



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

ACCOUNTING PAPER 1

JUNE EXAMINATION

2025

MARKS: 150

TIME: 2 hours

**N.B. This question paper consists of 12 pages and
an answer booklet of 8 pages.**

INSTRUCTIONS AND INFORMATION

Read the following instructions and be sure to follow them carefully:

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

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income and appropriation account	52	42
2	Statement of financial position and notes	54	43
3	Analysis and interpretation	44	35
TOTAL		150	120

QUESTION 1 (52 MARKS; 42 MINS)**STATEMENT OF COMPREHENSIVE INCOME AND APPROPRIATION ACCOUNT**

You are provided with information relating to Hammer and Nail Hardware. This partnership is owned by partners MC Hammer and NI Nail. The financial year ends annually on 28 February. This business uses the perpetual inventory system to record their stock and applies a mark-up of 50% on the cost for all items sold.

REQUIRED:

- 1.1 Prepare the Statement of Comprehensive Income for the year ended 28 February 2025. (43)
- 1.2 Prepare the Appropriation account in the General Ledger, correctly balanced / closed on 28 February 2025. (9)



INFORMATION:**A Extract from the Pre-adjustment Trial balance on 28 February 2025**

Balance Sheet Section	DR	CR
Capital: MC Hammer		550 000
Capital: NI Nail		420 000
Current Account: MC Hammer		14 500
Current Account: NI Nail	5 980	
Drawings: MC Hammer	195 500	
Drawings: NI Nail	164 200	
Fixed Deposit: Prospect Bank	85 000	
Trading Stock	345 900	
Debtors' Control	38 875	
Provision for Bad Debts		1 100
Nominal Accounts Section		
Sales		3 533 760
Cost of Sales	2 347 440	
Debtors' Allowances	12 600	
Rent Expense	93 100	
Interest Income		825
Advertising	9 540	
Consumable Stores	2 870	
Salaries and Wages (including contributions)	335 000	
Bad Debts	10 670	
Bad Debts Recovered		2 400
Insurance	10 560	
Water and Electricity	17 250	
Telephone	11 960	
Bank Charges	5 680	
Discount received		2 340
Discount Allowed	1 990	
Sundry Expenses	?	

B ADJUSTMENTS AND ADDITIONAL INFORMATION

- I. No entries have been made with regards to stock that was lost due to flood on 25 February 2025. The insurance company has informed Hammer and Nail Hardware that they have transferred R10 200 into the business bank account in respect of the insurance claim. This amounts to 85% of the total loss. The remainder of the loss is to be covered by the business.
- II. On 27 February 2025, a debtor returned goods with a cost price of R1 300. No entry has been made.
- III. Partner Hammer took stock, with a cost price R2 100 to repair the leaking roof of his mother's home. No entry has been made.
- IV. On 28 February 2023, a physical stock take revealed the following items were on hand:
- Trading Stock; R327 000
 - Consumable Stores; R390
- V. Several debtors have accounts that have been overdue for more than 12 months. All attempts to trace them and recover the amounts owed have been unsuccessful. The partners decided to write off accounts totaling R3 425.
- VI. Mr Vilakazi, a debtor whose account was previously written off, paid R1 100 directly into the bank account of Hammer and Nail Hardware.
- VII. The provision for bad debts must be adjusted to R1 005.
- VIII. Rent has been paid for 13 months. The land lord increased rent by 10% on 1 January 2025.
- IX. On 1 January 2025, R2 100 was paid for the placement of an advertisement for six equal monthly instalments ending 30 June 2025.
- X. On 28 February 2025, both the water and electricity account of R2 780 and the telephone account of R725 respectively still needed to be paid.

XI. The following items appeared only on the Bank Statement for February 2025:

- Interest in favourable balance; R155
- Service Fees; R370
- Internet Banking Fees; R150

XII. The following statement was received from the bank regarding the business' investment in a fixed deposit:

	R
Balance on 1 March 2024	85 000
Interest Capitalised	?
Balance on 28 February 2025	91 855

XIII. Provide for depreciation of R22 100. Included in this amount is depreciation of R350 on an asset that was sold for R6 500 on 28 February 2025. The business made a profit of R500 on this transaction. No entry has been made for this sale.

