



Education and Sports Development

Department of Education and Sports Development
Department van Onderwys en Sport Ontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko
NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 11

ACCOUNTING: PAPER 1

JUNE 2019: MEMORANDUM

MARKS: 150

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 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).
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.
10. Be aware of candidates who provide valid alternatives beyond the marking guideline.
11. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 08 pages.



NW/JUNE/ACCNG/ EMIS/6*****

QUESTION 1:

1.1

Choose an example from COLUMN B that matches a concept COLUMN A.

1.1.1	E ✓
1.1.2	A ✓
1.1.3	B ✓
1.1.4	D ✓
1.1.5	C ✓

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1.2 KELISH TRADERS

INCOME STATEMENT FOR THE YEAR ENDED ON 28 FEBRUARY 2019	
Sales 996 100 – 29 100	967 000 ✓✓
Cost of sales	(435 500) ✓
Gross Profit (Operation)5	531 500 ✓
Operating income (Operation)	52 880 ✓
Rent Income 55 080✓ – 4 280✓✓	50 800 ✓*
Provision for Bad debts adjustment 4 580✓ – 4 510✓	70 ✓
Discount received	2 010 ✓
Gross Income 10	584 380 ✓
Operating expenses (Operation)	(310 558) ✓
Salaries and wages 174 700✓ + 12 000✓ + 1 080✓	187 780 ✓*
Advertising 19 150✓ – 550✓	18 600 ✓*
Bad Debts 8 520 ✓ + 1 400 ✓✓	9 920 ✓*
Stationery 8 775✓ – 555✓ – 1 245✓	6 975 ✓*
Insurance 12 680✓ – 432✓	12 248 ✓*
Telephone 15 540✓ + 990✓	16 530 ✓*
Donations	555 ✓
Trading stock deficit 190 800 ✓ – 3 750✓ – 184 600✓	2 450 ✓*
Depreciation 44 000 + 11 500	55 500 ✓✓
Operating profit (Operation)30	273 822 ✓
Interest income 3 500✓ + 500✓ + 275✓	4 275 ✓*
Profit before interest expense (Operation)	278 097 ✓
Interest expense 176 000 ✓ + 84 000 ✓ – 235 000✓	(25 000) ✓*
Net Profit for the year (Operation)10	253 097 ✓

✓* one part of calculation must be correct to earn (work-with) method mark
Foreign items -1 (max -2)

55

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QUESTION 2:

2.1.1 CAPITAL	RUTH	SEGOMOTSI	TOTAL
Balance at the beginning of the year	✓480 000	✓320 000	☑800 000
Additional capital contributed	✓120 000	✓80 000	200 000
Withdrawal of capital			
Balance at the end of the year check operation	✓600 000	✓400 000	☑1 000 000

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2.1.2 CURRENT ACCOUNT	RUTH	SEGOMOTSI	TOTAL
Salaries	✓✓192 000	✓✓180 000	☑ 372 000
Interest on capital	✓✓ 64 800	✓✓43 200	☑ 108 000
Bonus	✓15 000	✓15 000	✓ 30 000
Primary distribution	☑ 271 800	☑238 200	☑510 000
Final distribution	☑10 000	☑10 000	20 000
Nett profit for the year	☑281 800	☑248 200	✓530 000
Drawings during the year	✓(240 800)	✓(147 500)	☑ (388 300)
	41 000	100 700	141 700
Balance at the beginning of the year	✓8 000	✓(7 500)	✓ 500
Balance at the end of the year check operation	☑ 49 000	☑93 200	☑142 200

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OR



2.1.2 CURRENT ACCOUNT	RUTH	SEGOMOTSI	TOTAL
Nett profit for the year	☑281 800	☑248 200	✓530 000
Salaries	✓✓192 000	✓✓180 000	☑ 372 000
Interest on capital	✓✓ 64 800	✓✓43 200	☑ 108 000
Bonus	✓15 000	✓15 000	✓ 30 000
Primary distribution	☑ 271 800	☑238 200	☑510 000
Final distribution	☑10 000	☑10 000	20 000
Drawings during the year	✓(240 800)	✓(147 500)	☑ (388 300)
Retained income for the year	41 000	100 700	141 700
Balance at the beginning of the year	✓8 000	✓(7 500)	✓ 500
Balance at the end of the year check operation	☑ 49 000	☑93 200	☑142 200

OR



(MOST POPULAR APPROACH)

