GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

NOVEMBER 2022

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. Indicate with a ☒.
10. Be aware of candidates who provide valid alternatives beyond the marking guidelines.
11. Codes: f = foreign item; p = placement/presentation.

QUESTION 1: FIXED ASSETS AND INTERNAL CONTROL **(25 marks; 20 minutes)**

1.1 Calculations: Depreciation

Vehicles		
Sold	**Remaining (old)**	**New**
100 000 – 36 000 = 64 000 64 000 x 20% = 12 800 = 12 800 x $\frac{6}{12}$ = 6 400 √☑	300 000 – 100 000 = 200 000 √ 76 000 – 36 000 = 40 000 √ 160 000 x 20% = 32 000 ☑	150 000 x 20% = 30 000 = 30 000 x $\frac{6}{12}$ = 15 000 √☑
Total depreciation for current year: 6 400 + 32 000 + 15 000 = 53 400		

Equipment	
Old	**New**
80 000 x 10% = 8 000 √	6 000 x 2 = 12 000 12 000 x 10% = 1 200 = 1 200 x $\frac{3}{12}$ = 300 √☑
Total depreciation for current year: 8 000 + 300 = 8 300	

10

1.2

Tangible Assets	Land and Buildings	Vehicles	Equipment
Carrying value on (01-03-2021)	**400 000**	**224 000**	**60 000**
Cost	**400 000**	**300 000**	**80 000**
Accumulated depreciation		**(76 000)**	**(20 000)**
Movements			
Additions at cost	√ 120 000	√ 150 000	**12 000**
Disposals at carrying value		√√ (57 600)	
Depreciation		☑ (53 400)	☑ (8 300)
Carrying value on (28-02-2022)	520 000	☑ 263 000	☑ 63 700
Cost	**520 000**	**350 000**	**92 000**
Accumulated depreciation		☑ (87 000)	☑ (28 300)

10

1.3.1

The land and buildings were revalued in January 2021 and the market value of the land and buildings is R700 000. The financial records of RnB Traders are reflecting R400 000. Which GAAP principle is being applied?	**(2)**
Historical cost concept √√	

1.3.2

The owner is concerned about high maintenance expenses of trucks and he needs your advice. Provide THREE points.	**(3)**
• Keep a log book. • Install tracking devices on all trucks. • Take out a maintenance or service plan. √√√ **Any THREE acceptable answers.**	

TOTAL: 25

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

(50 marks: 45 minutes)

MK Traders
Statement of Comprehensive Income for the year ended 30 June 2022

Sales (**1 032 000** – 32 000 √ – 225 √)	☑999 775
Cost of sales (427 000 – 150 √)	☑(426 850)
Gross profit	☑ 572 925
Other operating income	☑49 010
Rent income (47 250 – 3 850 √√)	☑ 43 400
Discount received	**4 200**
Bad debts recovered (1 000 + 210 √)	☑ 1 210
Provision for bad debts adjustment	√√ 200
Gross operating income	☑ 621 935
Other operating expenses	☑ (281 110)
Salaries and wages (125 000 + 30 000)	√√ 155 000
Water and electricity (25 000 + 5 000)	√√ 30 000
Discount allowed	**1 500**
Insurance (6 400 – 1 200)	√√ 5 200
Packing material (4 200 + 500 √ – 900 √√)	☑ 3 800
Stationery (4 100 – 500 √)	☑ 3 600
Bad debts (1 500 + 450)	√√ 1 950
Medical contribution (3 000 + 2 600)	√√ 5 600
UIF contribution (1 250 + 300)	√√1 550
Skills development levy (1 250 + 300)	√√ 1 550
Bank charges	√ 840
Sundry expenses	**41 000**
Trading Stock deficit (81 000 + 150 √ – 79 100 √)	☑√ 2 050
Depreciation	√ 27 470
Operating profit	☑ 340 825
Interest income (500 + 500)	√√ 1 000
Profit before interest expense	☑ 341 825
Interest expense (360 + 7 125 √√)	☑ (7 485)
Net profit for the year	☑ 334 340

TOTAL: 50

QUESTION 3: PARTNERSHIPS

(40 marks; 30 minutes)

3.1

3.1.1	False √
3.1.2	False √
3.1.3	True √
3.1.4	False √
3.1.5	False √

5

Bryan Adam Stores

Notes to Financial Statements as at 28 February 2022

3.2

Current Accounts	**A. Bryan**	**B. Adam**	**Total**
Net profit as per income statement	174 600	136 700	√ 311 300
Partners' salaries **see calculations below**	√√ 80 400	√ 102 000	182 400
Partners' bonuses	**16 000**	**0**	16 000
Partners' interest on capital **see calculations below**	√√√ 28 200	√√ 14 700	42 900
Primary distribution of profits	☑ 124 600	☑116 700	☑ 241 300
Final distribution of profits **see calculations below**	☑ 50 000	☑ 20 000	☑ 70 000
Drawings for the year **see calculations below**	√√ (93 860)	√ (132 600)	(226 460)
Retained income for the year	80 740	4 100	84 840
Balance at beginning of the year	√ 6 300	√ (1 400)	4 900
Balance at end of the year	☑ 87 040	☑ 2 700	☑ 89 740

