



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2021
GRADE 11**

**ACCOUNTING
PAPER 1**

TIME: 2 hours

MARKS: 150

12 pages + 1 formula page and an answer book of 10 pages

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC OF THE QUESTION	MARKS	TIME IN MINUTES
1	GAAP & Fixed Assets Note	30	24 minutes
2	Income Statement	40	32 minutes
3	Balance Sheet	50	40 minutes
4	Analysis and interpretation	30	24 minutes
TOTAL		150	120 minutes

QUESTION 1: GAAP & FIXED ASSET NOTE**(30 MARKS; 24 MINUTES)****1.1 CONCEPTS**

- 1.1 Fill in the missing word(s). Write only the correct word(s) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.
- 1.1.1 ... is the remaining value of an asset after it has been fully depreciated.
- 1.1.2 ... is a set of principles according to which financial statements are prepared.
- 1.1.3 The ... principle states that all incomes earned, and expenses incurred must be shown for the same financial period.
- 1.1.4 ... is an imputed expense.
- 1.1.5 ... is a negative asset. (5)

1.2 FIXED ASSET NOTE

You are provided with the following information from the records of Good Place Traders.

REQUIRED:

- 1.2.1 Calculate the depreciation on equipment for the year ended 31 December 2021. (5)
- 1.2.2 Calculate the depreciation on vehicles for the year ended 31 December 2021. (8)
- 1.2.3 Complete the Fixed Asset Note to the Financial Statements on 31 December 2021. (12)

INFORMATION:

- A** The information provided below is an extract of a Pre-adjustment Trial Balance of Good Place Traders.

List of balances on 31 December 2021

Vehicles	2 680 000
Equipment	810 000
Accumulated depreciation on vehicles	1 060 000
Accumulated depreciation on equipment	240 000

A Equipment

- New equipment with a cost price of R120 000 was purchased on 01 October 2021. No entries have been made for the transaction.
- Equipment is depreciated at 20% p.a. using the cost price method.

B Vehicles

- One of the delivery vehicles was sold for R190 000 on 01 July 2021. The vehicle was purchased on 01 July 2019 for R320 000. The accumulated depreciation for the vehicle on 01 January 2021 was R46 400.
- Vehicles are depreciated at 10% p.a. using the diminishing balance method.

30

QUESTION 2: INCOME STATEMENT**(40 MARKS; 32 MINUTES)**

The information provided below is from the accounting records of Westville Traders. The financial year ends on 28 February 2021.

REQUIRED:

Prepare the Income Statement for the year ended 28 February 2021.

(40)

INFORMATION:**A Pre-adjustment Trial balance on 28 February 2021**

Balance Sheet Accounts Section	Debit	Credit
Capital [01/03/2020]		510 000
Drawings	204 000	
Land and buildings	450 000	
Vehicles	210 000	
Equipment	123 700	
Accumulated depreciation on vehicles		94 500
Accumulated depreciation on equipment		43 500
Fixed Deposit: Nedbank [8% p.a.]	125 000	
Loan: Nedbank [12% p.a.]		390 000
Trading Stock	174 120	
Debtors' Control	59 500	
Provision for bad debts		3 500
Bank	29 320	
Petty cash	1 000	
Cash float	3 000	
Creditors' control		110 280
Nominal Accounts Section		
Sales		954 300
Cost of sales	467 630	
Debtors' allowances	28 620	
Bad debts	1 020	
Stationery	12 520	
Packing material	13 670	
Salaries and wages	175 170	
Utilities	45 210	
Insurances	15 460	
Advertising	17 080	
Telephone	21 570	
Motor expenses	25 840	
Maintenance	13 710	
Discount allowed	11 070	
Discount received		17 550
Bank Charges	3 560	
Interest on overdraft	1 610	
Rent income		99 750
Interest on fixed deposit		10 000
	2 233 380	2 233 380

A Adjustments and additional information

- i. Physical stock taking on 28 February 2021 revealed the following:
- Trading stock, R171 020
 - Stationery, R1 420
 - Packing material used during the year amounted to R11 220.
- ii. Utilities account totalling R3 180 due for February 2021 will be paid on 10 March 2021.
- iii. An amount of R2 100 was paid to Reality Ads on 25 February 2021 for an advertisement which will appear during March 2021.
- iv. Rent income includes rent for March 2021. Rent was increased by R750 from 1 January 2021.
- v. Provision for bad debts must be adjusted to 5% of debtors.
- vi. The following information appeared on the Bank Statements received from Nedbank:
- Service fees, R1 120
 - Internet banking fees, R320
 - Interest on overdraft, R170
- vii. The loan statement from Nedbank reflects the following:

Balance on 1 March 2020	450 000
Payments made during the year [12 x R5 000]	60 000
Balance on 28 February 2021	399 860

- viii. Depreciation for the year amounted to R33 030.

