



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2020**

GRADE 11

**ACCOUNTING
PAPER 1**

MARKING GUIDELINES

14 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 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 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. 'Operation' means check operation. 'One part correct' means operation and one part correct. Note: 'check operation' must be +, -, x, - as per memo.
9. 'One part correct' means operation and one part correct. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.
10. In calculations, do not award marks for workings 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. In such a case do not award a method-mark. Indicate with a ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

QUESTION 1: FINANCIAL STATEMENTS

(55 marks; 42 minutes)

Golden Gate Traders

Statement of Comprehensive Income (Income Statement) for the year ending 30

June 2020

Sales (337 600✓ – 1600✓)	336 000✓
Cost of Sales (Award 3 marks if =sales + 4000 /1.6)	(212 500) ✓✓
Gross Profit	123 500 ✓
Other operating income	18 687 ✓
Rent income (17 836 – 1 456 ✓✓)	16 380✓
Discount received (600 – 100 ✓)	500✓
Trading stock surplus	437 ✓✓
Bad debts recovered	1 370 ✓
Gross operating income	142 187 ✓
Other operating expenses	(136 587) ✓
Repairs	1 618
Bad debts	1510
Telephone (2 350 + 230 ✓)	2 580✓
Rates	2 850
Insurance (4 120 - 1 000 ✓✓)	3 120✓
Packing materials (13 500 x 80%)	10800✓✓
Water and electricity	4 830
Salaries (78 000 + 4 200 ✓)	82 200✓
U.I.F. contributions (3 120 + 42 ✓ + 42 ✓)	3 204✓
Provision for bad debts adjustment	400 ✓
Depreciation	23 475✓
Operating Profit	5600 ✓
Interest income (1 125 + 375 ✓✓)	1 500✓
Profit before Interest Expenses	7 100 ✓
Interest expenses	(6 000) ✓✓
Net Profit for the Year	1 100 ✓

Golden Gate Traders
Notes to Financial Statements as at 30 June 2020

1.2.1 Trade and other receivables

Trade debtors (31 900 - 1 600 ✓ + 1 370✓)	31 670✓
Provision for bad debts(550 + 400)	(950)✓
Net trade debtors	30 720
Prepaid expenses (<i>must be same as Insurance adjustment</i>)	1 000 ✓
Accrued income (<i>must be same as Interest income adjustment</i>)	375 ✓
	<u>32 095</u>

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1.2.2 Trade and other payables

Trade creditors (21 363 + 2 000✓)	23 363 ✓
Income received in advance (<i>must be same as Rent adjustment</i>)	1 456 ✓
Accrued expenses (<i>must be same as Telephone adjustment</i>)	230✓
Creditors for salaries (4 200 - 840 -150 - 42)	3 168 ✓
SARS : PAYE	840 ✓
Medical aid fund	150 ✓
U.I.F. (42 ✓ + 42 ✓)	84
	<u>29 291</u>

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Calculations:

Cost of sales:

$$336\,000 + 4000 / 11 / 160 = 212500$$

Trading stock deficit/surplus:

$$42563 + 1000 - 44\,000 = 437$$

Rent income:

$$15\,600 / 12 \times 7 = 9\,100$$

$$15\,600 + 12\% = 17\,472 / 12 \times 5 = 7\,280$$

$$9\,100 + 7\,280 = 16\,380 - 17\,836 = -1\,456$$

Interest on fixed deposit:

$$10\,000 \times 15\% = 1\,500 / 12 \times 3 = 375$$

$$10\,000 \times 15\% = 1\,500 - 1\,125 = 375$$

Interest on loan:

$$18\,000 + 48\,000 = 66\,000 - 60\,000 = 6\,000$$

QUESTION 2: PARTNERSHIPS

(40 marks; 32 minutes)

2.1 TRUE or FALSE

Number	Answer
2.1.1	False
2.1.2	False
2.1.3	True
2.1.4	False
2.1.5	False

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2.2 Mighty Mouse Traders

Notes to Financial Statements as at 28 February 2020

Current Accounts

	Mighty	Mouse	Total
Net profit as per Income Statement	61 200	79 800	141 000
Partners' salaries	54 400 √√	78 000 √	
Interest on capital	13 000 √√	8 000 √	
Primary distribution of profit	67 400	86 000	
Final distribution of profit/ <u>loss</u>	(6 200) ☑	(6 200) ☑	
Drawings for the year	(20 300) √√	(5 800) √√	
Retained income for the year	40 900	74 000	
Balance at beginning of year	(4 800) √	6 200 √	
Balance at end of year	36 100	80 200	116 300

