

PHOENIX CIRCUIT ACCOUNTING SOCIETY (PCAS)

HELPING ACCOUNTING EDUCATORS EXCEL

GRADE 11

ACCOUNTING

NOVEMBER 2019

MARKING GUIDELINES

This marking guideline consists of 7 pages.

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 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 from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
'One part correct' means operation and one part correct.
8. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
8. 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 X.
9. Be aware of candidates who provide valid alternatives beyond the marking guideline.
10. Codes: f = foreign item; p = placement/presentation.

□

QUESTION 1

1.1.1 ASSET DISPOSAL ACCOUNT					
DATE	DETAILS	AMOUNT	DATE	DETAILS	AMOUNT
Dec 2018	Equipment ✓	50 000✓	Dec 2018	Accum. Depreciation:Equip✓ (15000 ✓+3750 ✓)	18 750 ☑
				Bank ✓	21 000 ✓
				Loss on sale of asset ✓	10 250 ☑
		50 000	☑		50 000

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FIXED(TANGIBLE) ASSETS	LAND AND BUILDINGS	EQUIPMENT
Carrying value (01/07/2018)	2 000 000	165 000
Cost	2 000 000	300 000
Accumulated depreciation		(135 000)
Movements		
Additions at Cost	600 000✓	180 000
Disposal at Carrying value		(31 250) ✓☑
Depreciation		(52 500) ✓☑
Carrying value (30/06/19)	2 600 000	261 250 ☑
Cost	2 600 000✓	430 000 ✓✓
Accumulated depreciation	0	(168 750) ☑

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1.2 The owner of Chinamhora Stores also owns vehicles that are used for deliveries. He has discovered that some of his drivers are using the business vehicles for private use. Identify TWO ways that the business can ensure that the vehicles are being used responsibly by staff.

- Install tracker✓✓
- Assign a particular driver per vehicle who is responsible for the vehicle✓✓
- Have weekly checks on the condition of the vehicles✓✓
- Log book to record mileage✓✓

Any valid explanation

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1.3 One of the vehicles is old and will soon need to be replaced. The manager of Chinamhora Stores was promised a gift by AMC Motors if he purchased the new vehicle from them. Will it be ethical to accept this gift? Briefly explain.

No. ✓ It will be unethical. The decision to purchase from a particular supplier should be based on sound business principles (Price; warranty; guarantee; after sales services, etc.) and not on kickbacks. ✓✓

Proper procurement policies should be implemented.

Any valid explanation

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1.4 Why is it important to record the new asset in the fixed assets register?

The asset register serves as the control tool for assets. If the purchase of the asset is not recorded immediately in the asset register, it can easily disappear due to theft ✓✓ // It serves as proof of existence.

Any valid explanation

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QUESTION 2: PARTNERSHIP FINANCIAL STATEMENT (60 marks; 48 minutes)

2.1 GAAP CONCEPTS

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

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2.2.2 TRADE AND OTHER PAYABLES NOTE

Trade Creditors	18 280	
Accrued Expense	2 200	✓
Deferred Income	7 700	✓
Creditors for Salaries	15 130	✓
Pension Fund (8 400 ✓ + 1 680 ✓ + 2 520 ✓)	12 600	✓
SARS:PAYE (19 900 ✓ + 4 190 ✓)	24 090	✓
Operation one part correct	80 000	✓✓

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2.2.1 THALVIN TRADERS
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019

Sales (910 600 - 12 000✓ - 5 600✓)	893 000	✓
Cost of sales (548 000 - 3 500✓)	(544 500)	✓
Gross profit <i>Check operation</i> [6]	348 500	☑
OTHER OPERATING INCOME	91 820	☑
Rent income (97 300 - 7 700✓✓)	89 600	✓
Discount received	1 300	✓
Bad debts recovered	720	✓
Provision for bad debts adjustment (2 100 - 1 900)	200	✓✓
GROSS OPERATING INCOME <i>Check operation</i> [9]	440 320	☑
OPERATING EXPENSES <i>Check operation</i>	(275 730)	☑
Salaries and wages (150 000 + 21 000✓)	171 000	✓
Employer's contribution (12 130 + 2 520✓)	14 650	✓
Bad debts (1 850 + 1 050✓)	2 900	✓
Water and electricity	52 800	✓
Discount allowed (750 - 150✓)	600	✓
Telephone	9 610	✓
Insurance (11 000 + 2 200✓)	13 200	✓
Consumable stores (7 100 - 1 800✓)	5 300	✓
Bank charges (690 + 480✓)	1 170	✓
Trading stock deficit (280 000 + 3 500✓ - 12 000✓ - 270 000✓) OR (271 500✓✓ - 270 000✓)	1 500	☑
Loss due to fire (12 000 x 25 %) or (12 000 - 9 000) [23]	3 000	✓✓
OPERATING PROFIT	164 590	☑
INTEREST INCOME	1 410	✓
PROFIT BEFORE INTEREST EXPENSE	166 000	☑
INTEREST EXPENSE	(26 000)	
NET PROFIT FOR THE YEAR <i>check operation</i> [5]	140 000	✓☑