QUESTION 3: BALANCE SHEET**(50 MARKS; 40 MINUTES)**

- 3.1 Match the concept in Column A with the description in Column B. Write only the letters (A – E) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
3.1.1 Going concern	A The partnership has enough assets to cover all debts.
3.1.2 Solvency	B Analysis of the financial position of the partnership.
3.1.3 Balance Sheet	C The partnership reflects trading stock in the Balance Sheet at R60 000, even though they are planning on having a sale next month. The stock will then be sold for R40 000.
3.1.4 Liquidity	D The partnership must use the same inventory system from one financial year to another.
	E The partnership is able to pay off all short-term debts.

(4)

3.2 FRANKENSTEIN TRADERS

REQUIRED:

Prepare the Equity and Liabilities Section of the Balance Sheet as at 28 February 2021. Show all the calculations relating to the notes in brackets. (18)

INFORMATION:

The following balances appeared amongst others, in the General Ledger of Frankenstein Traders on 28 February 2021.

Capital: Frank	200 000
Capital: Stein	170 000
Current Account: Frank (Debit)	1 690 Dr
Current Account: Stein (Credit)	10 360 Cr
Tangible assets at carrying value	232 000
Fixed Deposit: ABSA Bank (9% p.a.)	70 000
Loan: ABSA Bank (12%)	40 000
Trading stock	85 980
Debtors' control	64 000
Creditors' control	9 070
SARS: PAYE	3 500
Bank (Credit)	20 250 Cr
Petty cash	1 200
Cash float	400
Provision for bad debts	890
Pension fund	500
Income received in advance	700

A Adjustments and additional information

- i. On 28 February 2021 Ms Stein contributed equipment to the value of R15 000 and cash of R15 000 to equalise her capital contribution. This entry was not recorded.
- ii. The partners have agreed to pay off R20 000 of the loan by 30 April 2021.

3.3 MARVELLOUS CANDY STORE

The following information was extracted from the accounting records of Marvellous Candy Store. The store is a partnership between Mr Marvel and Ms Lane.

REQUIRED:

Prepare the following notes as it would appear in the Balance Sheet for the year ending 28 February 2021.

- Capital Note
- Current Account Note

(3)
(25)

INFORMATION:**A The following balances appeared in the ledger of MARVELLOUS CANDY STORE on 28 February 2021.**

Capital: Mr Marvel	R360 000
Capital: Ms Lane	R760 000
Current Account: Mr Marvel	R2 300 (DR)
Current Account: Ms Lane	R4 500 (CR)
Drawings: Mr Marvel	R25 000
Drawings: Ms Lane	R30 000

B Additional information

- i. Mr Marvel took stock to the value of R35 000. This was donated to a local charity in his personal capacity. This transaction was not recorded.
- ii. On 1 December 2020 Mr Marvel increased his capital by R175 000. No entry has been made for this transaction.
- iii. **The partnership agreement stipulated the following:**
 - Partners are entitled to interest at 15% p.a. on their capital balance at the end of the financial year.
 - On 01 January 2020 Mr Marvel received a 10% increase on his monthly salary of R26 500. No further increases were given.
 - Ms Lane's salary for the year amounted to R425 000.
 - At the end of the financial year Ms Lane received a bonus equal to 12% of her annual salary.
 - Mr Marvel and Ms Lane share the remaining profits or losses in the ratio 3:2.
- iv. Ms Lane's portion of the final distribution of profit amounted to R125 000.
- v. Mr Marvel received a bonus of R12 000 at the end of the financial year.

QUESTION 4: ANALYSIS AND INTERPRETATION**(30 MARKS; 24 MINUTES)**

The following information is extracted from the accounting records of Micro-touch. Micro-touch is a partnership between Mike Ndlovu and Kate Terblanche.

