



Province of the  
**EASTERN CAPE**  
EDUCATION

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2012**

### **ACCOUNTING MARKING GUIDELINE (MEMORANDUM)**

**MARKS: 300**

**GENERAL PRINCIPLES:**

- 1 Where calculations are required, award full marks for the final correct 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.
- 3 For questions requiring explanations and comments (2 marks or more), award part-marks. A good comment will normally mention and explain a point. Beware of different ways to say the same thing. Note that the marking guideline only offer suggested answers – read and try to make sense of what the learner is attempting to convey, and award marks accordingly.
- 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 it with this guideline.

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This memorandum consists of 12 pages.

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## QUESTION 1

## PARTNERSHIPS

(105 marks ; 63 minutes)

## 1.1 MATCHING ITEMS

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

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## 1.2 JJ STORES

## INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2012

Sales	(540 270✓ – 18 020✓)	522 250	or 2
Cost of Sales		(204 180)	✓
<b>GROSS PROFIT</b>		318 070	☑
<b>Other Operating Income</b>		62 880	☑
Rent Income	(46 520 ✓ – 3 800✓✓)	42 720	☑
Discount received		2 180	✓
Decrease in provision for bad debts (1 420 – 1070)		350	✓✓
Fee Income		17 630	✓
<b>GROSS INCOME</b>		380 950	
<b>Operating Expenses</b>		(138 575)	☑
Consumable Stores	(15 430✓ – 1430✓)	14 000	or 2
Insurance	(8 725✓ – 225✓)	8 500	☑
Salaries and wages		42 600	✓
Stationery		9 288	✓
Water and Electricity		12 545	✓
Bad Debts	(2 323 ✓ + 1 027✓✓)	3 350	☑
Sundry expenses	Any figure	31 700	☑*
Trading Stock deficit	(88 770 – 87 650)	1 120	✓✓
Depreciation		15 472	✓
<b>OPERATING PROFIT</b>		242 375	☑
Interest Income	(5 250 + 1 750)	7 000	✓✓
<b>Net Profit before Interest expense/Finance cost</b>		249 375	☑
Interest expense	check operation (if no brackets)	(9 375)	✓✓
<b>NET PROFIT FOR THE YEAR</b>		<b>240 000</b>	

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1.3 NOTES TO THE BALANCE SHEET

1.3.1 TRADE AND OTHER RECEIVABLES

Debtors Control (27 777 ✓ – 1 027 <input checked="" type="checkbox"/> )	26 750	or 2
Provision for Bad Debts	(1 070)	✓✓
Net Trade Debtors	25 680	<input checked="" type="checkbox"/>
Accrued Income	1 750	✓
Prepaid expenses	225	✓
<i>Check operation. Must score mark above.</i>	27 655	<input checked="" type="checkbox"/>

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\*Candidates to use the format taught at your school.

1.3.2 CURRENT ACCOUNTS

	JAKOB	JULIES	TOTAL
<b>Salaries</b>	90 000	86 600	176 600
<b>Interest on Capital</b>	✓✓26 400	✓✓✓17 000	<input checked="" type="checkbox"/> 43 400
<i>PRIMARY DISTRIBUTION</i>	116 400	103 600	220 000
<i>Share in remaining profit (3:2)</i>	✓✓12 000	✓✓8 000	<input checked="" type="checkbox"/> 20 000
<b>NET INCOME FOR THE YEAR</b>	128 400	111 600	✓240 000
<i>Drawings</i>	✓ (83 610)	✓ (24 140)	<input checked="" type="checkbox"/> (107 750)
	44 790	87 460	132 250
<i>Balance (opening balance)</i>	✓ (9 850)	✓12 750	<input checked="" type="checkbox"/> 2 900
<b>BALANCE (CLOSING BALANCE)*</b>	<input checked="" type="checkbox"/> 34 940	<input checked="" type="checkbox"/> 100 210	<input checked="" type="checkbox"/> 135 150

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\* Must score marks above to earn mm. Check operation throughout.