XIV. The partnership agreement stipulates the following:

- Both partners are entitled to interest on capital at a rate of 8% per annum. Note that NI Nail increased his capital contribution by R120 000 on 1 July 2024. This was correctly recorded.
- MC Hammer is entitled to a monthly salary of R27 000. The salary due to NI Nail is 30% less than that paid to MC Hammer.
- Profits and losses are to be shared between MC Hammer and NI Nail in the ratio of 3 : 1.

QUESTION 2 (54 MARKS; 43 MINUTES)**STATEMENT OF FINANCIAL POSITION AND NOTES**

The following information was extracted from the accounting records of Zumba Traders, with partners Zama Zuma and Mpho Mbanjwa, for the year ended 28 February 2025.

REQUIRED:

- 2.1 Complete the following notes to the Statement of Financial Position, as at 28 February 2025.
- 2.1.1 Trade and other Receivables (9)
- 2.1.2 Trade and other Payables (16)
- 2.2 Complete the Statement of Financial Position as at 28 February 2025. Show calculations in brackets to that part marks can be awarded. (29)

INFORMATION**A EXTRACT FROM FINANCIAL RECORDS ON 28 FEBRUARY 2025.**

	R
Capital: Zuma	650 000
Capital: Mbanjwa	520 000
Current Account Zuma	?
Current Account Mbanjwa	?
Mortgage Loan: ABC Bank	489 500
Fixed Assets at Cost	1 456 000
Accumulated Depreciation on Fixed Assets	789 500
Fixed Deposit: XYZ Bank	550 000
Bank overdraft	31 500
Cash float	8 000
Petty Cash	12 000
Trade Creditors	83 200
Accrued Expenses	8 700
Accrued Income	6 785
Income Received in Advance	4 650
Prepaid Expenses	9 800
Trading Stock (balancing figure)	?
Trade Debtors	?
Provision for Bad Debts	22 840

B ADDITIONAL INFORMATION

- i. The current provision for bad debts needs to be decreased by R1 890. The provision for bad debts is calculated at 5% of book debts.
- ii. The following loan statement was received from ABC Bank:

	R
Balance on 1 March 2024	520 000
Interest Capitalised	39 500
Repayments during the year, including interest	?
Balance on 28 February 2025	489 500

Note that in the 2026 financial year, the business plans to decrease the capital portion of the loan by 1.8 times the capital portion that was paid during the current financial year.

- iii. The current fixed deposit matures on 30 June 2025. The business plans to re-invest 80% of the current amount for a further 2 years.
- iv. Extract from the salaries journal for February 2025:

Gross Salary	Deductions			Net Salary
	Pension	UIF	SARS (PAYE)	
65 000	5 500	650	9 750	?

Note that the business contributes in the ratio of 2 : 1 for pension and 1% towards the UIF. The money due will only be paid on 2 March 2025.

- v. An EFT payment of R15 000 was made, and debited, in error to The Tool Shed. This business is no longer a creditor. After consultation with The Tool Shed, the money was refunded by means of a deposit into the bank account of Zumba Traders. No entry has been made.
- vi. The current ratio was for the year ended February 2025 was 3.4 : 1.

QUESTION 3 (44 MARKS; 35 MINUTES)**ANALYSIS AND INTERPRETATION**

The following information was extracted from the accounting records of Kal Cell, a partnership between Marcel Moodley and Kalvin Kissoon.

REQUIRED:

- 3.1 Calculate the following for the financial year ended 28 February 2025:
- 3.1.1 Acid test ratio (4)
 - 3.1.2 Debt-equity ratio (4)
 - 3.1.3 Percentage return earned by the partnership (7)
- 3.2 Quote TWO financial indicators, with trends, that show whether Marcel and Kalvin should be concerned about the liquidity of this business at the end of the 2025 financial year. State a possible reason, with figures, for this change in the financial indicators. (8)
- 3.3 Kal Cell currently sells cell phones and cell phone accessories to their customers. They are considering expanding their product range to include a small range of laptops as there is no local laptop supplier in the local community. The partners are considering increasing the loan by R600 000 in order to expand their business.
- 3.3.1 Would you consider the increase in the loan to be a wise financial decision? Quote ONE financial indicator, with trends, to support your answer. (5)
 - 3.3.2 Provide TWO other suggestions that the partners can consider instead of increasing the loan by R600 000. Mention ONE disadvantage, with figures, of each of these suggestions. (6)
- 3.4 Marcel is concerned about the percentage return that he is currently earning, compared to Kalvin. Is this a valid concern? Quote ONE financial indicator, with trends, to support your answer. (4)
- 3.5 Marcel is not satisfied with Kalvin's overall contribution to the partnership. He has decided to have a meeting with him about his concerns. List THREE, points, stating relevant figures, that he should discuss at this meeting. (6)