REQUIRED:

4.1 Calculate the following indicators for 2021:



4.1.1 Acid-test ratio

(4)

4.1.2 Debt-equity ratio

(3)

4.1.3 % return on average equity earned by the partnership

(5)

4.2 Should the partners be concerned about the liquidity of the business for 2021? Quote TWO financial indicators.

(5)

4.3 Micro-touch sells Latex examination gloves to doctors and pharmacies. They are considering expanding their product range to sanitisers and face masks. The partners are considering increasing the loan by R300 000.

4.3.1 Is this a good idea to borrow R300 000? Quote ONE financial indicator to support your answer.

(4)

4.3.2 Provide TWO other suggestions that the partners can consider instead of increasing the loan.

(2)

4.4 Mike is concerned about the % return that he is earning. Is this a valid concern? Quote ONE financial indicator to support your answer.

(4)

4.5 Mike is not happy with Kate's current contributions to the partnership. He has decided to have a meeting with her about this. List THREE points he should discuss with her at this meeting.

(3)

INFORMATION:

Extract from the Balance Sheet of Micro-Touch on 28 February:

	2021	2020
	R	R
Fixed Deposit: Nedbank (10% p.a.)	300 000	390 000
Current Assets	171 000	304 000
Inventory	96 000	134 000
Trade and other receivables	64 000	45 000
Cash and cash equivalents	11 000	125 000
Capital accounts	800 000	1 200 000
Current accounts	58 000	10 000
Mortgage loan: Nedbank (12% p.a.)	240 000	135 000
Current liabilities	84 000	78 000

Extract from Appropriation and Partners' Current Accounts:

	Total 2021 R	Mike R	Kate R
Current accounts at beginning of year	10 000	40 000	(30 000)
Current accounts at end of year	58 000	108 000	(50 000)
Net profit for the year	278 000		
Partners' salaries	140 000	70 000	70 000
Interest on capital (6% p.a.)	54 000	36 000	18 000
Partners' share of remaining profit	84 000	42 000	42 000
Partners' drawings for the year	230 000	80 000	150 000

NOTE:

- i. Each partner contributed capital of R600 000 when the business started, but Kate reduced her capital by R400 000 half-way through the 2021 financial year.
- ii. Mike maintained his capital contribution at R600 000 throughout the year. He also reduced his drawings in order to prevent the business from going into a bank overdraft.

Financial indicators:

	2021	2020
% operating profit on sales	20%	23%
% net profit on sales	12%	15%
Current ratio	2,2 : 1	3,9 : 1
Acid-test ratio	?	2,2 : 1
Debt-equity ratio	?	0,1 : 1
Return on equity: Mike	22%	29%
Return on equity: Kate	36%	21%
Return on equity of partnership	?	18%

FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total Earnings by Partner}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	
Current Assets: Current Liabilities	Current Assets – Inventories: Current Liabilities	
$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Average Creditors}}{\text{Credit Purchases or Cost of Sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	
$\frac{\text{Average Inventories}}{\text{Cost of Sales}} \times \frac{365}{1} \text{ or } \frac{12}{1}$	$\frac{\text{Cost of Sales}}{\text{Average Inventories}}$	
Non Current Liabilities : Partners' Equity	Total Assets : Total Liabilities	



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PROVINCIAL EXAMINATION
NOVEMBER 2021
GRADE 11**

**ACCOUNTING
PAPER 1
ANSWER BOOK**

TIME: 2 hours

MARKS: 150

10 pages

Name of school:	
Name of learner:	
Grade:	

QUESTION	MAXIMUM MARKS	MARKS AWARDED	MODERATED
1	30		
2	40		
3	50		
4	30		
TOTAL	150		

QUESTION 1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

5

QUESTION 1.2

1.2.1

Depreciation on equipment	AMOUNT
Old equipment	
New equipment	
Total depreciation for the year	

5

1.2.2

Depreciation on vehicles	AMOUNT
Depreciation on vehicle sold	

Depreciation on remaining vehicles	
Total depreciation for the year	

8

1.2.3 FIXED/TANGIBLE ASSETS

	VEHICLES	EQUIPMENT
Carrying value at beginning of year		
Cost	2 680 000	810 000
Accumulated depreciation	(1 060 000)	(240 000)
Movements		
Additions at cost		
Disposals at carrying value		
Depreciation		
Carrying value at end of year		
Cost		
Accumulated depreciation		

