

**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 + or – 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.

**8 pages**

**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 <b>MADUNA TRADERS</b>			
<b>INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019</b>			
Sales (800 000 – 14 600✓ - 4 500✓)	one part correct	<input checked="" type="checkbox"/>	780 900
Cost of sales ( 390 000 - 2 500)	one part correct	<input checked="" type="checkbox"/>	(387 500)
<b>Gross Profit</b>	check operation	<input checked="" type="checkbox"/>	393 400
<b>Other Operating Income</b>			39 100
Rent income (42 000✓ - 3 300✓ ✓)	one part correct	<input checked="" type="checkbox"/>	38700
Provision for bad debts		✓	400
<b>Gross Operating income</b>	check operation	<input checked="" type="checkbox"/>	354 300
<b>Operating Expenses</b>	check operation	<input checked="" type="checkbox"/>	( 220 203)
Employer's contribution			<b>10 520</b>
Bad debts			<b>3 600</b>
Discount allowed			<b>530</b>
Telephone			<b>6 300</b>
Salaries and wages (150 000 +12 000✓✓)		<input checked="" type="checkbox"/>	162 000
Bank charges		✓	748
Insurance (9 800 -1 400✓✓)	one part correct	<input checked="" type="checkbox"/>	8 400
Packing material( 8 305 -2 300)		✓✓	6 005
Trading stock deficit (68 000 +2 500 -66 400)		<input checked="" type="checkbox"/>	4 100
Depreciation		✓	18 000
<b>Operating Profit</b>		<input checked="" type="checkbox"/>	134 097
Interest income		<input checked="" type="checkbox"/>	<b>9 600</b>
<b>Profit Before Interest Expense</b>		<input checked="" type="checkbox"/>	143 697
Interest expense (205 000+ 8 000-260 000)		<input checked="" type="checkbox"/>	(25 000)
<b>Net Profit for the year</b>	check operation	<input checked="" type="checkbox"/>	118697

32

**Total marks**

36

**QUESTION 2: CONCEPTS, TANGIBLE ASSETS AND ETHICS**

2.1

<b>CONCEPTS</b>		
2.1.1	False	✓
2.1.2	True	✓
2.1.3	False	✓
2.1.4	False	✓
2.1.5	True	✓

5
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**2.2.1 NOTE TO THE FINANCIAL STATEMENTS ON 31 DECEMBER 2018****TANGIBLE ASSETS**

	<b>Vehicles</b>	<b>Equipment</b>
Carrying value at the beginning of year	✓64 800	✓18 800
Cost	✓90 000	<b>26 000</b>
Accumulated depreciation	✓✓✓✓✓ (25 200)	✓ (7 200)
Movements:	23 140	22 225
Additions at cost <b>(Check Allocation below)</b>	✓✓✓✓✓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	<b>50 600</b>
Accumulated depreciation	<b>(40 060)</b>	3 marks, check below (9 575)

40
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✓\* Check accumulated depreciation at beginning

**VEHICLES****Depreciation for old vehicle**

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

**Depreciation for the year**

$$40\,060 - 25\,200 = 14\,860$$

**Depreciation for the new vehicle**

$$14\,860 - 12\,960 = 1\,900$$

**Cost price of new vehicle**

$$x \times 20\% \times \frac{3}{12} = 1\,900 \quad \text{OR} \quad 1\,900 \times \frac{12}{3} \div 20\% = 38\,000 \text{☑}$$

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

$$x = 38\,000 \text{☑}$$

**EQUIPMENT****Depreciation**

**New**       $27\,000 \checkmark \checkmark \times 10\% \times 7/12 \checkmark = 1\,575 \checkmark$       A  
                  25 000 one mark +2 000 one mark

**Asset sold**  
                   $2\,400 \checkmark \times 10\% \times 5/12 \checkmark = 100 \checkmark$       B

**Old asset**     $26\,000 - 2\,400 = 23\,600$   
                   $23\,600 \checkmark \checkmark \times 10\% = 2\,360 \checkmark$       C  
                   $= 4\,035 \checkmark$       11 marks

**Carrying value of asset sold**

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

$2\,400 \checkmark - 1\,560 \checkmark \checkmark - 100 \checkmark = 740 \checkmark$  ( Carrying value on date of sale)