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<u>Calculations for drawings: Mighty</u> $20\ 000 - 700 + 1\ 000 = 20\ 300$	<u>Calculations for drawings: Mouse</u> $6\ 800 - 1\ 000 = 5\ 800$
<u>Calculation for salaries: Mighty</u> $49\ 600 = 11\ \text{months}$ $4 + 7 (1,2)$ $12,4$ $\frac{49\ 600}{12,4} = 4\ 000$ $4\ 000 + 20\% = 4\ 800$ $49\ 600 + 4\ 800$ $= 54\ 400$	<u>Calculation for salaries: Mouse</u>
<u>Calculations for interest on capital: Mighty</u> $100\ 000 \times 8\% = 8\ 000$ $100\ 000 \times 10\% = 10\ 000 / 12 \times 6 = 5\ 000$ $8\ 000 + 5\ 000 = 13\ 000$	<u>Calculations for interest on capital: Mouse</u> $100\ 000 \times 8\% = 8\ 000$
<u>Calculations for share of remaining profit/loss:</u> $141\ 000 - 132\ 400 - 21\ 000 = (12\ 400)$ $(12\ 400 / 2 = (6\ 200))$ Ratio: Each had R100 000 capital at beginning of year. So ratio is 1 : 1	
<u>Calculation for Total Current Assets using the given Current Ratio:</u> CA : CL $??? : 67\ 250$ $1,2 : 1$ $67\ 250 \times 1,2 = 80\ 700$	

Calculation for Trade and other Receivables using given Acid Test Ratio:

Receivables + Cash : CL

??? + 11 500 : 67 250

0,5 : 1

$67\,250 \times 0,5 = 33\,625 - 11\,500 = 22\,125$

Calculation for Total Non-Current Liabilities using given Debt-Equity Ratio:

NCL : OE

??? : 416 300

1,5 : 416 300

$416\,300 \times 1,5 = 624\,450$

Calculation for missing Inventories figure:

:

$80\,700 - 22\,125 - 11\,500 = 47\,075$

Calculation for missing Fixed Assets figure:

$1\,108\,000 - 80\,700 = 1\,027\,300 - 20\,000 = 1\,007\,300$

2.3 Mighty Mouse Traders
Statement of Financial Position (Balance Sheet) as at 28 February 2020

<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		1 027 300 ✓
<u>Fixed assets</u>		1 007 300 ✓
<u>Financial assets</u>		
Fixed deposit : Giant Bank (10 000 – 10 000)		0
Fixed Deposit : Small Bank (20 000)		20 000 ✓
<u>CURRENT ASSETS</u> (<i>must be CL x 1,2</i>)		80 700 ✓
Inventories		47 075 ✓
Trade and other receivables (<i>must be CL x 0,5 – cash</i>)		22 125 ✓
Cash and cash equivalents (500 + 1 000 + 10 000)		11 500 ✓ ✓
Total assets (<i>must be same as total equity and liabilities</i>)		1 108 000 ✓
<u>EQUITY AND LIABILITIES</u>		
<u>OWNERS' EQUITY</u>		416 300 ✓
Capital (200 000 + 100 000)		300 000 ✓ ✓
Current accounts (<i>must come from 2.2</i>)		116 300 ✓
<u>NON-CURRENT LIABILITIES</u> (<i>must be OE x 1,5</i>)		624 450 ✓
Loan : Giant Bank (??? – 5 000)		624 450
<u>CURRENT LIABILITIES</u>		67 250 ✓
Trade and other payables (45 050 + 1 200)		46 250 ✓
Bank overdraft (12 200 + 5 000 – 1 200)		16 000 ✓ ✓
Short term loan		5 000 ✓ ✓
Total equity and liabilities		1 108 000 ✓

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QUESTION 3: ANALYSIS AND INTERPRETATION

(20 marks; 16 minutes)

3.1	Calculate King Ben's percentage earnings for the year ended 31 December 2020. Does he have reason to be satisfied? Give ONE reason for your answer.	
	$\frac{\text{Earnings of Ben}}{\text{Average equity of Ben}} \times 100$ $\frac{165\,000 + 60\,000 + (37\,100 / 2)}{(505\,562 + 597\,012) / 2} \times 100$ $\frac{165\,000 + 60\,000 + 18\,550}{551\,287} \times 100$ $\frac{243\,550}{551\,287} \times 100$ <p>44,1 %</p> <p>Satisfied / / Not satisfied</p> <p>Reason:</p> <p>His earnings of 34,2 % is above what he could earn on an outside investment like a fixed deposit, which currently earns about 5% interest.</p> <p>(Any other reasonable answer)</p>	(10)
3.2	Calculate the debt-equity ratio on 31 December 2020.	
	<p>Calculation:</p> $250\,000 : 1\,038\,154$ <p>0,2 : 1</p>	(3)