12

TOTAL
30

QUESTION 2

INCOME STATEMENT OF WESTVILLE TRADERS FOR THE YEAR ENDED
28 FEBRUARY 2021

Sales		
Cost of sales		467 630
Gross profit		
Other operating income		
Rent income		
Provision for bad debts adjustment		
Discount received		17 550
Gross operating income		
Operating expenses		
Bad debts		1 020
Stationery		
Packing material		
Salaries and wages		175 170
Utilities		
Insurance		15 460
Advertising		
Telephone		21 570
Motor expenses		25 840
Maintenance		13 710
Discount allowed		
Bank charges		
Trading stock deficit		
Depreciation		
Operating profit		
Interest income		10 000
Profit before interest expense		
Interest expense		
Net profit for the year		40

TOTAL

40

QUESTION 3

3.1.1	
3.1.2	
3.1.3	
3.1.4	

4

3.2 FRANKENSTEIN TRADERS

Extract of Balance Sheet on 28 February 2021

EQUITY AND LIABILITIES		
Partners' Equity		
Capitals		
Current accounts		
Non-current liabilities		
Current liabilities		
Trade and other payables		
Total equity and liabilities		

18

3.3 MARVELLOUS CANDY STORE

CAPITAL	Mr Marvel	Ms Lane
Balance at the beginning of the year		760 000
Contribution of capital during the year		
Withdrawal of capital during the year		
Balance at the end of the year		760 000

3

CURRENT ACCOUNTS	Mr Marvel	Ms Lane
Profit as per Income Statement		
Partners' salaries		
Partners' bonus		
Interest on capital		
Primary distribution of profits		
Final distribution of profits		125 000
Drawings during the year		
Retained income for the year		
Retained income at beginning of year		
Retained income at end of year		

Calculation: Interest on capital	
Mr Marvel	Ms Lane
Calculation: Salary Mr Marvel	Calculation: Bonus Ms Lane
Calculation: Final distribution Mr Marvel	

25

TOTAL
50

QUESTION 4

CALCULATION OF FINANCIAL INDICATORS FOR 2021

4.1.1 Acid-test ratio:	<input type="text"/> 4
4.1.2 Debt-equity ratio:	<input type="text"/> 3
4.1.3 % return on average equity earned by the partnership:	<input type="text"/> 5
4.2 Should the partners be concerned about the liquidity of the business for 2021? Quote TWO financial indicators.	<input type="text"/> 5

4.3.1 Is it a good idea to borrow R300 000? Quote ONE financial indicator to support your answer.

EXEMPLAR

4

4.3.2 Provide TWO other suggestions that the partners can consider instead of increasing the loan.

EXEMPLAR

2

4.4 Mike is concerned about the % return that he is earning. Is this a valid concern? Quote ONE financial indicator to support your answer.

--

4

4.5 Mike is not happy with Kate's current contributions to the partnership. He has decided to have a meeting with her about this. List THREE points he should discuss with her at this meeting.

--

3

TOTAL
30

TOTAL: 150



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PROVINCIAL EXAMINATION

NOVEMBER 2021

GRADE 11

ACCOUNTING (PAPER 1)

MARKING GUIDELINES

QUESTION	TOTAL
Question 1	30
Question 2	40
Question 3	50
Question 4	30
TOTAL	150

QUESTION 1.1

1.1.1	Residual ✓
1.1.2	GAAP ✓
1.1.3	Matching ✓
1.1.4	Depreciation ✓
1.1.5	Accumulated depreciation ✓

5

QUESTION 1.2

1.2.1

Depreciation on equipment	AMOUNT
Old equipment 810 000 x 20%	162 000 <input checked="" type="checkbox"/>
New equipment 120 000 ✓ x 20% x 3/12 ✓ =	6 000 <input checked="" type="checkbox"/>
Total depreciation for the year	168 000 <input checked="" type="checkbox"/>

5

1.2.2

Depreciation on vehicles	AMOUNT
Depreciation on vehicle sold 320 000 – 46 400 = 273 600 ✓ x 10/100 x 6/12 ✓	13 680 <input checked="" type="checkbox"/>

Depreciation on remaining vehicles	
2 680 000 – 320 000 = 2 360 000 ✓	
1 060 000 – 46 400 = 1 013 600 ✓	134 640 ✓
2 360 000 – 1 013 600 = 1 346 400 ✓ x 10%	
Total depreciation for the year	148 320 ✓

