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GRADE 11

NOVEMBER 2018

**ACCOUNTING
MARKING GUIDELINE**

MARKS: 300

GENERAL PRINCIPLES:

- 1 Where calculations are required, award full marks for the final answer. If the answer is incorrect, mark the workings provided. If the working amount is shown as a final answer, award the relevant marks allocated for workings (Income statement), and not the method mark for the answer.
- 2 Method marks are denoted by ☒.
 - For calculations and final totals, at least one part of the workings must be correct for the method mark to be earned. For totals – inspect operation and reasonableness of answer before awarding the mark.
 - In cases where answers of previous questions must be used (carried forward answers), check the transfer.
 - Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no sign (+/-) or bracket is provided, assume that the figure is positive.
 - In awarding method marks, ensure that full marks are not awarded for any item that is incorrect at least in part.
- 3 For questions requiring explanations and comments (2 marks or more), award part-marks for incomplete answers. A good comment will normally mention and explain a point. Be aware of candidates who provide valid alternatives beyond the marking guideline, and of different ways to say the same thing. Note that the marking guideline only offer suggested answers.
- 4 Where penalties are applied (such as foreign items, misplaced items, omitted details, etc.), the marks for that section cannot be a negative. Penalties will be indicated next to the relevant questions where applicable.
- 5 Educators are advised to work through the question paper and compare with this guideline, *before* marking. If adjustments are necessary, do so within the framework of the mark allocation.

This marking guideline consists of 12 pages.

QUESTION 1: RECONCILIATIONS

1.1

1.1.1	True ✓
1.1.2	True ✓
1.1.3	False ✓
1.1.4	False ✓

4

1.2.1

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
SUNDRY ACCOUNT	AMOUNT	SUNDRY ACCOUNT	AMOUNT
Drawings ✓	4 000 ✓	Bank charges ✓	1 120 ✓
Interest income ✓	450 ✓	Debtors control ✓	6 250 ✓
Creditors control ✓	1 080 ✓		*

10

1.2.2

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2018		
	DEBIT	CREDIT
Dr balance as per statement	12 190 ✓	
Outstanding deposit:		* 15 300 ✓
17/10/2018		13 220 ✓
29/10/2018		10 400 ✓
Outstanding cheques: No. 1265	9 700 ✓	
No. 1460	4 280 ✓	
No. 1496	5 730 ✓	
Cr error on statement		530 ✓
Balance as per bank account	7 550 <input checked="" type="checkbox"/> Balancing figure	
	39 450	39 450 <input checked="" type="checkbox"/> one part correct

10

* If concept of Prudence is considered, the deposit of R15 300 can be entered in the CPJ to be cancelled and NOT shown as outstanding deposit in the BRS. (1 mark) Adapt totals and Balance as per Bank account.

1.2.3

PROBLEM IDENTIFIED ✓✓ ✓✓	SOLUTION ✓ ✓
Deposits are not being done regularly / Poor internal control of cash.	Check deposits Arrange bank notification for all transactions Create rules and procedures for staff to follow. Monitor.
The cashier has no supervision/ is in charge of too many related functions.	Division of duties. Authorisation for transactions Regular and random audit of records.

6

1.3 CREDITORS RECONCILIATION

Creditors Ledger Account	Statement
20 000	21 500
A	(5 450 – 4 450) – 1 000 ✓✓
B + 230 ✓✓	
C (520 x 2) – 1 040 ✓✓	
D – 4 190 ✓	
E	- 5 500 ✓
15 000 <input checked="" type="checkbox"/> one part correct	15 000 <input checked="" type="checkbox"/> one part correct

10

Accept brackets for negative amounts (if used).

-1 on each line for foreign items (only if a mark is scored on that line).