INFORMATION:**A EXTRACT FROM THE STATEMENT OF FINANCIAL POSITION OF KAL CELL ON 28 FEBRUARY:**

	2025	2024
	R	R
Fixed Deposit: ABC Bank (8.1% p,a)	450 000	585 000
Current Assets (including inventory)	256 500	456 000
Inventory	144 000	201 000
Capital accounts	1 200 000	1 800 000
Current Accounts	12 000	15 000
Mortgage Loan: ABC (11%)	360 000	202 500
Current Liabilities	126 000	117 000

B EXTRACT FROM APPROPRIATION AND PARTNERS CURRENT ACCOUNTS:

	Total 2025	Marcel	Kalvin
	R	R	R
Current accounts at the start of the year	15 000	60 000	(45 000)
Current accounts at the end of the year	12 000	162 000	(150 000)
Net profit for the year	417 000		
Partners salaries	210 000	105 000	105 000
Partners remaining share of profit	126 000	63 000	63 000
Partners drawings for the year	345 000	120 000	225 000

C ADDITIONAL INFORMATION

- i. Each partners agreed to contribute R900 000 when the business started in 2022. Calvin reduced his capital by R600 000 during the current financial year. He did not speak to Marcel before doing this.
- ii. Marcel maintained his capital contribution at R900 000 throughout the year. He also reduced his drawings in order to prevent the business from needing to acquire a bank overdraft. Calvin has made no changes to his drawings to ensure the business has sufficient cash available.
- iii. The partners agreed to limit their drawings, to approximately their salary allocations, during the first five years of business. They also agreed to split the workload evenly, however Calvin refuses to work on weekends so Marcel has to work every weekend.

D FINANCIAL INDICATORS

	2025	2024
% Operating profit on sales	20%	23%
% Net profit on sales	12%	15%
Current ratio	2 : 1	3.9 : 1
Acid test ratio	?	2.2 : 1
Debt equity ratio	?	0.1 : 1
Return on equity: Marcel	22%	29%
Return on Equity: Calvin	36%	21%
Return on equity of partnership	?	18%

44

TOTAL MARKS**150**

FORMULAE SHEET: GRADE 11

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{COS}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total Earnings By Partner}}{\text{Partners' Average Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Av Partners' Equity}} \times \frac{100}{1}$	
Current Assets : Current Liabilities	(CA – Inventory) : Current Liabilities	
$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times \frac{365 \text{ (or 12)}}{1}$	$\frac{\text{Average Creditors}}{\text{Credit Purchases}} \times \frac{365 \text{ (or 12)}}{1}$	
$\frac{\text{Average Inventories}}{\text{Cost of Sales}} \times \frac{365 \text{ (or 12)}}{1}$	$\frac{\text{Cost of Sales}}{\text{Average Trading Stock}}$	
Non-Current Liabilities : Partners' Equity	Total Assets : Total Liabilities	



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GRADE 11

ACCOUNTING PAPER 1

Stanmorephysics.com

ANSWER BOOK

JUNE 2025

COMMON TEST

MARKS : 150

TIME : 2 hours

Name: _____ **Grade:** _____

Question	Topic	Learners Mark	Moderators Mark
1	Statement of comprehensive income and appropriation account		
2	Statement of financial position and notes		
3	Analysis and interpretation		