8

1.2.3 FIXED/TANGIBLE ASSETS	VEHICLES		EQUIPMENT	
Carrying value at beginning of year	1 620 000	✓	570 000	✓
Cost	2 680 000		810 000	
Accumulated depreciation	(1 060 000)		(240 000)	
Movements				
Additions at cost			120 000	✓
Disposals at carrying value <small>(320 000 – [46 400 + 13 680])</small>	(259 920)	✓		
Depreciation	<small>see 1.2.2</small> (148 320)	✓	<small>see 1.2.1</small> (168 000)	✓
Carrying value at end of year	1 211 760	✓	522 000	✓
Cost	2 360 000	✓	930 000	✓
Accumulated depreciation	(1 148 240)	✓	(408 000)	✓

12

TOTAL
30

QUESTION 2

INCOME STATEMENT OF WESTVILLE TRADERS FOR THE YEAR ENDED
28 FEBRUARY 2021

Sales (945 300 ✓ – 28 620 ✓)	3	925 680	<input checked="" type="checkbox"/>
Cost of sales		(467 630)	
Gross profit	1	458 050	<input checked="" type="checkbox"/>
Other operating income	1	109 575	<input checked="" type="checkbox"/>
Rent income (99 750 ✓ – 8 250 ✓✓)	4	91 500	<input checked="" type="checkbox"/>
Provision for bad debts adjustment (3 500 ✓ – 2 975 ✓)	3	525	<input checked="" type="checkbox"/>
Discount received		17 550	
Gross operating income	1	567 625	<input checked="" type="checkbox"/>
Operating expenses	1	(390 660)	<input checked="" type="checkbox"/>
Bad debts		1 020	
Stationery (12 520 ✓ – 1 420 ✓)	3	11 100	<input checked="" type="checkbox"/>
Packing material	1	11 220	✓
Salaries and wages		175 170	
Utilities (45 210 ✓ + 3 180 ✓)	3	48 390	<input checked="" type="checkbox"/>
Insurance		15 460	
Advertising (17 080 ✓ – 2 100 ✓)	3	14 980	<input checked="" type="checkbox"/>
Telephone		21 570	
Motor expenses		25 840	
Maintenance		13 710	
Discount allowed	1	11 070	
Bank charges (3 560 ✓ + 320 ✓ + 1 120 ✓)	4	5 000	<input checked="" type="checkbox"/>
Trading stock deficit (174 120 – 171 020)	2	3 100	<input checked="" type="checkbox"/>
Depreciation	1	33 030	✓
Operating profit	1	176 965	<input checked="" type="checkbox"/>
Interest income		10 000	
Profit before interest expense	1	186 965	<input checked="" type="checkbox"/>
Interest expense (1 610 ✓ + 170 ✓ + 9 860 ✓)	4	(11 640)	<input checked="" type="checkbox"/>
Net profit for the year	2	175 325	<input checked="" type="checkbox"/>

40

TOTAL

40

QUESTION 3

3.1.1	C ✓
3.1.2	A ✓
3.1.3	B ✓
3.1.4	E ✓

4

3.2 FRANKENSTEIN TRADERS

Extract of Balance Sheet on 28 February 2021

EQUITY AND LIABILITIES			
Partners' Equity		408 670	
Capitals (200 000✓ + 170 000✓ + 30 000✓)	4	400 00	✓
Current accounts (10 360 – 1 690)	2	8 670	✓✓
Non-current liabilities			
Loan: ABSA (40 000 – 20 000)	2	20 000	✓✓
Current liabilities	1	39 020	✓
Trade and other payables (9 070✓ + 3 500✓ + 500✓ + 700✓)	5	13 770	✓
Bank Overdraft (20 250 – 15 000)	2	5 250	✓✓
Short term loan	1	20 000	✓
Total equity and liabilities	1	467 690	✓

18

3.3 MARVELLOUS CANDY STORE

CAPITAL	Mr Marvel	Ms Lane
Balance at the beginning of the year	360 000 ✓	760 000
Contribution of capital during the year	175 000 ✓	
Withdrawals of capital during the year		
Balance at the end of the year	535 000 ☑	760 000

3

CURRENT ACCOUNTS	Mr Marvel	Ms Lane
Profit per Income Statement	629 550 ☑	715 000 ☑
Partners' salaries	349 800 ☑✓	425 000 ✓
Partners' bonus	12 000 ✓	51 000 ☑✓
Interest on capital	80 250 ✓✓	114 000 ✓✓
Primary distribution of profits	442 050 ☑	590 000 ☑
Final distribution of profits	187 500 ☑✓	125 000
Drawings during the year *(25 000 + 35 000)	*(60 000) ✓✓	(30 000) ✓
Retained income for the year	569 550 ☑	685 000 ☑
Retained income at beginning of year	(2 300) ✓	4 500 ✓
Retained income at end of year	567 250 ☑	689 500 ☑