2.1.2 CURRENT ACCOUNT	RUTH	SEGOMOTSI	TOTAL
Balance at the beginning	✓8 000	✓ (7 500)	✓500
Net profit as per Income Statement	☑281 800	☑248 200	✓530 000
Bonus to partners	✓15 000	✓15 000	✓30 000
Partners salaries	✓✓192 000	✓✓180 000	☑372 000
Interest on capital	✓✓64 800	✓✓43 200	✓108 000
Primary distribution of profit	☑271 800	☑238 200	☑510 000
Secondary/Final distribution of profit	☑10 000	☑10 000	20 000
Drawings for the year	☑240 800	☑ (147 500)	☑ (388 300)
Undrawn profit/retained income	41 000	100 700	141 700
Balance at the end of the year check operation	☑49 000	☑93 200	☑142 200

2.2 Accounting equation

	Assets	Equity	Liabilities
E.g	- 500	- 500	0
2.2.1	✓- 4800	✓- 4 800	✓ 0
2.2.2	✓+ 12 000	✓+ 12 000	✓ 0
2.2.2	✓-7 500	✓-7 500	✓ 0
2.2.3	✓-17 000	✓-17 000	✓ 0



QUESTION 3 PARTNERSHIPS – LEDGER ACCOUNTS AND INTERPRETATION

**3.1 GENERAL LEDGER OF LEMON BLOSSOM TRADERS
CURRENT ACCOUNT: BROOKLYN**

2018 Aug	1	Drawings: Brooklyn balancing figure		245 600 ☑	2017 Sept	1	Balance	b/d	32 700 ✓
		Balance	c/d	104 850 ✓	2018 Aug	31	Salary: Brooklyn		225 216 ✓
							Interest on capital		60 750 ✓
							Bonus		13 784 ✓
							Appropriation (36 000 X ½)		18 000 ✓✓
				350 450					350 450
					2018 Sept	1	Balance	b/d	104 850 ✓

Details and amounts to score the marks

3.2 FINANCIAL INDICATORS

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3.2.1 Acid test ratio

103 400 – 2 marks
 (165 600 ✓ – 62 200 ✓) : 166 240 ✓
 = 0,6 : 1 ☑ **one part correct; in the form x : 1**

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3.2.2 Debt/equity ratio

425 000 ✓ : 1 700 000 ✓
 0,25 : 1 ☑ **one part correct; in the form x : 1 (accept 0,3 : 1)**

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3.2.3 Percentage return earned by the partners

697 700 – 3 marks
 $\frac{643\,700\,✓ + 36\,000\,✓ + 18\,000\,☑}{\frac{1}{2}\,✓ (1\,270\,300\,✓ + 1\,700\,000\,✓)} \times 100 = 46,9\% \,☑ \text{ (accept 47\%)}$
1 485 150 – 3 marks one part correct; must be % must show average
2 970 300 – 2 marks

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3.3	The partners are concerned about the liquidity position of the business. Explain why they feel this way. Quote TWO financial indicators (with figures) to support your explanation.			
	<p>Ratios and figures showing the trend ✓✓✓✓ Comment ✓✓ (could be a general comment or a comment for each ratio)</p> <p>Current ratio dropped from 3 : 1 to 1 : 1 Acid test ratio dropped from 2 : 1 to 0,6 : 1 (see 4.2.1) Debtors collection worsened from 33 days to 45 days</p> <p>Explanation: The above financial indicators suggest that although the business is able to meet short term debts, it is heading for liquidity problems if corrective measures are not taken to improve. This must include an improved collection policy from debtors.</p>	<table border="1"> <tr><td> </td></tr> <tr><td>6</td></tr> </table>		6
6				
3.4	Comment on the percentage return earned by Partner Lebrin. Should he be satisfied with this percentage? Explain, quoting relevant financial indicators with figures.			
	<p>Yes/No ✓</p> <p>Financial indicator with comparative figures ✓✓ Comment ✓✓</p> <p>Lebrin earned a high return (54%). This is better than the rate on alternative investments. He may be dissatisfied because of the drop from last year (56%) and the fact that Brooklyn has achieved a very high return of 90% which was also an increase in his earnings from last year (84%).</p>	<table border="1"> <tr><td> </td></tr> <tr><td>5</td></tr> </table>		5
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3.5

Partner Brooklyn feels that the business should increase the loan. Partner Lebrin is not keen to incur more debt. Briefly explain who you would support. Provide TWO financial indicators (with figures) to motivate your choice.

Financial indicators with comparative figures ✓✓✓✓
 Comment – motivation for support of one partner ✓✓

Financial indicators :

Debt/equity was 0,6 : 1 and is now 0,25 : 1 (see 4.2.2.)

Return on capital employed was 30,3% and is now 33,5%

Comment:

The business is lowly geared and is positively geared. The loan is used effectively to generate a high return.

There was no urgency to repay the loan.

I would support Brooklyn as the loan only cost 12% and is able to generate 33,5% return.

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TOTAL: 150