**Alternative presentation:**

1.3.2 CURRENT ACCOUNTS

	JAKOB	JULIES	TOTAL
Profit as per Income Statement	128 400	111 600	✓240 000
<b>Salaries</b>	90 000	86 600	176 600
<b>Interest on Capital</b>	✓✓26 400	✓✓✓17 000	<input checked="" type="checkbox"/> 43 400
<i>PRIMARY DISTRIBUTION</i>	116 400	103 600	220 000
<i>Share in remaining profit (3:2)</i>	✓✓12 000	✓✓8 000	<input checked="" type="checkbox"/> 20 000
<i>Drawings</i>	✓ (83 610)	✓ (24 140)	<input checked="" type="checkbox"/> (107 750)
	44 790	87 460	132 250
<i>Balance (opening balance)</i>	✓ (9 850)	✓12 750	<input checked="" type="checkbox"/> 2 900
<b>BALANCE (CLOSING BALANCE)*</b>	<input checked="" type="checkbox"/> 34 940	<input checked="" type="checkbox"/> 100 210	<input checked="" type="checkbox"/> 135 150

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\* Must score marks above to earn mm. Check operation throughout.

\*\* Other variations of the format may be taught (such as starting with the opening balance, etc.) Educators are advised to award the marks where applicable.

1.4 Comment on the LIQUIDITY position of this business. Quote TWO relevant ratios to support your comment.

Comment: Although some ratios show an improvement, the liquidity position is not sound. Debtors take too long to pay, cash balance is low, too much stock on hand.

Two valid points ✓✓ ✓✓

Current ratio – improved (1,6:1 to 1,9:1)  
 Acid test ratio – did not show an improvement (0,9:1 to 0,5:1)  
 Debtors average collection period – improvement (42 days to 39 days)

Quote any two ratios. ✓ ✓ Quote figures relating to ratios. ✓ ✓  
 (-1 for each incorrect ratio mentioned)

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1.5 Calculate the total earnings of partner Jakob. (Show workings.)

90 000 + 26 400 + 12 000 = 128 400 (one part correct to score method mark)

✓                    ✓                    ✓                    ✓

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1.6 Calculate the return on investment of partner Julies. Should he be satisfied with this return? Elaborate.

$$\frac{111\ 600}{\frac{1}{2}(12\ 750 + 100\ 210 + 190\ 000 + 220\ 000)}$$

\* 1 mm mark for the current account (opening and closing balance) and 1 mm for the capital account (opening and closing balance)

$$\frac{111\ 600}{261\ 480} \times 100 = 42,6\%$$

Yes/No ✓

Although it is higher than the interest rate offered by banks, it did drop from last year's return.

Overall, a very good return on investment.

Any valid comment based on the learner's calculation above ✓✓

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1.7 Julies is concerned about the total drawings of Jakob. Explain why you think it bothers him, and provide TWO suggestions on how he can address this concern.

**Explanation:**  
 Jakob's drawings is excessive (almost equal to his salary allowance)  
 Julies' drawings is about 30% of Jakob's drawings.  
 Jakob is taking advantage of his position as a senior partner (contributed more capital).  
 Any valid explanation ✓✓

**Suggestions:**  
 Discuss this matter with the partner. Maybe he does not recognise that it is a problem.  
 Negotiate an agreement (cash, trading stock, etc.)  
 Set limits. (per month, annual)  
 Compare with salary/interest on capital/sales figures.  
 Any valid explanation ✓✓ ✓✓

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QUESTION 2

MANUFACTURING CONCERNS

(45 marks ; 27 minutes)

2.1

2.1.1	Selling and distribution cost	✓
2.1.2	Direct labour cost	✓
2.1.3	Factory overhead cost	✓
2.1.4	Administration cost* (could also be factory overhead cost when apportioned.)	✓

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2.2 FACTORY OVERHEAD COSTS (MANUFACTURING OVERHEADS)

Rent expense	(60% of 38 400)	23 040	✓✓
Indirect materials	(3 550 ✓ + 21 760 ✓ – 2 530 ✓)	22 780	☑ ⊕
Indirect labour		24 350	✓
Factory manager's salary		64 860	✓✓ or 2
Insurance	(8 880 x <sup>2</sup> / <sub>3</sub> )	5 920	✓✓
Water and electricity	(16 600 x <sup>4</sup> / <sub>5</sub> )	13 280	✓✓
Sundry factory expenses		25 620	✓
<i>Check operation. Must score mark above.</i>		179 850	☑
<i>Indirect labour and factory manager's salary can be combined (89 210) ✓✓✓</i>			

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2.3 Calculate the selling price per cartridge.  
Hint: Calculate the number of units sold first.