N.B. This answer book consists of 8 pages

QUESTION 1 (52 MARKS; 42 MINS)**STATEMENT OF COMPREHENSIVE INCOME AND APPROPRIATION ACCOUNT**

1.1 Statement of Comprehensive Income for the year ended 28 February 2025.

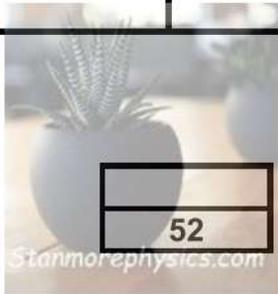
	R
Sales	
Cost of Sales (2 347 440)	
Gross Profit	
Operating Income	
Discount Received	2 340
Bad Debts Recovered (2 400)	
Gross Operating Income	
Operating Expenses	
Salaries and Wages	335 000
Discount Allowed	1 990
Insurance	10 560
Sundry Expenses	
Rent Expense (93 100)	
Advertising (9 540)	
Consumable Stores (2 870)	
Bad Debts (10 670)	
Water and Electricity (17 250)	
Telephone (11 960)	
Bank Charges (5 680)	
Operating Profit	
Interest Income (825)	
Net Profit for the year	595 500

1.2

General Ledger
Final Accounts Section
Appropriation

			2025 Feb	28	Profit and loss	595 500

9



2.2 Statement of Financial Position as at 28 February 2025.

	R
Non-current assets	
Current Assets	
Total Assets	
Equity and Liabilities	
Partners Equity	
Non-Current Liabilities	
Current Liabilities	
Total Equity and	

29

QUESTION 3 (44 MARKS; 35 MINUTES)**ANALYSIS AND INTERPRETATION**

3.1 Calculate the following for the financial year ended 28 February 2025:

3.1.1 Acid test ratio

	4

3.1.2 Debt-equity ratio

	4

3.1.3 Percentage return earned by the partnership

	7

3.2 Quote TWO financial indicators, with trends, that show whether Marcel and Calvin should be concerned about the liquidity of this business at the end of the 2025 financial year. State a possible reason, with figures, for this change in the financial indicators.

Two financial indicators:

Comment:

Reason for change:

	8

3.3 Kal Cell currently sells cell phones and cell phone accessories to their customers. They are considering expanding their product range to include a small range of laptops as there is no local laptop supplier in the local community. The partners are considering increasing the loan by R600 000 in order to expand their business.

3.3.1 Would you consider the increase in the loan to be a wise financial decision? Quote ONE financial indicator, with trends, to support your answer.



5

3.3.2 Provide TWO other suggestions that the partners can consider instead of increasing the loan by R600 000. Mention ONE disadvantage, with figures, of each of these suggestions.

Suggestion	Disadvantage, with figures

6

3.4 Marcel is concerned about the percentage return that he is currently earning, compared to Calvin. Is this a valid concern? Quote ONE financial, with trends, indicator to support your answer.

--

4

3.5 Marcel is not satisfied with Calvin's overall contribution to the partnership. He has decided to have a meeting with him about his concerns. List THREE, points, stating relevant figures, that he should discuss at this meeting. (6)

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5

44

TOTAL MARKS
100



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GRADE 11

**ACCOUNTING PAPER 1
COMMON ASSESSMENT TASK**

JUNE 2025

MARKING GUIDELINE

MARK: 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 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 the final figure, award one mark. Not the method mark for the answer. Note: if figures are stipulated in memo for components of workings, these do not carry the method for final 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 before awarding the mark.
9. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidates operation.
10. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a . Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
11. Be aware of candidates who provide valid alternatives beyond the marking guideline.
12. Codes: f=foreign item; p=placement.

N.B. This answer book consists of 8 pages.

QUESTION 1 (52 MARKS; 42 MINS)**STATEMENT OF COMPREHENSIVE INCOME**

1.1 Statement of Comprehensive Income for the year ended 28 February 2025.

(43)

	R
Sales (3 533 760 – 12 600✓ – 1 950✓)	3 519 210☑
Cost of Sales (2 347 440 – 1 300✓)	(2 346 140)✓
Gross Profit	1 173 070☑
Operating Income	6 435☑
Discount Received	2 340
Bad Debts Recovered (2 400 + 1 100✓)	3 500✓
Provision for Bad Debts (adj) (1 100 - 1 005✓)	95✓
Profit on disposal of asset	500✓
Gross Operating Income	1 179 505☑
Operating Expenses	(591 840)☑
	<small>Gross Op Inc – Op Profit</small>
Salaries and Wages	335 000
Discount Allowed	1 990
Insurance	10 560
Sundry Expenses	65 260 ☑
	<small>Missing Amount</small>
Rent Expense (93 100 – 7 700✓✓)	85 400☑*
Advertising (9 540 – 1 400✓)	8 140☑*
Consumable Stores (2 870 – 390✓)	2 480✓
Bad Debts (10 670 + 3 425✓)	14 095✓
Water and Electricity (17 250 + 2 780✓)	20 030✓
Telephone (11 960 + 725✓)	12 685✓
Bank Charges (5 680 + 520✓)	6 200✓
	<small>370 + 150</small>
Loss due to flood	1 800✓✓
Trading Stock Deficit (345 900✓ – 2 100✓ – 12 000✓ + 1 300✓ – 327 000✓)	6 100☑*
Depreciation	22 100✓
Operating Profit	587 665☑
	<small>NP + Int Inc</small>
Interest Income (825 + 155✓ + 6 855✓)	7 835✓
Net Profit for the year	595 500

