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GRADE 11

NOVEMBER 2019

**ACCOUNTING P1
MARKING GUIDELINE**

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 foreign item penalty for misplaced items). 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 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). *Note:* if figures are stipulated in marking guideline 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.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer 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 ÷ or per candidates' response.
10. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. In such cases, do not award the method mark. Indicate by way of ☒
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 10 pages.

QUESTION 1: ANALYSIS OF TRANSACTIONS AND FIXED ASSETS**1.1 ANALYSIS OF TRANSACTIONS**

	General Ledger		Assets	Owners' Equity	Liabilities
	Account debited	Account credited			
1.1.1	Trading stock	Bank	+25 000 ✓	0	+25 000 ✓
1.1.2	Creditors control ✓	Stationery ✓	0	+500	-500
1.1.3	Debtors allowance ✓	Debtors control ✓	-1 400 ✓	-1 400 ✓	0
1.1.4	Equipment ✓	Bad debts recovered ✓	+3 500 ✓	+3 500 ✓	0

12

No marks awarded if entries are made in all 3 columns for the accounting equation.

1.2 FIXED ASSETS**1.2.1 Calculate the missing figures denoted by (i) to (iii).**

WORKINGS		ANSWER
(i)	143 000 + 117 400 or 400 000 – 140 000	260 000 ✓✓ no part marks
(ii)	14 000 ✓ + (117 000 ✓ ÷ 3 ✓) 39 000 two	53 000 ✓ One part correct
(iii)	(93 000 – 54 800) 38 200 ✓ x 20% x 9/12 ✓ = 5 730 see above 93 000 ✓ – (54 800 ✓ + 5 730 ✓) 435 000 – 342 000 60 530 two marks	32 470 ✓ One part correct

2

4

7

1.2.2

The equipment was sold at a loss while the market value was R35 000. Provide TWO possible reasons for the loss and suggest ONE control measure to prevent this happening again.

TWO valid reasons ✓✓ ✓✓

Not properly taken care off

Not depreciated by the correct amount

Too expensive to maintain/they want to get rid of it

ONE valid suggestion ✓

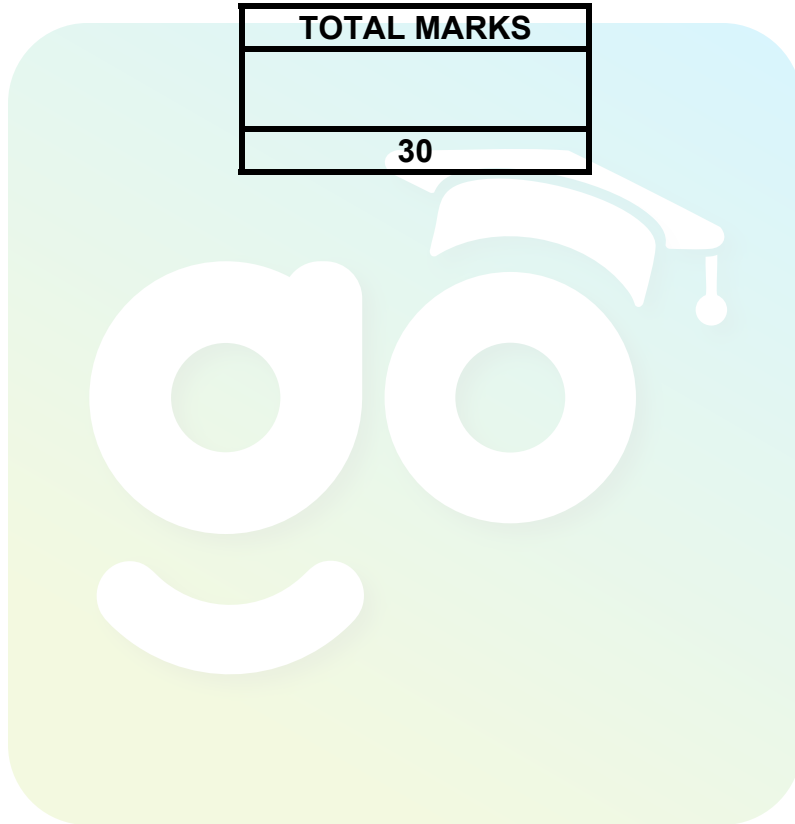
Implement/improve maintenance plan

Calculate the correct depreciation

5

TOTAL MARKS

30



QUESTION 2: INCOME STATEMENT AND BALANCE SHEET NOTE**2.1 TYALI TRADERS****Income Statement for the year ended 30 JUNE 2019**