QUESTION 2: INCOME STATEMENT**VUZI TRADERS****Income Statement for the year ended 28 February 2018**

Sales	2 362 575 ✓ + 17 425 ✓	2 380 000	✓	
Cost of Sales	1 389 750 ✓ + 10 250 ✓✓	(1 400 000)	✓*	
GROSS PROFIT		980 000	✓*	8
Other income		17 000	✓*	
Trading stock surplus	58 680 – 10 250 ✓ – 49 540 ✓	1 110	✓*	
Bad debts recovered	2 180 ✓ + 820 ✓	3 000	✓	
Provision for bad debts adjustment	3 070 – 2 480	590	✓✓*	
Rent income	30 750 ✓ – 18 450 ✓✓	12 300	✓*	
Gross income		997 000	✓*	14
Operating expenses		(442 000)	✓*	
Packing material		27 300	✓	
Bad debts	8 770 ✓ + 2 730 ✓✓	11 500	✓*	
Telephone	15 675 ✓ + 1 245 ✓	16 920	✓	
Insurance	23 720 ✓ - 840 ✓✓	22 880	✓*	
Advertising	19 660 ✓ – 1 160 ✓✓	18 500	✓*	
Salaries and wages		285 200	✓	
Water and electricity		27 360	✓	
Sundry expenses		32 340	✓	
Operating profit		555 000	✓* 21	
Interest income	240 000 x 8% x $\frac{10}{12}$	16 000	✓✓✓*	
Profit before interest expense		571 000	✓*	
Interest expense	210 500 – 179 500	(31 000)	✓✓*	
Net profit for the year		540 000	✓* 7	50

-1 each for foreign items (all balance sheet accounts) Max. -2
 Misplaced items must be marked wrong.

*one part correct

QUESTION 3: PARTNERSHIPS**3.1 CURRENT ACCOUNT NOTE**

	THANDI	XOLA	TOTAL
Salaries	148 800 ✓✓	152 520 ✓✓	301 320
Interest on capital	64 000 ✓	74 000 ✓✓	138 000
Bonus	10 680 ✓✓	0	10 680
Total primary distribution	223 480	226 520 ☑	450 000 ☑
Final distribution of profits	10 000 ✓✓	11 250 ✓✓	21 250 ☑
Net profit for the year	233 480 ☑	237 770 ☑	471 250
Drawings	(148 800)	(127 100)	(275 900)
Retained income for the year	84 680 ☑	110 670 ☑	195 350
Balance (1 March 2017)	22 320 ✓	(17 670) ✓	4 650
Balance (28 February 2018)	107 000 ☑	93 000 ☑	200 000 ☑

25

Accept alternative formats/presentations.
Allocate the marks accordingly.

*one part correct. Check operation for all totals.

3.2 Calculate the following financial indicators:**3.2.1 CURRENT RATIO**

$$407\,340 \checkmark : 226\,300 \checkmark = 1,8 : 1 \text{ ☑ one part correct}$$

3**3.2.2 AVERAGE DEBTORS COLLECTION PERIOD**

193 250 three marks

$$\frac{1}{2} \checkmark (219\,200 \checkmark + 167\,300 \checkmark) \times 365 = 44 \text{ days } \text{☑ one part correct}$$

1 602 000 ✓✓

6**3.2.3 PARTNER XOLA'S RETURN ON EQUITY**

$$\frac{237\,770 \checkmark}{\frac{1}{2} \checkmark (900\,000 \checkmark + 1\,000\,000 \checkmark + 93\,000 \text{ ☑ 3.1.} - 17\,670 \checkmark)} \times 100$$

1 900 000 ✓ two marks 75 330 ✓ two marks ☑

987 665 four marks

$$= 24,1 \text{ or } 23\% \text{ ☑ one part correct}$$

7**3.2.4 DEBT/EQUITY RATIO**

2 000 000

$$800\,000 \checkmark : (1\,800\,000 \checkmark + 200\,000 \text{ ☑ 3.1.})$$

$$= 0,4 : 1 \text{ ☑ one part correct}$$

4

3.3

Comment on the liquidity of the business. Quote TWO financial indicators (with figures) to support your comment.