**Check C****Accumulated depreciation at the end of the year**

$7\,200 + 4\,035 \checkmark - 1\,660 \checkmark = 9\,575 \checkmark$

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
<b>ASSETS</b>		
<b>Non-Current Assets</b>	check operation	3
Fixed assets		423 810
Fixed deposit (77 000 -5 000)		✓✓72 000
<b>Current Assets</b>	check operation	7
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
<b>TOTAL ASSETS</b>	check operation	1
<b>EQUITY AND LIABILITIES</b>		
<b>Owner's Equity</b>		4
Capital (216 000 + 180 000)		✓✓396 000
Current accounts		✓88 725
<b>Non-Current Liabilities</b>		
Long Term-Loan		60 000
<b>Current Liabilities</b>		4
Trade and other payables (25 491 + 670✓+1400 ✓✓)	one part correct	27 561
<b>TOTAL EQUITY AND LIABILITIES</b>	check operation	1
		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	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	49 310	30 710
Retained income at beginning of year	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	<b>Calculate the following indicators for 28 February 2019</b>	
4.1.1	<b>Calculate Clyde's current ratio.</b>	<b>3</b>
	<p>Current assets : Current liabilities (Clyde)            590 000 ✓ : 370 000 ✓            1,6 : 1 <input checked="" type="checkbox"/> <b>one part correct</b></p>	
4.1.2	<b>Calculate Bonny's stock turnover rate.</b>	<b>4</b>
	$\frac{\text{Cost of sales}}{\text{Average stock}}$ $= \frac{1\,300\,000 \checkmark}{\frac{1}{2}(130\,000 \checkmark + 150\,000 \checkmark)}$ $= 9,3 \text{ time per year } \checkmark \quad \text{one part correct}$	
4.1.3	<b>Clyde's average debtors collection period</b>	<b>5</b>
	$\frac{\text{Average Debtors}}{\text{Credit sales}} \times \frac{365}{1}$ $= \frac{\frac{1}{2}(310\,000 \checkmark + 344\,000 \checkmark)}{80\% \checkmark \times 2\,500\,000 \checkmark} \times \frac{365}{1}$ $= 59,7 \text{ days } \checkmark \quad \text{one part correct}$	
4.1.4	<b>Calculate the return on average equity of Bonny's Clothing.</b>	<b>5</b>
	$\frac{\text{Net profit (Bonny)}}{\text{Average owners' equity}} \times \frac{100}{1}$ $= \frac{200\,000 \checkmark}{\frac{1}{2}(385\,000 \checkmark + 405\,000 \checkmark)} \times \frac{100}{1}$ $= \frac{200\,000}{395\,000 \checkmark} \times \frac{100}{1}$ $= 50,6\% \checkmark \quad \text{one part correct}$	

4.2.1	<b>Compare and comment on the liquidity position of the two businesses, quote TWO financial indicators.</b>	<b>8</b>														
Any two indicators ✓✓ compare figures / indicators of two businesses ✓✓																
<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 30%;">Indicators</th> <th>Comparison of Bonny and Clyde's Businesses</th> </tr> </thead> <tbody> <tr> <td><b>Current ratio</b></td> <td>Bonny's ratio is 2.1: 1, is higher / better than Clyde's ratio of 1.6:1 (see 4.1.1)</td> </tr> <tr> <td><b>Acid Test ratio:</b></td> <td>Bonny's ratio is 1.1: 1, is higher / better than Clyde's ratio of 0.9 :1</td> </tr> <tr> <td><b>Stock Turnover rate</b></td> <td>Bonny's 9,3 times (see 4.1.2), is higher / better than Clyde's 5,5 times</td> </tr> <tr> <td><b>Stock Holding Period</b></td> <td>Bonny's 39 days is better or shorter than Clyde's 66 days</td> </tr> <tr> <td><b>Debtors Collection</b></td> <td>Bonny's 26 days is better or faster than Clyde's 59.7 days (see 4.1.3)</td> </tr> <tr> <td><b>Creditors Payment</b></td> <td>Bonny's 58 days is shorter compared to Clyde's payment period of 90 days</td> </tr> </tbody> </table>			Indicators	Comparison of Bonny and Clyde's Businesses	<b>Current ratio</b>	Bonny's ratio is 2.1: 1, is higher / better than Clyde's ratio of 1.6:1 (see 4.1.1)	<b>Acid Test ratio:</b>	Bonny's ratio is 1.1: 1, is higher / better than Clyde's ratio of 0.9 :1	<b>Stock Turnover rate</b>	Bonny's 9,3 times (see 4.1.2), is higher / better than Clyde's 5,5 times	<b>Stock Holding Period</b>	Bonny's 39 days is better or shorter than Clyde's 66 days	<b>Debtors Collection</b>	Bonny's 26 days is better or faster than Clyde's 59.7 days (see 4.1.3)	<b>Creditors Payment</b>	Bonny's 58 days is shorter compared to Clyde's payment period of 90 days
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<p><b>Explanation</b> Two Points ✓✓ ✓✓ (One mark for partially correct answer)</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Bonny's Clothing will be able to settle her short-term debts with ease.</li> <li>• 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.</li> <li>• Clyde is going to struggle to settle her short-term debts. She will experience serious cash flow problems.</li> </ul>																

4.2.2	<b>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.</b>	<b>3</b>
<p><b>Indicators ✓ Explanation ✓</b></p> <p>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.</p> <p><b>Advice ✓</b></p> <ul style="list-style-type: none"> <li>• Bonny to look for another partner</li> <li>• To continue running his business as a sole trader</li> <li>• Any valid explanation</li> </ul>		

**Total marks**
**28**
**TOTAL: 150**