Sales (1 737 750 – 3 500)	1 734 250	✓✓*
Cost of sales (993 000 – 2 000) or (1 734 250 x 100/175)	(991 000)	✓✓*
Gross profit operation	743 250	✓ 5
Other operating income operation	116 500	✓
Rent Income (81 792 ✓ + 7 632 ✓✓)	89 424	✓*
Commission income	20 076	✓
Discount received (6 850 ✓ + 150 ✓)	7 000	✓
Gross operating income operation	859 750	✓ 10
Operating expense Adjusted sales x 24%	(416 220)	✓
Depreciation	71 680	
Salaries and wages	138 500	✓
Consumable stores (11 900 ✓ – 2 900 ✓)	9 000	✓
Bad debts (4 120 ✓ + 2 880 ✓)	7 000	✓
Insurance (19 300 ✓ – 6 200 ✓✓)	13 100	✓*
Provision for bad debts adjustment (3 125 – 2 010)	1 115	✓✓*
Trading stock deficit	3 600	✓
Sundry expenses Balancing figure	172 225	✓
Operating profit operation	443 530	✓ 17
Interest income (9 000 ✓✓ + 2 250 ✓✓) or (5 250 + 6 000)	11 250	✓*
Profit before interest expense operation	454 780	✓
Interest expense (161 250 + 257 250 – 375 000)	(43 500)	✓✓*
Net profit for the year operation	411 280	✓ 9

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

*one part correct

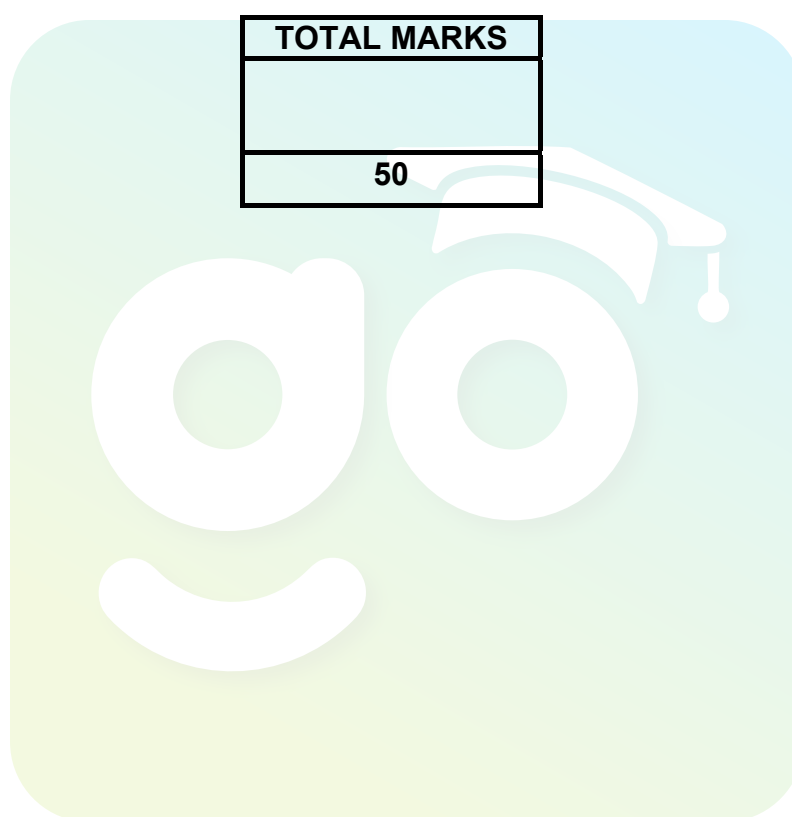
41

2.2 TRADE AND OTHER RECEIVABLES

Trade debtors (68 880 ✓ – 2 880 ✓ – 3 500 ✓)	62 500	<input checked="" type="checkbox"/> *
Provision for bad debts 5% of Trade debtors	(3 125)	<input checked="" type="checkbox"/>
Net trade Debtors	59 375	
Accrued Income (7 632 + 2 750) see 2.1	10 382	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Prepared Expense see 2.1	6 200	<input checked="" type="checkbox"/>
	75 957	<input checked="" type="checkbox"/> *

*one part correct

9



QUESTION 3: PARTNERSHIPS**3.1 CONCEPTS**

3.1.1	Income statement ✓	
3.1.2	Income received in advance ✓	
3.1.3	Balance sheet ✓	
3.1.4	Cash and cash equivalents ✓	

4

3.2.1 CURRENT ACCOUNT NOTE OF PARTNERS

	NTUBENI	KOLISI
Partners' salaries 240 000 ✓ + 60 000 ✓ or 25 000 x 12	300 000 <input checked="" type="checkbox"/> *	240 000 ✓
Interest on capital 27 000 ✓ + 24 000 ✓	42 000	51 000 <input checked="" type="checkbox"/> *
Partners' bonuses		24 000 ✓✓
Primary distribution operation	342 000 <input checked="" type="checkbox"/>	315 000 <input checked="" type="checkbox"/>
Final distribution see bottom	46 500 ✓ <input checked="" type="checkbox"/> *	46 500 ✓ <input checked="" type="checkbox"/> *
Net profit for the year	388 500	361 500
Drawings	(345 000)	(375 000)
Retained income operation	43 500 <input checked="" type="checkbox"/>	(13 500) <input checked="" type="checkbox"/>
Balance at the beginning	(30 000)	10 500
Balance at the end operation	13 500 <input checked="" type="checkbox"/>	(3 000) <input checked="" type="checkbox"/>

19

*one part correct

$$\begin{array}{ccccccc} & & 342\,000 + 315\,000 & & & & \\ \text{Final distribution: } 750\,000 & - & 657\,000 & = & 93\,000 & \div & 2 = 46\,500 \\ & \text{one mark} & \text{one mark} & & \text{one mark} & & \text{one mark} \end{array}$$

Accept alternative format/presentation – Net profit can also be shown above.