23

Bryan Adam Stores

Extract of the Statement of Financial Position as at 28 February 2022

3.3

EQUITY AND LIABILITIES		
OWNERS' EQUITY		☑ 369 740
Capital		**280 000**
Current accounts		√☑ 89 740
NON-CURRENT LIABILITIES		147 896
Loan : AB Bank **(Do not accept minus 15 000)**		√√☑ 147 896 **See calc below**
CURRENT LIABILITIES		☑ 82 490
Trade and other payables (45 050 √ + 10 500 √)		☑ 55 550
Bank overdraft		**11 940**
Short term loan		√15 000
TOTAL EQUITY AND LIABILITIES		☑ 600 126

12

<u>Calculations for drawings: A. Bryan</u>

√ **mark for both**

6 700 x 12 = 80 400 √ + 4 670 + 8 790 = 93 860

<u>Calculation for salaries: A. Bryan</u>

6 700 x 12 = 80 400 √√

<u>Calculations for interest on capital: A. Bryan</u>

160 000 x 15% = 24 000 — 24 000 x $\frac{6}{12}$ = 12 000 √

160 000 x 18% = 28 800 — 28 800 x $\frac{3}{12}$ = 7 200 √

200 000 x 18% = 36 000 — 200 000 x $\frac{3}{12}$ = 9 000 √

Total = 12 000 + 7 200 + 9 000

<u>Calculations for interest on capital: B. Adam</u>

100 000 x 15% = 15 000 — 15 000 x $\frac{6}{12}$ = 7 500 √

80 000 x 18% = 14 400 — 14 400 x $\frac{6}{12}$ = 7 200 √

Total = 7 500 + 7 200 = 14 700

<u>Calculation for share of remaining profit/loss: A. Bryan</u>

70 000 x $\frac{5}{7}$ = 50 000

<u>Calculation for share of remaining profit/loss: A. Bryan</u>

70 000 x $\frac{2}{7}$ = 20 000

<u>Calculation of loan</u>

from owners' equity

369 740 √ x 0,4 √ = 147 896☑

TOTAL: 40

QUESTION 4: FINANCIAL INDICATORS **(35 marks; 25 minutes)**

4.1	**Calculate the percentage return earned on average equity for the business for 2022.**	**(5)**
	$= \dfrac{58\ 000\ \surd}{(420\ 000 + 234\ 000)\ \surd\surd\ ½\ \surd} \times 100$ 654 000 2 marks 327 000 3 marks = 17,74% ☑	
4.2	**Calculate the percentage return earned by Verma on his average equity for 2022.**	**(5)**
	$= \dfrac{37\ 000\ \surd}{(160\ 000 + 200\ 000 + 2\ 000 + 8\ 000)\ \surd\surd\ ½\ \surd} \times 100$ 370 000 2 marks 185 000 3 marks = 20% ☑	
4.3	**Comment on the two return financial indicators of the business mentioned in QUESTIONS 4.1 and 4.2.**	**(4)**
	Ratios with trend √√ Conclusion √√ The % return earned on equity for the business has decreased from last year's 24% to this year's 17,74% in 2022. The return earned by Verma has also decreased from 26% in 2021 to 20% in 2022. Overall, the return of the business is decreasing but is still above the average of about 9% which can be earned on an outside investment like a fixed deposit.	
4.4	**Calculate the Debt : Equity ratio for 2022.**	**(4)**
	360 000 √ : (200 000 + 200 000 + 8 000 + 12 000) √√ 360 000 : 420 000 0,86 : 1 ☑	

4.5	**In your opinion was it a good idea to increase the loan? Motivate your answer.**	**(4)**
	Yes, it was a good idea to increase the loan. √ The **<u>debt : equity ratio</u>** √has improved from 1,2:1 in 2021 to 0,86:1 in 2022. The business has more of its own capital now than borrowed funds. √ The business has also become less risky compared to last year. √ **OR** No, it was a not good idea to increase the loan. √ Although the **<u>debt : equity ratio</u>**√ has improved from 1,2:1 in 2021 to 0,86:1 in 2022. The business has more of its own capital now than borrowed funds. √ The business is still highly geared/high risk. √	
4.6	**Calculate the current ratio for 2022.**	**(3)**
	Current assets : Current liabilities 160 000 √ : 70 000 √ 2,29 :1 ☑	
4.7	**Calculate the acid-test ratio for 2022.**	**(4)**
	160 000 √ – 95 000 √ : 70 000 √ 65 000 : 70 000 0,93 : 1 ☑	
4.8	**Comment briefly on the liquidity position of the business for 2022. Provide TWO financial indicators with figures.**	**(6)**
	Ratios √√ Trends √√ Conclusion √√ The liquidity of the business is improving. The current ratio has improved from 1,6 : 1 in 2021 to 2,29 : 1 in 2022. The acid-test ratio has also improved from 0,6 : 1 in 2021 to 0,93 : 1 in 2022. The business is more liquid now compared to last year and they would be able to convert their assets into liquid cash quickly and more efficiently. **DO NOT ACCEPT STOCK TURNOVER RATE.**	

TOTAL: 35

TOTAL: 150