Financial indicators with trends ✓✓ ✓✓ (any TWO)
General comment ✓✓

Current ratio decreased from 2,2 : 1 to 1,8 : 1 (see 3.2.1)

Acid test ratio decreased from 1,2 : 1 to 0,8 : 1

Debtors average collection period worsened from 40 days to 44 days. (see 3.2.2)

The financial indicators suggest that the liquidity position was satisfactory but is moving towards an unsatisfactory position. At this trend, the business may experience problems in meeting its short term debts in the future. The acid test ratio indicates that the business holds too much stock; debtors are taking too long to settle their accounts.

6

3.4 3.4.1

Explain Thandi's concern about the "unlimited liability" principle.

Explanation of unlimited liability ✓✓✓ part marks for unclear/incomplete answers

A partnership business is not recognised as being separate from the owners.

The partners are therefore responsible for all debts of the business. This liability may extend beyond their investment (equity) in the partnership.

He is concerned that his private possessions (assets) may be used to settle the debts of the business.

3

3.4.2

Provide TWO points to support Xola's suggestion. Quote ONE financial indicator (with figures) in your motivation.

TWO valid points ✓✓ ✓✓

ONE relevant financial indicator (with figures) ✓✓

The debt/equity ratio improved from 0,5 : 1 to 0,4 : 1 (see 3.2.4)

The business is lowly geared (not making extensive use of loans)

Increasing the loan by R200 000 will cause the debt/equity ratio to move to 0,5 : 1 (which is still reasonable).

If the extensions to the business contributes to greater profitability and the return on capital employed is greater than the interest on the loan, then Xola's suggestion can be supported.

6

QUESTION 4: COST ACCOUNTING**4.1.1 Calculate: Direct material cost**

$$\begin{array}{ccccccc}
 23\,400 & + & 342\,600 & - & 15\,700 & + & 155\,000 & + & 19\,400 & - & 38\,700 & = & 486\,000 \\
 \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark
 \end{array}$$

☒ one part correct

7

Calculate: Direct labour cost

4 x 1 440 x R35	201 600	<input checked="" type="checkbox"/> one part correct
Contributions (201 600 x 10%)	20 160	<input checked="" type="checkbox"/> one part correct
Overtime	33 600	<input checked="" type="checkbox"/>
TOTAL	255 360	<input checked="" type="checkbox"/> one part correct

5

4.1.2
**GENERAL LEDGER OF STRUMPHER MANUFACTURERS
WORK-IN-PROGRESS STOCK**

balancing figure

2017 Mar	1	Balance	45 300 ✓	2018 Feb	28	Finished goods stock ✓	1 000 000 <input checked="" type="checkbox"/>
2018 Feb	28	Direct material cost ✓	486 000 <input checked="" type="checkbox"/> *			Balance c/d	60 000 ✓
		Direct labour cost ✓	255 360 <input checked="" type="checkbox"/> *				
		Factory overhead cost ✓	273 340 ✓				
			1 060 000				1 060 000
2018 Mar	1	Balance b/d	60 000				

*see 4.1.1

10

FINISHED GOODS STOCK

2017 Mar	1	Balance b/d	27 000 ✓	2018 Feb	28	Cost of sales ✓	1 005 000 <input checked="" type="checkbox"/> Balancing figure
2018 Feb	28	Work-in-progress ✓	1 000 000 <input checked="" type="checkbox"/> See above			Balance c/d	22 000 ✓
			1 027 000				1 027 000
2018 Mar	1	Balance b/d	22 000				

6

4.1.3

The owner is concerned about the control of workers in production. Provide TWO points that justify his concern. Quote relevant figures.

TWO valid points ✓ ✓ figures ✓✓ ✓✓

Point 1:

Normal hours worked is below the contracted hours.

Figures

They should be working 1 800 hours (40 x 45) but only 1 440 hours are worked (80%).