3.2.2 BALANCE SHEET ON 30 SEPTEMBER 2019

EQUITY AND LIABILITIES			
Owners' equity	operation	810 500	<input checked="" type="checkbox"/>
Capital (350 000 + 450 000)		800 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Current Account (13 500 – 3 000)	see 3.2.1	10 500	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Non-current liabilities		198 000	
Loan	balancing figure: (TE&L – E- CL)	198 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Current liabilities	operation	161 500	<input checked="" type="checkbox"/>
Trade and other payables (60 500 ✓+8 000 ✓+7 500 ✓)		76 000	<input checked="" type="checkbox"/> *
Current portion of loan		50 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Bank overdraft		35 500	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
TOTAL EQUITY AND LIABILITIES		1 170 000	<input checked="" type="checkbox"/>

*one part correct

5

12

17

TOTAL MARKS

40

QUESTION 4: ANALYSIS AND INTERPRETATION**4.1 CONCEPTS****True or False**

4.1.1	False ✓
4.1.2	True ✓
4.1.3	True ✓
4.1.4	False ✓

4

4.2 MK TRADERS**4.2.1 Percentage return earned by Mike.****Calculate the average percentage return earned by Mike**

$$\begin{array}{l}
 290\,000 \text{ two marks} \\
 \frac{263\,000 \checkmark + 27\,000 \checkmark}{\frac{1}{2} \checkmark (1\,300\,000 \checkmark + 43\,904 \checkmark)} \times 100 \\
 671\,952 \text{ three marks} \\
 = 43,2\% \checkmark \quad \text{one part correct}
 \end{array}$$

6

Comment on the return earned by Mike. Quote figures.

Compared the partners' % return ✓
 Mention increase/decrease in capital ✓

Possible answers

Koline's return on earnings is 45% compared with that of Mike's of 43%.
 Mike increased his capital from R600 000 to R700 000 above Koline's capital of R600 000.

Koline decreases her capital from R640 000 to R600 000 which is less than Mike's capital of R700 000.

2

4.2.2

Comment on TWO liquidity indicators which improved.**Quote figures.**

ANY TWO

Financial indicator ✓ : Figures and trend ✓ : Comments ✓

Current Ratio:

In 2018 it was 1,4 : 1 and in 2019 it is 1,8 : 1, improved by 0,4, which is 29%.

The business will be able to cover its short term debts.

Stock Holding Period:

The period of holding stock improved from 165 days (almost six months) in 2018 to 68 days in 2019 (97 days).

The movement of stock is better compared to the previous year.

Debtors Collection Period:

The period of collections from debtors improved from 41,2 days in 2018 to 36,2 days in 2019 (improvement of 6 days).

Debtors are paying faster, closer to the normal credit terms which is 30 days.

6

4.2.3

The partners planned minor extensions to the building to the value of R80 000. Partner Koline suggested an additional loan to be taken out for the extensions.**Why do you think Koline made this suggestion? Quote a financial indicator with figures to support your answer.**

Financial indicator ✓ Figures and trend ✓ Explanation ✓

The debt equity ratio decreased from 0,3 : 1 in 2018 to 0,2 : 1 in 2019 – the business is lowly geared (equity is still more than the loans).

3

4.3 JOHN'S APPLIANCES

4.3.1

**Refer to the electric fans:
Identify TWO negative effects of the increase in the mark-up percentage. Quote the relevant figures.**

Any TWO ✓✓ ✓✓

Drop in the net number of units sold ($395 - 320 = 75$ units).

Drop in sales revenue by R16 000.

Decrease in stock turnover rate from 7,9 times to 5,8 times.

4

4.3.2

Identify ONE consequence (problem) resulting from the change in supplier. Quote figures. Provide a possible reason for the problem you identified.

PROBLEM ✓✓	REASON ✓
Increase in the units returned by the customers, by 70 units. Unsold stock / large stock balance $200 - 120$: 80 units compared to last year. Lower stock turnover rate from 4,1 to 2,6 times.	Poor quality products. Customers not familiar with the brand name. Customers not prepared to pay the same price as the older model.

3

Provide ONE suggestion (besides those mentioned above) that John can use to increase sales in general.

Valid suggestion ✓✓

Advertise more

Provide free delivery or after sales services

2

TOTAL MARKS

30

TOTAL: 150