



Province of the  
**EASTERN CAPE**  
EDUCATION

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2020**

### **ACCOUNTING P 1 MARKING GUIDELINE (EXEMPLAR)**

**MARKS: 150**

#### **MARKING PRINCIPLES:**

1. Unless otherwise indicated in the marking guidelines, 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 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). Note: If figures are stipulated in marking guidelines for components of workings, these do not carry the method mark for 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 + 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.
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.
9. 'Operation' means 'check operation'. 'one part correct' means 'operation and one part correct'.  
Note: Check operation must be +, -, x, ÷, or as per marking guidelines.
10. In calculations, do not award marks for workings if numerator & 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 guideline. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

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This marking guideline consists of 8 pages.

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**QUESTION 1: FIXED ASSETS**

1.1

1.1.1	False ✓
1.1.2	False ✓
1.1.3	True ✓

3
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1.2.1 Do a calculation to prove that the diminished balance-method of depreciation is used for vehicles.

WORKINGS	ANSWER
(780 000 – 52 000) two marks ✓✓ 728 000 x ✓10%	✓ 72 800 one part correct

4
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1.2.2 Calculate the missing figures denoted by (i) to (iv).

	WORKINGS	ANSWER
(i)	780 000 – 124 800	✓✓ 655 000
(ii)	3 000 000 – 750 000	✓✓ 2 250 000
(iii)	See (i) above $655\,200 \div 2 = 327\,600$  Remaining vehicle: $327\,600 \times 10\% = \checkmark\checkmark 32\,760$  Vehicle sold: See above $327\,600 \times 10\% \times \frac{9}{12} = \checkmark\checkmark 24\,570$	✓ 57 330 one part correct
(iv)	40 000 + 250 000 – 60 500	✓✓ 229 500

11
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<b>Indicate if a profit or loss was made on the disposal of the vehicle. Do a calculation to support your answer.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
Profit/Loss depending on calculations ✓  $\checkmark 310\ 000 - (\checkmark 390\ 000 - \checkmark 62\ 400 - \checkmark 24\ 570)$ 303 030 three marks	$\checkmark 6\ 970$ one part correct
	6

1.2.3

<b>Calculate the percentage increase in the value of the property as at 29 February 2020.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\checkmark\checkmark 450\ 000 \div \checkmark 3\ 000\ 000 \times 100$	$\checkmark 15\%$ one part correct
	4

<b>Explain why would you not agree with this partner. Provide ONE point with reference to a GAAP principle.</b>
Any valid point with reference to the GAAP principle ✓✓ Part marks for incomplete / partial answer  All fixed assets should be recorded at their original cost and not their estimated worth, according to the historical cost rule.
2