3.3	<p>The partners are considering taking up an additional R200 000 loan at an interest rate of 12% per annum. Do you think this is a good idea? Refer to ONE financial indicator and to gearing to motivate your answer with figures</p>	
	<p><u>Good idea</u> ✓</p> <p>Motivation:</p> <p>Debt-Equity ratio <input checked="" type="checkbox"/> improved from 0,3 : 1 to 0,2 : 1 ✓ Business is lowly geared, has more own than foreign capital.</p> <p><i>(Any other reasonable answer)</i></p>	(3)
3.4	<p>Comment on the liquidity position of the business. Refer to TWO financial indicators for 2020 to motivate your answer.</p>	
	<p>Financial indicator 1: Current ratio decreased from 1,7 : 1 to 1,4 : 1 √√</p> <p>Financial indicator 2: Acid test ratio decreased from 1,2 : 1 to 0,8 : 1 √√</p> <p>1 mark for each ratio 1 mark for each trend with figures.</p>	(4)

QUESTION 4: ASSET MANAGEMENT & INTERNAL CONTROL**(35 marks; 30 minutes)****4.1 Ethics**

Number	Answer
4.1.1	E ✓
4.1.2	F ✓
4.1.3	A ✓
4.1.4	D ✓
4.1.5	C ✓

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4.2 Accounting Equations

Number	Account debited	Account credited	Assets	Owners' equity	Liabilities
Example	Bank	Capital : Barack	0	+ 50 000	- 50 000
4.2.1	Drawings : Barack ✓	Bank ✓	0	- ✓ 8 000	+ ✓ 8 000
4.2.2	Drawings : Michelle ✓	Trading stock ✓	- ✓ 800	- ✓ 800	0

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4.3 Asset Management

4.3.1	If all vehicles are depreciated using the same method, what is the rate of depreciation used by the business?	
	<p>Calculations:</p> $47\,500 / 6 \times 12 = 95\,000$ $\frac{95\,000}{380\,000} \times 100$ $= 25\% \quad \checkmark$	(3)

4.3.2	It was decided to sell Vehicle 2 (see fixed asset register) as it was costing too much in repairs and maintenance.																															
	<p>Complete the asset register page to calculate the vehicle's book value on the date it was sold. (Round off to the nearest rand when doing all depreciation amounts.)</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="5">Movement</th> </tr> <tr> <th>Date</th> <th>Cost price</th> <th>Depreciation</th> <th>Accumulated depreciation</th> <th>Carrying value</th> </tr> </thead> <tbody> <tr> <td>28 February 2018</td> <td>380 000</td> <td>47 500</td> <td>47 500</td> <td>332 500</td> </tr> <tr> <td>28 February 2019</td> <td>380 000</td> <td>83 125</td> <td>130 625</td> <td>249 375</td> </tr> <tr> <td>28 February 2020</td> <td>380 000</td> <td>62 344</td> <td>192 969</td> <td>187 031</td> </tr> <tr> <td>31 May 2020</td> <td>380 000</td> <td>11 689</td> <td>204 658</td> <td>175 342</td> </tr> </tbody> </table> <p>Calculations:</p> <p>February 2020:</p> $249\,375 \times 25\% \checkmark = 62\,344 + 130\,625 \checkmark = 192\,969 \checkmark;$ $380\,000 - 192\,969 = 187\,031 \checkmark$ <p>May 2020:</p> $187\,031 \checkmark \times 25\% = 46\,758 / 12 \times 3 \checkmark = 11\,689 + 192\,969 \checkmark$ $= 204\,658$ $380\,000 - 204\,658 \checkmark = 175\,342 \checkmark$ <p>Accept : 46 757,75 / 46 757 11 689,44 / 11 689,25 / 11 689,50</p>	Movement					Date	Cost price	Depreciation	Accumulated depreciation	Carrying value	28 February 2018	380 000	47 500	47 500	332 500	28 February 2019	380 000	83 125	130 625	249 375	28 February 2020	380 000	62 344	192 969	187 031	31 May 2020	380 000	11 689	204 658	175 342	(10)
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4.4 Problem solving

Accounting Made Easy

Branch	Problem/ with figures ✓	Solution ✓
Daveyton	School is not full. Place for another 60 learners. ✓✓	Get more learners by advertising more. ✓
Actonville	Too many learners. There are 40 more than there should be. ✓✓	Reduce the number of learners. ✓ Get more educators.
Farramere	School is not full. There is no advertising. Rent is very high, R12 000. Not charging learners R120 ✓✓	Advertise the school. ✓ Get a cheaper premises. Take control of expenses.

(For all the above accept any other reasonable answers.)

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TOTAL: 150