Point 2:

Overtime hours are relatively high.

Figures

640/1 440 (44,4%)
640/1 800 (35,5%)

6

4.2

JOLENE AND JUANE DOLLS

4.2.1

Calculate the break-even point.

76 500 two marks

$$\frac{30\,600 \checkmark + 45\,900 \checkmark}{95 \checkmark - (23 \checkmark + 14 \checkmark + 28 \checkmark)} = 2\,550 \text{ units } \checkmark \text{ one part correct}$$

30 four marks

7

Comment on findings

Comparison of units produced to BEP ✓✓ comment ✓

The number of units produced and sold is equal to the BEP of 2 550
The business managed to break-even but was not able to make a profit.

3

4.2.2

Did the business achieve the targeted gross profit on sales? Provide a calculation to support your opinion.

Yes/No ✓

$$\begin{aligned} &\text{DMC} + \text{DLC} + \text{FOHC} \\ &(71\,400 + 58\,650 + 45\,900) \times 150\% \checkmark \\ &175\,950 \checkmark \checkmark \text{ one part correct} \\ &= 263\,925 \text{ expected sales } \checkmark \\ &242\,250 \text{ actual sales } \checkmark \end{aligned}$$

Or: if unit costs are used.

$$\begin{aligned} &(28 + 23 + 18) \times 150\% \\ &= 103,50 \text{ expected selling price} \\ &95,00 \text{ actual selling price} \end{aligned}$$

6

QUESTION 5: BUDGETING

- 5.1 Calculate the percentage of goods sold on credit during December 2018.

$$\frac{72\,000 \checkmark}{120\,000 \checkmark\checkmark} \times 100 = 60\% \quad \checkmark \text{ one part correct}$$

72 000 + 48 000 two or nothing

4

- 5.2 Complete the Debtors Collection Schedule for December 2018.

MONTH	CREDIT SALES	NOVEMBER	DECEMBER
October	57 600	23 040	10 368 ✓✓
November	64 800	24 624	25 920 ✓✓
December	72 000	72 000 x 40% x 95%	27 360 ✓✓✓*
CASH FROM DEBTORS			63 648 ✓*

8

*one part correct

- 5.3 CASH BUDGET FOR DECEMBER 2018

RECEIPTS**DECEMBER 2018**

Cash Sales		48 000	✓
Cash from debtors	see 5.2.2	63 648	✓
Rent income	139 680/12 ✓ x 105% ✓	12 222	✓*
Interest on fixed deposit	9 600/3	3 200	✓✓
TOTAL RECEIPTS		127 070	✓* 8
PAYMENTS			
Payments to creditors	(43 200 + 64 800) ✓ x 100/150 ✓	72 000	✓*
Salaries	(10 100 x 180% x 2) + 10 100 ✓ 36 360 ✓ one part correct	46 460	✓*
Drawings		1 800	✓✓
Operating expenses		18 000	✓
Bank charges		1 620	✓
Advertising		3 600	
Repairs and maintenance		5 000	
TOTAL PAYMENTS		148 480	✓* 12
SURPLUS/(SHORTFALL)		(21 410)	✓*
Bank (Opening Balance)		98 330	✓
BANK (CLOSING BALANCE)		(76 920)	✓* 3

23

-1 Foreign entries (max -2) any non-cash item

*one part correct

5.4

ITEM ✓ ✓	REASON ✓✓ ✓✓
Well controlled: Drawings Advertising	<i>Drawings:</i> The owner is considerate of the cash flow situation. The business was in a shortfall position. <i>Advertising:</i> This budget was well used. Only R50 over. The business expects sales to increase during November and December so they must advertise.
Not well controlled: Repairs and maintenance Rent income	<i>Repairs:</i> It is always wise to use the maintenance budget so that equipment/assets work more efficiently over a longer period. <i>Rent:</i> Poor collection policy. Tenant is taking advantage. Affecting the cash flow.

