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GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

JUNE 2024

GRADE 11

MARKING GUIDELINES

ACCOUNTING PAPER 1

9 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. In awarding method-marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
10. Be aware of candidates who provide valid alternatives beyond the marking guidelines.
11. Codes: f = foreign item; p = placement/presentation

QUESTION 1: GAAP PRINCIPLES AND INCOME STATEMENT

(50 marks; 40 minutes)

1.1 GAAP PRINCIPLES

1.1.1	Prudence ✓
1.1.2	Matching ✓
1.1.3	Going concern ✓
1.1.4	Materiality ✓

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1.2.1 HLAZO TRADERS
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 29 FEBRUARY 2024.

*one part correct

Sales (1 248 260✓- 3 200 ✓ + 16 560 ✓✓)		☑*	1 261 620
Cost of sales	sales x 100/180	✓☑*	(700 900)
Gross profit	Sales – Cost of sales 8	☑*	560 720
Other income	operation	☑*	99 000
Provision for bad debts adjustment		✓	5 000
Bad debts recovered		✓	800
Rent income (78 200 ✓ + 15 000✓✓)		☑*	93 200
Gross income	GP + OI 8	☑*	659 720
Operating expenses			(446 130)
Sundry expense			**86 700**
Telephone			**23 650**
Salaries and wages (189 240✓+ 8 000✓✓+ 160✓✓)		☑	197 400
Insurance (42 840✓ – 14 460✓)		☑	28 380
Packing material		✓	7 900
Bad debts (8 800 + 800)		✓✓	9 600
Trading stock deficit (212 000✓– 9200✓ - 196 450✓)	202 800 two marks	☑	6 350
Depreciation		✓	85 600
Bank charges (340 + 210)		✓✓	550
Operating profit 20	GOI – OE	☑	213 590
Interest income	balancing figure (PBIE - OP)	✓☑	16 000
Profit before interest expense	NP+ Int exp	✓☑	229 590
Interest expense (630 800 – 611 300)		✓✓	(19 500)
Net profit for the year 6			**210 090**

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1.2.2 **Provide TWO possible reasons why rent income decreased.**

Any TWO valid reasons ✓✓ ✓✓ part marks for incomplete/partial/unclear responses.

- Tenant could not afford to pay the original rent and negotiated for a decreased amount.
- The tenant negotiated to occupy a smaller floor space.
- The tenant got a cheaper offer for the same floor space elsewhere.

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50

QUESTION 2: PARTNERSHIP: STATEMENT OF FINANCIAL POSITION AND NOTES

(45 marks: 36 minutes)

2.1

2.1.1	B✓
2.1.2	E✓
2.1.3	D✓
2.1.4	C✓
2.1.5	A✓

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2.2 NOTE TO THE BALANCE SHEET ON 29 FEBRUARY 2024.

2.2 CURRENT ACCOUNTS

	Rose	Daisy
Salaries	146 000✓✓☑☑*	**182 000**
Interest on capital	30 000✓✓☑*	28 000✓
Bonus	**25 000**	37 500✓✓
Primary Distribution	**201 000**	**247 500**
Final Distribution	60 600✓☑	90 900✓☑
Net Profit for the year	261 600	338 400
Drawings	(127 500)✓✓	**(85 000)**
Retained income	134 100☑	253 400
Balance at beginning	(67000) ✓	55 000✓
Balance at end of year ☑	67100☑	308 400

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Show Calculations

Rose's salary

1 000 x 3 = 3 000✓

(159 000 – 3000)/13 ✓ = 12 000 ☑+ 1 000 = 13 000

159 000 – 13 000☑

=146 000

Interest on Capital (Rose)

290 000 x 10% x 6/12 = 14 500 ✓

310 000 x 10% x 6/12 = 15 500 ✓

= 30 000☑

2.3

EQUITY AND LIABILITIES	
OWNERS' EQUITY	965 500☑
Capital (280 000 ✓+ 290 000 ✓+ 20 000 ✓)	590 000
✓ Current accounts (see 2.2: (67 100 + 308400)	375 500☑☑
NON-CURRENT LIABILITIES	265 000
Loan: BNF Bank (330 000✓ – (50 000+ 15 000) ✓✓ (65 000 = 2 MARKS)	265 000☑*
CURRENT LIABILITIES	226 500☑
Trade and other payables (160 000 ✓+ 3500 ✓ – 2000 ✓✓)	161 500☑*
✓ Current portion of loan	65 000☑*
TOTAL EQUITY AND LIABILITIES	1 457 000☑*