Units sold (190 + 17 500 – 440) = 17 250 (is equal to 2 marks)

$$\frac{1\,940\,625}{17\,250}$$

= R112,50 ☑

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2.4

**GENERAL LEDGER OF GAUTENG MANUFACTURERS  
WORK IN PROCESS STOCK ACCOUNT**

2011 Jul	1	Balance	b/d	32 450 ✓	2012 Jun	30	Finished goods stock ✓		1 312 500 ☑
2012 Jun	30	Direct Material Cost		490 000 ✓			Balance	c/d	37 300
		Direct Labour Cost		647 500 ✓					
		Factory overhead cost		179 850 ☑					
				1 349 800					1 349 800
2012 Jul	1	Balance	b/d	37 300 ☑					

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**FINISHED GOODS STOCK ACCOUNT**

2011 Jul	1	Balance	b/d	14 250 ✓	2012 Jun	30	Cost of sales ✓		1 293 750 ✓✓
2012 Jun	30	Work in process stock		1 312 500 ☑			Balance	c/d	33 000
				1 326 750					1 326 750
2012 Jul	1	Balance	b/d	33 000 ☑					

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2.5 Calculate the number of units Vusi had to produce in order to break even.

$$(6\ 860 + 690) = 7\ 550 \text{ (fixed costs)}$$

$$\frac{7\ 550}{28 - 19} = 838,8/839 \text{ units}$$

27 440/980 = R28 (selling price)  
(10 + 6 + 3) = R19 (variable cost)

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2.6 Explain the usefulness of the break-even analysis, and comment on the level of production achieved by Vusi.

Helps to set targets.  
Determines the number of units to produce to be profitable.  
Feasibility study, should we continue producing or close down. *One valid point ✓✓*

Done well. Produced more than the break-even point. Need to increase production to increase profitability.

*One valid point (taking into account a comparison with the break-even point) ✓✓*

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## QUESTION 3

## CASH BUDGETS

(45 marks ; 27 minutes)

## 3.1 KING DEALERS – DEBTORS COLLECTION SCHEDULE

MONTHS	CREDIT SALES		MAY	JUNE
March	<b>61 500</b>		✓✓ 22 755	
April	✓ 57 000		✓✓ 34 200	✓ 21 090
May	<b>54 000</b>			✓ 32 400
June				
			56 955	53 490

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3.2 KING DEALERS  
CASH BUDGET FOR THE PERIOD 1 MAY 2012 – 30 JUNE 2012

	MAY	JUNE
<b>RECEIPTS</b>		
Cash sales	18 000	✓ 16 500
Cash from debtors	☑ 56 955	☑ 53 490
Rent income	✓ 9 720	✓ 9 720
<b>TOTAL RECEIPTS</b>	84 675	79 710
<b>PAYMENTS</b>		
Payments to creditors (72 000 x $\frac{100}{160}$ )	47 500	✓✓ 45 000
Manager's salary	8 500	✓✓ 9 350
Wages (shop assistants)	12 000	✓✓ 12 600
Telephone	3 000	3 000
Consumable Stores	4 600	4 600
Sundry expenses (8 400 x 105% ; 8 820 x 105%)	✓✓ 8 820	✓✓ 9 261
Purchase of equipment	✓ 25 000	✓✓ 6 250
Drawings	✓ 4 300	✓ 4 300
<b>TOTAL PAYMENTS</b>	113 720	94 361
<b>CASH SURPLUS/(DEFICIT)</b>	☑ (29 045)	☑ (14 651)
Bank (Opening balance)	✓ 27 555	☑ (1 490)
<b>BANK (CLOSING BALANCE)</b>	☑ (1 490)	☑ (16 141)

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3.3	D. King wants to borrow R100 000 from the bank. He intends presenting this budget as a motivation for the loan. State TWO points that you think the bank would consider before making a decision. (Quote figures)	4
Bank overdraft (16 141), increased from 1 490 the previous month. Payments are exceeding receipts over the budget period (deficits registered: 29 045 , 14 651) The sales figures shows a declining trend 82 000 – 66 000 No other efforts to improve receipts such as advertising, sales promotion, etc. <i>Any two valid points ✓✓ ✓✓</i>		
3.4 The budgeted telephone expense for April was R3 000.		
3.4.1	Provide a suitable reason for the actual expense being R450 more than the budgeted amount.	2
Unexpected sales promotion, calling of customers, informing suppliers, etc. (legitimate) Unauthorised usage of the telephone by employees (misuse) <i>Any valid point ✓✓</i>		
3.4.2 Give a reason why the business decided to maintain the telephone expense at R3 000 for the budget period.		
It was an unexpected event (not planned for). Expect the following months to be back to normal. Will investigate the usage and take corrective measure. <i>Any valid point ✓✓</i>		2
3.5 The sales assistants are dissatisfied with their wage increase.		
Give TWO points to support them.		
Inflationary increase does not improve their standard of living. Manager gets a bigger increase. <i>Any two valid points ✓✓ ✓✓</i>		4