* ☑ for one part correct

1.2

General Ledger
Final Accounts Section
Appropriation

(9)

2025 Feb	28	Salary: Hammer	324 000✓	2025 Feb	28	Profit and loss	595 500
		Salary: Nail	226 800☑ Hammer X 70%			Current acc: Hammer	22 275#☑
		Interest on Capital (44 000✓ + 30 400✓✓)	74 400☑			Current acc: Nail	7 425#☑
			625 200			☑	625 200

Accept if on DR side. Must be split 3 : 1



52

QUESTION 2 (54 MARKS; 43 MINUTES)**STATEMENT OF FINANCIAL POSITION AND NOTES**

2.1 Complete the following notes to the Statement of Financial Position, as at 28 February 2025.

2.1.1 Trade and other Receivables

(9)

	R
Net Trade Debtors	398 050 <input checked="" type="checkbox"/>
Debtors Control (20 950 / 5 X 100) provision X 100/5	419 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Provision for Bad Debts (22 840 <input checked="" type="checkbox"/> – 1 890 <input checked="" type="checkbox"/>)	(20 950) <input checked="" type="checkbox"/>
Prepaid Expense	9 800 <input checked="" type="checkbox"/>
Accrued Income	6 785 <input checked="" type="checkbox"/>
	414 635 <input checked="" type="checkbox"/>

2.1.2 Trade and other Payables

(16)

	R
Trade Creditors (83 200 <input checked="" type="checkbox"/> + 15 000 <input checked="" type="checkbox"/>)	98 200 <input checked="" type="checkbox"/>
Accrued Expenses	8 700 <input checked="" type="checkbox"/>
Income received in advance	4 650 <input checked="" type="checkbox"/>
Current Portion of Loan accept if shown on st of fin position	54 900 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Creditors for Salaries	49 100 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Pension fund (5 500 <input checked="" type="checkbox"/> + 11 000 <input checked="" type="checkbox"/>)	16 500 <input checked="" type="checkbox"/>
Unemployment Insurance Fund (650 + 650)	1 300 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
SARS (PAYE)	9 750 <input checked="" type="checkbox"/>
	243 100 <input checked="" type="checkbox"/>

2.2 Statement of Financial Position as at 28 February 2025.

(29)

		R
Non-current assets		1 106 500☑
Fixed / Tangible Assets (1 456 000✓ – 789 500✓)		666 500✓
Fixed Deposit: XYZ Bank (550 000✓ – 110 000✓)		440 000☑
Current Assets		882 640☑
Inventories	missing amount	338 005☑
Trade and other Receivables	see 2.1.1	414 635☑
Cash and Cash Equivalents (8 000✓ + 12 000✓ + Fixed deposit + 110 000☑)	Fixed deposit	130 000☑
Total Assets		1 989 140☑
Equity and Liabilities		
Partners Equity	TE&L – CL - NCL	1 294 940☑
Capital (650 000✓ + 520 000✓)		1 170 000✓
Current Accounts		124 940☑
Non-Current Liabilities		434 600
Mortgage Loan ABC Bank (489 500✓ – 54 900☑)		434 600☑
Current Liabilities		259 600☑
Trade and other Payables	see 2.1.2	243 100☑
Bank Overdraft (31 500✓ – 15 000✓)		16 500✓
Total Equity and Liabilities		1 989 140☑
		same as total assets

