓✓✓✓☑ (25 200)	✓ (7 200)
Movements:	23 140	22 225
Additions at cost **(Check Allocation below)**	☑✓✓✓38 000	✓✓27 000
Asset disposal at carrying value	-	5 marks, check below (740)
Depreciation (40 060✓ -25 200☑*)	☑ (14 860)	11 marks, check below (4 035)
Carrying value at the end of the year	☑ 87 940	☑ 41 025
Cost	☑128 000	**50 600**
Accumulated depreciation	**(40 060)**	3 marks, check below (9 575)

40

☑**Check accumulated depreciation at beginning*

VEHICLES

Depreciation for old vehicle

2016	90 000 x 20% x 6/12✓	= 9 000✓	
2017	81 000✓ x 20%	= 16 200✓	
	90 000-9 000	25 200☑	*Acc Depr on 1 Jan 2018*
2018	64 800✓ x 20%	= 12 960✓	*Depreciation for current year*
	90 000-9 000-16 200		

Depreciation for the year

40 060 - 25 200 =14 860

Depreciation for the new vehicle

14860 -12 960 =1900

Cost price of new vehicle

x x 20%✓ x $\frac{3}{12}$✓ = 1900✓

1 900 ✓x 12/3✓÷ 20%✓= 38 000☑

OR

$\frac{0,05}{0,05}$ x = $\frac{1900}{0,05}$

x = 38 000☑

EQUIPMENT

Depreciation

New 27 000✓✓ x 10% x 7/12✓ = 1 575☑ A
25 000 one mark +2 000 one mark

Asset sold
2 4 00✓ x 10% x 5/12✓ = 100☑ B

Old asset 26 000 -2 400 =23 600
23 600✓☑ x10% = 2 360☑ C
= 4 035☑ 11 marks

Carrying value of asset sold

Accumulated depreciation (01.01.2018)
2 400- 840 = 1 560

2 400✓ -1 560✓☑ -100 ☑ =740☑ (Carrying value on date of sale)
Check C

Accumulated depreciation at the end of the year

7 200 + 4 035 ☑ - 1 660 ☑ = 9 575 ☑

2.2.2	**Peter Majoro is not happy that his brother Joe Majoro purchased the old equipment at an amount below the carrying value from the business. Provide ONE reason why he had to be unhappy about this transaction and provide calculations / figures to motivate your answer.**	3

- Peter feels that they could have sold the asset at a profit OR at carrying value. ✓
- Sold for 740 at carrying value OR 740 plus profit✓☑ [Check 2.2 asset disposal at carrying value]

Total marks
48

QUESTION 3: CURRENT ACCOUNT NOTE AND BALANCE SHEET

3.1 **SAPA TRADERS**
BALANCE SHEET FOR THE YEAR ENDED 28 FEBRUARY 2019

		R
ASSETS		
Non-Current Assets check operation	3	☑ 495 810
Fixed assets		**423 810**
Fixed deposit (77 000 -5 000)		✓✓72 000
Current Assets check operation	7	☑76 476
Inventory (39 900 ✓ - 940 ✓ + 101 ✓) one part correct		☑39 061
Trade and other receivables		**10 205**
Cash and cash equivalents (22 210 + 5 000) one part correct		☑✓27 210
TOTAL ASSETS check operation	1	☑572 286
EQUITY AND LIABILITIES		
Owner's Equity	4	☑484 725
Capital (216 000 + 180 000)		✓✓396 000
Current accounts		✓88 725
Non-Current Liabilities		**60 000**
Long Term-Loan		**60 000**
Current Liabilities	4	27 561
Trade and other payables (**25 491** + 670✓+1400 ✓✓) one part correct		☑27 561
TOTAL EQUITY AND LIABILITIES check operation	1	☑572 286
		20