6

Provide the owner with different internal control measures he can use to exercise better control over any TWO items on this list.

ONE point on each item. ✓✓ ✓✓

Repairs and maintenance:

Have regular inspections on assets needing maintenance.

Take out a contract to ensure that this is done regularly.

Rent income:

Stipulate a fixed date for payment – or interest will apply.

Suggest a debit order to ensure payment is made.

Send reminder before due date.

4

QUESTION 6: CLUBS AND FIXED ASSETS

6.1.1

**GENERAL LEDGER OF MOUNT COKE HIKING CLUB
MEMBERSHIP FEES ACCOUNT**

2017 Jan	1	Accrued income	5 400 ✓	2017 Jan	1	Deferred income	1 500 ✓
Dec	31	Bank ✓ (refund)	450 ✓	Dec	31	Bank	61 500 ✓
		Deferred income ✓	2 700 ✓			Fees written off ✓ 5 400 – 3 600	1 800 ✓✓
		Income and Expenditure ✓	66 150 ✓*			Honorarium ✓	300 ✓
						Accrued income ✓	9 600 ✓ Balancing figure
			74 700				74 700

$201 \times 300 + 3 \times 150 + 14 \times 300 + 8 \times 150$
 60 300 ✓ 450 ✓ 4 200 ✓ 1 200 ✓

20

6.1.2

Explain why they feel this way. Provide ONE point. ✓✓

The constitution provides for $\frac{1}{2}$ or full amount payable.
 It would be unfair to a new member who joins in November.
 Some members will benefit more than others depending on the number of months in the club.

2

Provide a solution to solve this problem. ONE point ✓✓

The club can use a pro-rata system whereby members only pay for the unexpired months in the first year.
 The club can calculate a monthly fee and make the fees payable monthly.

2

6.2.1

Calculate: Total depreciation on vehicles

$924\,000 \checkmark \times 20\% = 184\,800 \checkmark$ one part correct
 $1\,090\,000 - 924\,000 = 166\,000 \checkmark \times 20\% \times \frac{9}{12} \checkmark = 24\,900 \checkmark$ one part correct

Total: 209 700 ✓ one part correct

6

Calculate: Total depreciation on equipment

$(380\,000 \checkmark - 167\,000 \checkmark) \times 15\% = 31\,950 \checkmark$ one part correct
 213 000 two marks

3

6.2.2 FIXED ASSETS NOTE

	VEHICLES	EQUIPMENT
CARRYING VALUE (1 March 2017)	369 600 ✓	213 000
Cost	924 000	380 000
Accumulated Depreciation	(554 400)	(167 000)
Movements:		
Additions	166 000 ✓✓	0
Disposals	0	(11 390)☑
Depreciation <small>see 6.2.1</small>	(209 700)☑	(31 950)☑
CARRYING VALUE (28 February 2018)	325 900☑	169 660✓
Cost	1 090 000	335 000
Accumulated Depreciation	(764 100)☑	(165 340)

9

6.2.3 Provide TWO points to justify her concern. Quote figures.

TWO valid points (with figures) ✓✓ ✓✓ related to sales increase ✓✓

Petrol and oil cost is now 48 900 (75% more than last year);
Sales only increased by 192 400 (26%).

Repairs and maintenance increased by 12 920 (40%).

6

Give Shirley TWO points of advice on how she can exercise better control over the use of the vehicles.

TWO points ✓✓ ✓✓

Install tracking devices on vehicles.

Use a logbook to keep records on mileage.

Make provision for all vehicles parked at business after finishing time.

Allocate vehicles to drivers on a daily basis.

4

6.2.4 The six drivers are dissatisfied with their salary increase and are planning a strict. Are they justified? Explain.

Yes/No ✓ Explanation ✓✓

It is only 5% which is below the inflation rate.

Sales increased by 40%, they are only receiving 5%.

3

TOTAL: 300