<b>TOTAL MARKS</b>
30

## QUESTION 2: GAAP AND INCOME STATEMENT

2.1	2.1.1	A ✓
	2.1.2	D ✓
	2.1.3	B ✓

3

2.2 TERA PRIVATE HOSPITAL  
INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

<b>Sales</b>	<b>1 290 450 + 18 900 ✓ - 18 200 ✓</b>	<b>1 291 150</b>	<input checked="" type="checkbox"/> *
<b>Cost of sales</b>	<b>1 032 350 + 21 000 ✓✓</b>	<b>(1 053 350)</b>	<input checked="" type="checkbox"/> *
<b>Gross profit</b>	Sales - COS	<b>237 800</b>	<input checked="" type="checkbox"/> 7
<b>Other operating Income</b>		<b>1 695 200</b>	
Rent income	121 650 ✓ - 18 600 ✓✓	103 050	<input checked="" type="checkbox"/> *
Fee income	1 584 000 ✓ + 7 920 ✓✓	1 591 920	<input checked="" type="checkbox"/> *
Provision for bad debts-adjustment		150	✓
Trading stock surplus	see COS above 410 150 - 21 000 <input checked="" type="checkbox"/> - 389 230 ✓	80	<input checked="" type="checkbox"/> *
<b>Gross operating Income</b>	GP + OOI	<b>1 933 000</b>	<input checked="" type="checkbox"/> 13
<b>Operating expenses</b>		<b>(756 900)</b>	
Consumable stores	72 790 ✓ - 9 950 ✓	62 840	✓
Advertising	12 120 ✓ - 3 120 ✓	9 000	<input checked="" type="checkbox"/> *
Salaries and wages	367 500 ✓ + 10 500 ✓✓	378 000	<input checked="" type="checkbox"/> *
Employers contributions	33 210 ✓ + 1 090 ✓✓	34 300	<input checked="" type="checkbox"/> *
Depreciation		25 000	✓
<b>Sundry Expenses</b>		<b>247 760</b>	
<b>Operating profit</b>	GOI - OE	<b>1 176 100</b>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 17
Interest income	370 000 x 8%	29 600	✓✓
<b>Profit before interest expense</b>	OP int inc	<b>1 205 700</b>	<input checked="" type="checkbox"/>
Interest expense		(11 500)	✓
<b>Net profit for the year</b>	PbIE - Int exp.	<b>1 194 200</b>	<input checked="" type="checkbox"/> 5

42

TOTAL MARKS

45

QUESTION 3: BALANCE SHEET AND NOTES

3.1 CURRENT ACCOUNT	CORNE	VIDIO
Balance at beginning of the year	✓ 12 100	✓ (10 200)
Net profit as per Income statement	165 620	212 680 <input checked="" type="checkbox"/> for both totals
Interest on capital *(✓18 750+ ✓45 000)	<b>45 000</b>	* <input checked="" type="checkbox"/> 63 750
Salaries 120 000 x 90%	✓✓ 108 000	<b>120 000</b>
Partners' bonus	-	✓✓ 10 000
Primary distribution at profit	153 000	193 750 <input checked="" type="checkbox"/> for both totals
Final distribution of profit	** <input checked="" type="checkbox"/> ✓ 12 620	*** <input checked="" type="checkbox"/> ✓ 18 930
Drawings for the year	<b>(172 500)</b>	<b>(140 300)</b>
Balance at the end of the year	● <input checked="" type="checkbox"/> 5 220	◆ <input checked="" type="checkbox"/> 62 180

17

\* one part correct

378 300 – 153 000 – 193 750 = 31 550

\*\*31 550 x 2 ÷ 5 = 12 620 two marks

\*\*\*31 550 x 3 ÷ 5 = 18 930 two marks

- Balance at end – Corne: 12 100 + 165 620 – 172 500 = 5 220
- ◆ Balance at end – Vidio: -10 200 + 212 680 – 140 300 = R62 180

TRADE AND OTHER RECEIVABLES

Trade debtors 202 330 – ✓ 2 330 – ✓ 2 400	* <input checked="" type="checkbox"/> 197 600
Provision for bad debts 2 450 + 250	* <input checked="" type="checkbox"/> ✓ (2 700)
Net trade debtors operation	<input checked="" type="checkbox"/> 194 900

6

\*one part correct

## 3.2 BALANCE SHEET ON 29 FEBRUARY 2020

<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>	TA - CA	1 332 200	<input checked="" type="checkbox"/>	
<b>Fixed assets</b>	Balancing figure	1 072 200	<input checked="" type="checkbox"/>	
Financial assets	310 000 – 50 000	260 000	<input checked="" type="checkbox"/>	4
<b>CURRENT ASSETS</b>	CL x 1,5	570 600	<input checked="" type="checkbox"/>	
<b>Inventories</b>	Balancing figure	319 190	<input checked="" type="checkbox"/>	
Trade and other receivables	see note above	194 900	<input checked="" type="checkbox"/>	
Cash and cash equivalents	6 510 + 50 000 see Fin assets	56 510	<input checked="" type="checkbox"/>	
<b>TOTAL ASSETS</b>	See TE + L	1 902 800	<input checked="" type="checkbox"/>	7
<b>EQUITY AND LIABILITIES</b>				
<b>PARTNERS EQUITY</b>	Operation	767 400	<input checked="" type="checkbox"/>	
Capital	300 000 + 400 000	700 000	<input checked="" type="checkbox"/>	
Current accounts	5 220 + 62 180 see note above	67 400	<input checked="" type="checkbox"/>	3
<b>NON-CURRENT LIABILITIES</b>		755 000		
Loan	✓✓ 825 500 – 70 500 ✓	755 000	<input checked="" type="checkbox"/>	4
<b>CURRENT LIABILITIES</b>		380 400	<input checked="" type="checkbox"/>	
<b>Trade creditors</b>		295 500		
Current Portion of Loan	See loan above	70 500	<input checked="" type="checkbox"/>	4
Bank overdraft		14 400	<input checked="" type="checkbox"/>	
<b>TOTAL EQUITY AND LIABILITIES</b>	operation	1 902 800	<input checked="" type="checkbox"/>	<b>22</b>