QUESTION 3
PHOENIX TRADERS
BALANCE SHEET ON 28 FEBRUARY 2019

(30 marks; 24 minutes)

ASSETS		R	
NON-CURRENT ASSETS	[TA – CA]	3 886 040	<input checked="" type="checkbox"/>
Tangible/Fixed assets at carrying value	[NCA – FD]	3 278 040	<input checked="" type="checkbox"/>
Financial assets Fixed deposit: Africa Bank (600 000✓ + 8 000✓)		608 000	<input checked="" type="checkbox"/>
CURRENT ASSETS	[2,3 x 349 200]	803 160	<input checked="" type="checkbox"/>
Inventories (803 160 – 368 900 – 149 600)		284 660	<input checked="" type="checkbox"/>
Trade & other receivables(364 000 ✓–1 800✓+4 000 ✓+2 700✓)		368 900	<input checked="" type="checkbox"/>
Cash and cash equivalents(144 600 ✓+ 5 000✓)		149 600	<input checked="" type="checkbox"/>
TOTAL ASSETS		4 689 200	<input checked="" type="checkbox"/>
EQUITY AND LIABILITIES			
Partners' Equity		4 100 000	<input checked="" type="checkbox"/>
Capital (2 500 000 + 1 250 000)		3 750 000	
Current Accounts(600 000✓ – 250 000✓)		350 000	<input checked="" type="checkbox"/>
NON-CURRENT LIABILITIES		240 000	
Mortgage loan : ABSA bank (480 000 ✓– 240 000✓✓)		240 000	<input checked="" type="checkbox"/>
CURRENT LIABILITIES		349 200	<input checked="" type="checkbox"/>
Trade and other payables		109 200	
Short term loan		240 000	<input checked="" type="checkbox"/>
TOTAL EQUITY AND LIABILITIES		4 689 200	<input checked="" type="checkbox"/>

QUESTION 4: ANALYSIS AND INTERPRETATION

(30 marks:24 minutes)

Calculate the following financial indicators on 30 June 2019

4.1.1 Acid test ratio

(1 015 000 ✓ - 564 000 ✓) : 635 200 ✓ OR (246 000 + 205 000) : 635 200
451 000 : 635 200

0,7:1 ✓

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4.1.2 Debt: Equity ratio

8 000 000 ✓ : 1 0050 750 ✓

0,8:1 ✓

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4.1.3 % Return on average partners equity earned by the partnership

$$\frac{1\ 840\ 500\ \checkmark \times 100}{(1\ 0050\ 750\ \checkmark + 9\ 540\ 000\ \checkmark) \div 2\ \checkmark} = 1$$

$$= \frac{1\ 840\ 500}{9\ 795\ 375} \times 100$$

= 18,8% ✓

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4.2 The partners are pleased that the liquidity of the partnership has improved. Quote THREE financial indicators to support their statement

Current ratio ✓ has **improved/or increased** from 0,3: 1 to 1,6: 1 ✓
 Acid test ratio ✓ has **improved/or increased** from 0,1: 1 to 0,7: 1 ✓
 Debtors collection period ✓ has **improved or decreased** from 43 days to 36 days ✓
 Debtors are paying 7 days sooner than last year.

Financial Indicator ✓, Explanation/trend, Figures, ✓

Do not accept creditors payment period Do not accept stock turnover rate

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4.3 The partners decided to increase the loan during the current financial year. Quote TWO financial indicators that are relevant to their decision. Explain why this was a wise decision or not

Debt: Equity ratio increased from 0,1 : 1 to 0,8 : 1 which indicates a higher risk
ROTCE of 8,2 % is less than the interest rate on loan of 12 % which indicates negative gearing

It was not a good idea to take the loan

Financial Indicator ✓, Explanation/trend ✓ ✓, Figures, ✓

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4.4 Should the partners be satisfied with the % return on average partners' equity? State TWO points in your answer.

Yes. The % return on average partners equity increased from 6.2% to 18,8% ✓ ✓

This return is greater than alternate investments, eg. Fixed deposit, which yields 9%. ✓ ✓

4

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