QUESTION 4

BANK RECONCILIATION

(30 marks ; 18 minutes)

4.1 CALCULATION OF THE BANK ACCOUNT BALANCE

BANK ACCOUNT					
Balance	(b/d)	✓✓	13 150	CPJ Total	<b>532 200</b>
CRJ Total			<b>620 500</b>	Bank charges	1 860 ✓
Overcast (creditor)		✓✓	1 800	Insurance	3 000 ✓
Interest income	✓	✓	600	Debtors control	9 420 ✓
Donation	✓	✓	500	Repairs/maintenance	12 250 ✓
Repairs/maintenance		✓	12 250	Bank Balance	90 070
			648 800		648 800
Balance	b/d	✓	90 070		

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4.2 BANK RECONCILIATION ON 30 JUNE 2012

	DEBIT	CREDIT
Dr balance as per bank account	✓ 90 070	
Dr outstanding cheques 1143	✓ 21 400	
1156	✓ 7 500	
1167	✓✓ 12 250	
Cr deposit not yet recorded		✓ 45 600
Cr amount wrongly debited		✓✓ 1 250
Cr balance as per statement		✓ 84 370
<i>Method mark for the greater amount (inspect)</i>	✓ 131 220	131 220
-1 (Max -2) for poor presentation (no or incorrect details above)		

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4.3 Explain how monthly reconciliation with the bank statement can be useful in detecting and preventing mismanagement of cash and fraud. (TWO POINTS)

It is an internal control mechanism.  
 Records outstanding cheques and deposits.  
 Detects bank and journal errors.  
 Notes any discrepancies in the recording of information.  
 Notes transactions with the bank such as charges, debit/stop orders, direct deposits, etc.

*Any two valid points* ✓✓ ✓✓

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QUESTION 6

ASSET MANAGEMENT

(40 marks ; 24 minutes)

6.1

GENERAL LEDGER OF HARRY'S TRADERS  
EQUIPMENT

2011 Mar	1	Balance	b/d	92 400 ✓	2011 Jun	30	Asset Disposal ✓		22 500 ✓✓
							Balance	c/d	69 900 ✓
				92 400					92 400
2012 Mar	1	Balance	b/d	69 900 ☑					

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ASSET DISPOSAL

2011 Jun	30	Equipment		22 500 ✓	2011 Jun	30	Accumulated depreciation on equipment ✓ (18 300 ✓ + 280 ✓✓)		18 580 ☑
							Donation ✓		3 920☑
				22 500					22 500

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6.2 TANGIBLE ASSETS

	VEHICLES	EQUIPMENT
Cost (1 March 2011)	<b>175 000</b>	<b>92 400</b>
Accumulated Depreciation (1 March 2011)	(87 600) ✓	(42 200) ✓
<b>CARRYING VALUE (1 March 2011)</b>	87 400 ✓	50 200 ✓
<i>Movements:</i>		
<b>Additions (at cost) ✓</b>	60 000 ✓✓	
<b>Disposal (at carrying value) ✓</b>		(3 920) ☑
<b>Depreciation ✓</b>	(28 500) ✓✓	(9 480) ✓✓✓
<b>CARRYING VALUE (29 February 2012)</b>	118 900 ☑	36 800 ☑
Cost (29 February 2012)	235 000 ✓	69 900 ✓
Accumulated Depreciation (29 February 2012)	(116 100) ☑	(33 100) ☑

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Depreciation: Vehicles (26 250 ✓ + 2 250 ✓) = 28 500

Depreciation: Equipment (280 ✓✓ + 9 200 ✓) = 9 480

6.3	40% of the total equipment is made up of computers and other office devices. The accountant is of the opinion that the depreciation policy regarding equipment must be re-visited. Do you agree with him? Provide TWO reasons.
	Yes ✓ Computers and electronic equipment – short life span Technology changes rapidly – need for constant updates Becomes out-dated. Must keep up to international standards – interact with clients, etc. <i>Any one valid point ✓✓ ✓✓</i>

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TOTAL: 300