



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 11

ACCOUNTING P1

EXEMPLAR NOVEMBER 2019

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 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 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 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. Operation means check operation. One part correct means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
11. When 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.
13. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 9 pages.

QUESTION 1: GAAP AND FIXED ASSETS

(25 marks; 20 minutes)

1.1	1.1.1	Materiality	✓
	1.1.2	Prudence	✓
	1.1.3	Matching	✓
	1.1.4	Going-concern	✓

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1.2.1	WORKINGS	ANSWER
	<p>(i) 4 000 000 + 570 000</p> <p style="text-align: right;">2</p>	<p>4 570 000 ✓✓ no part-marks</p>
	<p>(ii) 564 000 ✓ + 132 000 ✓ – 576 000 ✓</p> <p style="text-align: right;">4</p>	<p>120 000 *✓ one part correct</p>
	<p>(iii)</p> <p style="text-align: right; margin-right: 20px;"><small>132 000 x 10% x 7/12</small></p> <p>132 000 – (13 200✓ + 13 200✓ + 7 700✓) ✓</p> <p style="text-align: center;"><small>34 100 four marks</small></p> <p>OR: (from Asset Register)</p> <p>118 800 – 13 200 – 7 700</p> <p style="text-align: center;"><small>one mark one mark two marks</small></p> <p style="text-align: right;">5</p>	<p>97 900*✓ one part correct</p>
	<p>(iv) Asset disposal/sold = 7 700✓ see iii</p> <p>New 120 000✓ see ii x 10/100 x 3/12 = 3 000 *✓</p> <p>Old (576 000 – 132 000) x 10/100 = 44 400 ✓*✓</p> <p style="text-align: center;"><small>444 000</small></p> <p style="text-align: right;">6</p>	<p>55 100*✓ one part correct</p>

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1.2.2	<p>Give ONE suggestion that the internal auditor can use to check whether movable fixed assets have been stolen.</p> <p>Any ONE point ✓✓ Part-marks for unclear/incomplete answers</p> <ul style="list-style-type: none"> • Conduct physical inspection (regular and random) • Compare to Fixed Assets Register
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1.2.3 Provide ONE point why you would agree with Partner Naomi.

ONE valid point ✓✓ **Part-marks for unclear/incomplete answers**

- GAAP prescribes the historical (original) cost principle when recording assets and only recognising profits and/or losses on disposal (i.e. prudence).
- IFRS provides for revaluation (fair value) provided that this estimate can be measured reliably (evidence).
- Essentially, financial statements must not be overstated to create a false impression on profitability.
- Partners' current accounts will be inflated with a non-cash item which will not be a true reflection of their net worth.

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TOTAL MARKS
25

QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE**(50 marks; 45 minutes)****2.1 MASALA TRADERS
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

Sales (9 600 000 – 168 000 – 4 500✓)		9 427 500	*✓
Cost of sales (6 400 000 – 3 000✓)		(6 397 000)	*✓
Gross profit	5	3 030 500	✓
Other income	operation one part correct	250 285	✓
Commission income		96 200	
Rent income (131 580 ✓ + 9 000 ✓ + 12 780✓✓)		153 360	*✓
Provision for bad debts adjustments (10 725 – 10 000)		725	✓✓
Gross income	9	3 280 785	✓
Operating expenses	Check operation	(2 290 510)	✓
Sundry expenses		386 100	
Bank charges		62 850	
Packing material (23 100 – 3 600)		19 500	✓✓
Bad debts (26 400✓ + 3 685✓✓)		30 085	*✓
Repairs and maintenance (161 200 + 9 000)		170 200	✓✓
Salaries and wages (985 000 + 27 800)		1 012 800	✓✓
Pension fund contributions (108 350 + 7 575)		115 925	✓✓
Advertising (56 800✓ + 5 600 ✓✓)		62 400	*✓
Trading stock deficit (564 000 ✓ + 3 000✓ – 553 650✓)		13 350	*✓
Depreciation		417 300	✓
Operating profit	Check operation 22	990 275	✓
Interest income		4 000	
Profit before interest expense		994 275	
Interest expense (810 000 + 151 200 – 902 400)		(58 800)	✓*✓
Net profit for the year	4	935 475	✓

*✓ One part correct

2.2 TRADE AND OTHER PAYABLES

Creditors' control	126 075	
Pension fund (23 500 + 7 575 ✓ + #5 050 ✓)	36 125	* <input checked="" type="checkbox"/>
SARS – PAYE (15 000 ✓ + #4 525 ✓✓)	19 525	* <input checked="" type="checkbox"/>
Accrued expenses (Advertising see IS)	5 600	<input checked="" type="checkbox"/>
Creditors for salaries	18 225	✓
	205 550	* <input checked="" type="checkbox"/>

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Pension fund 7 575/1,5

PAYE 27 800 – 18 225 – 5 050

TOTAL MARKS
50

QUESTION 3: PARTNERSHIPS

(40 marks; 30 minutes)

3.1

Calculate the percentage interest on capital.