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45

QUESTION 3: ANALYSIS AND INTERPRETATION (**43 marks; 32 minutes)**

3.1 FAIRYTALE PALACE TRADERS

3.1.1

Calculate the gross profit on sales.	
(1 830 000✓ – 1 610 400✓) / **1 830 000✓** **X 100** 219 000 (2 marks)	**12% ☑**

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3.1.2

b. Calculate the acid test ratio.	
(240 000 ✓ + 175 000✓) / **292 750 ✓** **OR** **(585 500 – 170 500): 292 750**	**1,4 : 1☑**

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3.1.3

Calculate the average percentage return earned by Snowy.	
149 250✓ / **½ ✓ (620 000✓ + 490 000 ✓ + 37 000✓ – 13 500✓)/2** **X 100** **(556 750 = 4 marks)**	**26,8 %☑**

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3.1.3

Calculate the debt equity ratio.	
419 400✓ : 1 248 500✓☑ **Partners equity** **(600 000+ 620 000)+ 42 000 – 13 500)** (one mark) (one mark)	**0,34 : 1☑**

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3.1.5

Calculate the solvency ratio.	
(1375 650+585 500) 1 961 150✓ : (419 900+ 292 750) ✓✓ **712 650 (2 marks)**	2,75:1 ☑

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3.2

Cinderelli and Snowy received an offer from a potential 3rd partner. The partner is mostly interested on how profitable the partnership is. Do you think Fairytale Palace's profitability is good? Provide two indicators to support your answer.
Financial indicator ✓ ✓ Figures (with trend) ✓ ✓ No✓ Operating profit on sales has decreased from 23% to 16%. Operating expenses on sales have decreased from 12% to 19%.

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3.3

The business didn't achieve the intended markup of 20%. Provide TWO possible reason for not achieving the markup.
Debtors' allowances is high ✓✓ Sales at reduced price ✓✓ Trade discount ✓✓ Error on documentation ✓✓

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3.4. Comment on the liquidity of the business. Refer to TWO relevant indicators.

Financial indicator ✓ ✓ Figures (with trend) ✓ ✓

- The current ratio as weakened 2,4:1 to 2:1.
- The acid-test ratio has weakened from 1,63:1 to 1,4:1.

However debtors' collection period has improved from 40 days to 32 days.

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3.5. The partners have decided to start offering delivery services. They are considering taking an additional loan to finance the purchase of a new vehicle. Is it wise for them to increase their loan? Quote ONE financial indicator to support your answer

Financial indicator ✓ Figure (with trend) ✓ Comment ✓

Yes ✓
Debt-equity ratio has decreased from 0,6:1 to 0,34:1. Low financial risk.

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3.6. Snowy is happy with the returns that she received, explain why by quoting figures

Financial indicator ✓ Figure (with trend) ✓

Her return earned is 15% which is greater than the interest on the fixed deposit of 10% and the return on partners equity of 14%.

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QUESTION 4: PROBLEM SOLVING (12 marks; 10 minutes)

4.1.1

ONE PROBLEM QUOTE FIGURES	**SOLUTION ✓✓ ✓✓ ✓✓**
TAXI 1: Is old- bought in 2009(15 years) Fully depreciated – has a book value of R1 High fuel and repair cost – R8,65/km 65% of revenue	Replace this vehicle. Give this driver the new vehicle. Use this vehicle for short trips.
TAXI 2: R15 000 of fare not handed in Fuel and repairs is 45% of revenue	Monitor daily takings regularly. Collections must be done daily. Deduct the money from the driver's salary. Disciplinary hearing.
TAXI 3: New vehicle – only travelled 32 060 km 33% of Taxi 1 and 65% of Taxi 2	Investigate the reason for the low number of trips. Driver may be on leave./ engaging in fraudulent behaviour. Give this vehicle to a more reliable driver

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TOTAL MARKS
150