\*One part correct

<b>TOTAL MARKS</b>
<b>45</b>

**QUESTION 4: FINANCIAL INDICATORS AND INTERPRETATION OF FINANCIAL INFORMATION**

4.1 Calculate the following financial indicators as at 30 June 2020:

4.1.1	<b>Acid-test ratio</b>		<b>4</b>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	159 750 + 41 150 two marks or 294 650 – 93 750 two marks ✓✓ 200 900 : ✓ 190 500	1,1 : 1 ✓ One part correct	

4.1.2	<b>Debt-equity ratio</b>		<b>3</b>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	✓ 450 000 : ✓ 1 425 800	0,3 : 1 ✓ One part correct	

4.1.3	<b>Return earned by Kagiso</b>		<b>6</b>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$\frac{(47\,250 + 168\,750 + 16\,200) \checkmark\checkmark}{\frac{1}{2}(750\,000 - 15\,500 + 650\,000 + 10\,750) \checkmark\checkmark} \times \frac{100}{1}$ <p style="text-align: center; margin: 0;">             232 200 two marks              1 395 250 two marks              697 625 three marks           </p>	33,3% ✓ Accept 33% One part correct	

4.2.1	<b>Comment on the liquidity of the business and explain in which year the working capital was managed more efficiently.</b>		<b>6</b>
	<p>Financial indicators ✓✓ Figures and trend ✓✓            -1 for additional irrelevant financial indicators</p> <p>Current ratio decreased from 2,4 : 1 in 2019 to 1,5 : 1 in 2020.            Acid-test ratio decreased from 1,6 : 1 in 2019 to 1,1 : 1 (see 4.1.1) in 2020.</p> <p>Comment on the year ✓✓</p> <p>In 2020 it appears that working capital were managed more efficiently by ensuring that stock was moving.</p> <p style="text-align: center;"><b>OR</b></p> <p>In 2019 working capital was managed less efficiently. They were holding too much stock which may have contributed to low profitability.</p>		

4.2.2

**The partners decided to increase the loan during the financial year. Comment on this decision with reference to the degree of financial risk.**

Financial indicator ✓    Figures and trend ✓

Debt / equity ratio increased from 0,2 : 1 to 0,3 : 1 (see 4.1.2)

Comment: ✓✓

Although the debt-equity ratio increased, the risk is still low as the business is mainly financed by own capital.

4

4.2.3

**Comment on Kagiso's return on his investment in the partnership.**

• **Provide ONE reason why he should be happy with his return.**

Compare with reference to alternative investments ✓✓    Figures ✓

Although his return dropped from 36% to 33% see 4.1.3 it is still better than the return on alternative investments of 8%

• **Provide ONE reason why he should be concerned about his return on his investment and give an explanation.**

<b>REASON</b> ✓✓ Compare partners earnings with figures	<b>EXPLANATION</b> ✓✓ Compare change in capital with figures
At 33% it is still less than Radaba's return of 38%.	Kagiso increased his capital contribution by R100 000 while Radaba decreased his capital contribution by R25 000

7

<b>TOTAL MARKS</b>
<b>30</b>

**TOTAL: 150**