3.2 **CURRENT ACCOUNT NOTE FOR THE YEAR ENDED 28 FEBRUARY 2019**

	S. Saul	P. Paul
Net profit according to the Income Statement	130 630	121 230
Partners salaries	✓93 600	✓93 600
Interest on capital	✓32 400	✓27 000
Partners bonus	✓4 000	-
Primary distribution of profit check operation	☑130 000	☑120 600
Final distribution of profit	☑630	☑630
Drawings (Saul: 80 120 ✓+ 1 200✓✓)	☑ (81 320)	✓ (90 520)
Retained income for the year check operation	☑49 310	☑30 710
Retained income at beginning of year operation	☑4 201	☑4 504
Retained income at end of year	**53 511**	**35 214**
		18

Total marks
38

QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

4.1	**Calculate the following indicators for 28 February 2019**	
4.1.1	**Calculate Clyde's current ratio.**	**3**
	Current assets : Current liabilities (Clyde) 590 000 ✓ : 370 000 ✓ 1,6 : 1 ☑ one part correct	
4.1.2	**Calculate Bonny's stock turnover rate.**	**4**
	$\frac{\text{Cost of sales}}{\text{Average stock}}$ $= \frac{1\ 300\ 000\ ✓}{½(130\ 000\ ✓ + 150\ 000\ ✓)}$ = 9,3 time per year ☑ one part correct	
4.1.3	**Clyde's average debtors collection period**	**5**
	$\frac{\text{Average Debtors}}{\text{Credit sales}} \times \frac{365}{1}$ $= \frac{½(310\ 000\ ✓ + 344\ 000\ ✓)}{80\%\ ✓ \times 2\ 500\ 000\ ✓} \times \frac{365}{1}$ = 59,7 days ☑ one part correct	
4.1.4	**Calculate the return on average equity of Bonny's Clothing.**	**5**
	$\frac{\text{Net profit (Bonny)}}{\text{Average owners' equity}} \times \frac{100}{1}$ $= \frac{200\ 000\ ✓}{½(385\ 000\ ✓ + 405\ 000\ ✓)} \times \frac{100}{1}$ $= \frac{200\ 000}{395\ 000\ ✓} \times \frac{100}{1}$ = 50,6% ☑ one part correct	

4.2.1	**Compare and comment on the liquidity position of the two businesses, quote TWO financial indicators.**	**8**

Any two indicators ✓✓ compare figures / indicators of two businesses ✓✓

Indicators	**Comparison of Bonny and Clyde's Businesses**
Current ratio	Bonny's ratio is 2.1: 1, is higher / better than Clyde's ratio of 1.6:1 (see 4.1.1)
Acid Test ratio:	Bonny's ratio is 1.1: 1, is higher / better than Clyde's ratio of 0.9 :1
Stock Turnover rate	Bonny's 9,3 times (see 4.1.2),is higher / better than Clyde's 5,5 times
Stock Holding Period	Bonny's 39 days is better or shorter than Clyde's 66 days
Debtors Collection	Bonny's 26 days is better or faster than Clyde's 59.7 days (see 4.1.3)
Creditors Payment	Bonny's 58 days is shorter compared to Clyde's payment period of 90 days

Explanation
Two Points ✓✓ ✓✓ (One mark for partially correct answer)

- Bonny's Clothing liquidity position is better than Clyde's. Cash flow is good, they are not likely to have cash problems within the near future.
- Bonny's Clothing will be able to settle her short-term debts with ease.
- Bonny has good control over the debtor's collection policy, Bonny could negotiate for a longer payment period for creditors' payments, e.g. 90 days.
- Clyde is going to struggle to settle her short-term debts. She will experience serious cash flow problems.

4.2.2	**By making reference to the rates of return on owners' equity, do you think Bonny's Clothing is making a good decision to partner with Clyde? Provide ONE point of advice.**	**3**

Indicators ✓Explanation ✓

The decision to combine assets with Clyde is not good, Bonny's return on equity of 50.5% (check 4.1.4) is far greater than Clyde's return of (36,6%) which means Clyde's business is less effective.

Advice ✓

- Bonny to look for another partner
- To continue running his business as a sole trader
- Any valid explanation

Total marks
28

TOTAL: 150

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