25

Calculation: Interest on capital	
Mr Marvel	Ms Lane
$535\ 000 \times 15\% = 80\ 250$	$760\ 000 \times 15\% = 114\ 000$
Calculation: Salary Mr Marvel	Calculation: Bonus Ms Lane
$26\ 500 \times 1,1 = 29\ 150$	$425\ 000 \times 12\% = 51\ 000$
$29\ 150 \times 12 = 349\ 800$	
Calculation: Final distribution Mr Marvel	
$125\ 000 \times 3/2 = 187\ 500$	

TOTAL
50

QUESTION 4**4.1 CALCULATION OF FINANCIAL INDICATORS FOR 2021****4.1.1 Acid-test ratio:**

$$64\ 000 \checkmark + 11\ 000 \checkmark : 84\ 000 \checkmark$$

OR

$$171\ 000 \checkmark - 96\ 000 \checkmark : 84\ 000 \checkmark$$

OR

$$75\ 000 \checkmark \checkmark : 84\ 000 \checkmark$$

$$= 0,9 : 1 \checkmark \quad \text{accept } 0,89 : 1$$

4

4.1.2 Debt-equity ratio:

$$240\ 000 \checkmark : 858\ 000 \checkmark$$

$$0,3 : 1 \checkmark \quad \text{accept } 0,27 : 1$$

3

4.1.3 % return on average equity earned by the partnership:

$$\frac{278\,000 \checkmark}{\frac{1}{2} \checkmark (858\,000 \checkmark + 1\,210\,000 \checkmark)} \times \frac{100}{1}$$

OR

$$\frac{278\,000 \checkmark}{\frac{1}{2} \checkmark (2\,068\,000 \checkmark \checkmark)} \times \frac{100}{1}$$

OR

$$\frac{278\,000 \checkmark}{(1\,034\,000 \checkmark \checkmark \checkmark)} \times \frac{100}{1}$$

= 27%

accept 26.9%

5

4.2 Should the partners be concerned about the liquidity of the business for 2021? Quote TWO financial indicators.

Comment ✓

Indicators ✓✓

Figures ✓✓

Current ratio decreased from 3,9 : 1 in 2020 to 2,2 : 1 in 2021.
Acid test ratio decreased from 2,1 : 1 to 0,9 / 0,89 : 1 in 2021.

The partners should not be concerned because the business is liquid.
They should have no problem paying off their short-term debts.
The liquidity ratios are far more efficient in 2021 as they were too high in 2020.

5

4.3.1 Is it a good idea to borrow R300 000? Quote ONE financial indicator to support your answer.

Comment ✓✓

Indicators ✓

Figures ✓

Debt-equity ratio increased from 0,1 : 1 in 2020 to 0,3 : 1 in 2021.
Yes, the partnership is lowly geared/has low risk. They are not making much use of loans.

OR

No, if they borrow R300 000 the debt-equity ratio will increase to 0,6 : 1 which increases the risk because there will be high interest and repayment commitments.

4

4.3.2 Provide TWO other suggestions that the partners can consider instead of increasing the loan.

Two valid suggestions ✓✓

- Increase their capital contributions
- Get another partner
- Use the fixed deposit

2

4.4 Mike is concerned about the % return that he is earning. Is this a valid concern? Quote ONE financial indicator to support your answer.

Explanation ✓✓ Figures ✓✓

Mike should be concerned as his % return on equity decreased from 29% in 2020 to 22% in 2021, While Kate's % return on equity increased form 21% in 2020 to 36% in 2019

4

4.5 Mike is not happy with Kate's current contributions to the partnership. He has decided to have a meeting with her about this. List THREE points he should discuss with her at this meeting.

Three valid points ✓✓✓

- Kate withdrew R400 000 of her capital contribution during the year.
- Kate has a negative current account due to drawings.
- They receive the same salary, and they may not be doing the same amount of work.
- They must renegotiate the partnership agreement as it is not fair on Mike. He provides 75% of the capital and has not drawn all his earnings, yet he is earning a lower return.

3

TOTAL
30

TOTAL: 150