$35\ 200 \checkmark / 440\ 000 \checkmark \times 100 = 8\% \checkmark$ one part correct

3

3.2

CURRENT ACCOUNTS

	VILANDER	LOUW
Partner salaries	127 500 ✓✓	144 000
Interest on capital	52 800 ✓☑*	35 200
Primary distribution	180 300 ☑	179 200
Final distribution	54 000 ✓✓	36 000
Net profit for the year	234 300 ☑	215 200
Drawings	(33 000)	(259 000)
	201 300✓	(43 800)
Balance at beginning	65 000✓	(15 200)✓
Balance at end of year	266 300 ☑	(59 000)☑

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Salary Vilander: (10 000 x 9) + (12 500 x 3)

Interest on Capital: 660 000 x 8% see 3.1

3.3

**KGALAGADI TRADERS
BALANCE SHEET ON 28 FEBRUARY 2019**

ASSETS		
NON-CURRENT ASSETS		901 200
Fixed assets		750 000
Fixed deposit		151 200
CURRENT ASSETS		755 600 <input checked="" type="checkbox"/>
Inventory	balancing figure	678 800 <input checked="" type="checkbox"/>
Trade and other receivables 58 000✓ – 3 700 ✓✓ + 7 000✓✓ + 9 500 ✓		70 800 <input checked="" type="checkbox"/>
Cash and cash equivalents	10	6 000 ✓
TOTAL ASSETS	1	1 656 800 <input checked="" type="checkbox"/>
EQUITY AND LIABILITIES		
EQUITY		1 307 300 <input checked="" type="checkbox"/>
Capital (660 000 + 440 000)		1 100 000 ✓✓
Current account (266 300 – 59 000)	see 3.1 5	207 300 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
NON-CURRENT LIABILITIES		139 200
Loan: Diamond Bank (208 800✓ – 69 600✓✓)	4	139 200 <input checked="" type="checkbox"/>
CURRENT LIABILITIES		210 300 <input checked="" type="checkbox"/>
Trade and other payables		85 300
Bank overdraft		55 400 ✓
Current portion of loan		69 600 <input checked="" type="checkbox"/>
TOTAL EQUITY AND LIABILITIES	4	1 656 800 <input checked="" type="checkbox"/>

24

TOTAL MARKS

40

QUESTION 4: ANALYSIS AND INTERPRETATION (35 marks; 25 minutes)

4.1.1 The business was started on 1 March 2017. The partners are concerned about the financial results during the first year of operation.

Calculate the % return on the partners' equity (use average equity).

$$\frac{152\ 000\checkmark}{\frac{1}{2}(450\ 000\checkmark + 450\ 000\checkmark + 66\ 400\checkmark - 34\ 400\checkmark)} \times \frac{100}{1} = 32,6\%\checkmark$$

466 000

6

Comment on this return. Provide ONE point.

This is an excellent return. Profitability is extremely satisfying.
Exceeds return on alternative investments such as fixed deposits (8% at present).

2

4.1.2 Ronel Henning is concerned about whether she has made the right decision in resigning from her previous job.

Calculate the total amount earned by Ronel Henning during the first year of operation of this business.

91 200 + 20 000 + 3 200 + 12 000 = 126 400
 ✓ ✓ ✓ ✓ ✓

5

What percentage of the total net income did she earn and what percentage did her partner, Yvonne, earn?

RONEL	YVONNE
✓ ✓ $126\ 400/152\ 000 \times 100 = 83,2\% \checkmark$	$100\% - 83,2\% = 16,8\% \checkmark\checkmark$

5

Will the partners be satisfied with the amounts calculated above? Explain briefly. Quote figures.

RONEL	YVONNE
She will be satisfied as it exceeds her previous earnings of R102 000 by R24 400. ✓✓	She will also be satisfied as her return of 25 600/165 600 (15,4%) is still better than alternative investments. ✓✓

4

4.2 FINANCIAL DECISIONS FOR THE NEXT YEAR

4.2.1 Calculate the change in net profit if Yvonne decides to work fulltime. Show workings.

$$\begin{array}{rcccc}
 & \checkmark\checkmark & \checkmark\checkmark & \checkmark\checkmark & \checkmark \\
 152\ 000 & + & 57\ 600 & + & 18\ 000 & + & 19\ 500 & = & 247\ 100 \\
 & & 172\ 800/3 & & 22\ 500 \times 80\% & & 130\ 000 \times 15\% & &
 \end{array}$$

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4.2.2 Show the effect of this change to Yvonne's total earnings, if she gives up her job.

$$\begin{array}{rcl}
 \text{Salary:} & 104\ 880 & \checkmark \\
 \text{Interest on capital} & 20\ 000 & \checkmark \\
 & = & 124\ 880 & \checkmark \\
 & + & \text{as share in the remaining profit} & \checkmark
 \end{array}$$

4

4.2.3 Briefly explain TWO other advantages for the business if Yvonne works on a full-time basis in the business.

TWO points ✓ ✓

Shared responsibilities
 Shared decision-making
 Satisfaction and motivation to improve the business

2

TOTAL MARKS
35

TOTAL: 150