QUESTION 3 (44 MARKS; 35 MINUTES)**ANALYSIS AND INTERPRETATION**

3.1 Calculate the following for the financial year ended 28 February 2025:

3.1.1 Acid test ratio

(4)

$$\frac{256\,500 - 144\,000}{112\,500} : 126\,000$$

$$0.9 : 1$$

3.1.2 Debt-equity ratio

(4)

$$\frac{360\,000}{360\,000 + 1\,200\,000 + 87\,000} : 1$$

$$0.3 : 1$$

3.1.3 Percentage return earned by the partnership

(7)

$$\frac{417\,000}{(1\,200\,000 + 1\,800\,000 + 12\,000 + 15\,000) / 2} \times 100$$

$$27.6\%$$

3.2 Quote TWO financial indicators, with trends, that show whether Marcel and Calvin should be concerned about the liquidity of this business at the end of the 2025 financial year. State a possible reason, with figures, for this change in the financial indicators.

(8)

Two financial indicators:

- Current ratio decreased from 3.9 : 1 in 2024 to 2 : 1 in 2025 (OR a decrease of 2.8)
- Acid test ratio decreased from 2.2 : 1 to 0.9 : 1 (see 3.1.1) in 2025 (OR a decrease of 1.3)

Comment:

The partners should not be concerned as, although the results have decreased, this business is still liquid.

Reason for change:

The change in the financial indicators can be attributed to the significant decrease in inventory (from R201 000 in 2024 to R144 000) in 2025

Also attributable to increase in Current Liabilities

3.3 Kal Cell currently sells cell phones and cell phone accessories to their customers. They are considering expanding their product range to include a small range of laptops as there is no local laptop supplier in the local community. The partners are considering increasing the loan by R600 000 in order to expand their business.

3.3.1 Would you consider the increase in the loan to be a wise financial decision? Quote ONE financial indicator, with trends, to support your answer. (5)

Yes✓

Although The debt-equity ratio✓ is currently 0.3:1. The risk of the business is currently low and the business is lowly geared✓. However, if the loan is taken out, the debt equity ratio will change to 0.7:1✓. This will increase the risk and the gearing, but the business may be willing to take on the higher risk✓.

Any other relevant/appropriate explanation (3 marks)

OR

No✓

The debt-equity ratio✓ increased from 0.1 in 2024 : 1 to 0.3 :1 (see 3.1.2) in 2025.☑
If a further R600 000 is borrowed, the debt-equity ratio will change to 0.7 : 1 (960 000 : 1 287 000). ✓ This will increase the risk of the business and gearing of the business.✓

Any other relevant/appropriate explanation (3 marks)

3.3.2 Provide TWO other suggestions that the partners can consider instead of increasing the loan by R600 000. Mention ONE disadvantage, with figures, of each of these suggestions. (6)

Suggestion ✓ ✓	Disadvantage✓✓, with figures✓✓
<ul style="list-style-type: none"> Increase their own capital contributions 	Both partners may not have the money as Calvin has a DR current account balance of R150 000.
<ul style="list-style-type: none"> Acquire a new partner 	The current profit-sharing ratio of 1: 1 will need to change.
<ul style="list-style-type: none"> Decrease the amount of the fixed deposit to zero and take an additional loan of R150 000 	No fixed deposit – if reduced to zero and loss of interest on investment

- 3.4 Marcel is concerned about the percentage return that he is currently earning, compared to Calvin. Is this a valid concern? Quote ONE financial indicator, with trends, to support your answer. (4)

Yes - Marcel should be concerned ✓

His % return on equity ✓ decreased from 29% in 2024 to 22% in 2025. ✓ This is disappointing when compared to Calvin's return on Equity that increased from 21% in 2024 to 36% in 2025. ✓

- 3.5 Marcel is not satisfied with Calvin's overall contribution to the partnership. He has decided to have a meeting with him about his concerns. List THREE, points, stating relevant figures, that he should discuss at this meeting. (6)

Three valid points ✓✓✓ relevant figures ✓✓✓

- Calvin withdrew R600 000 of his capital amount. This was contravention to their original agreement of contributing R900 000 for capital each.
- Calvin has a negative current account balance of R150 000 or drawings of R225 000 is excessive when compared to his salary of R105 000 – against agreed upon condition of drawings not exceeding salary allocation.
- The salaries need to be relooked at. It is unfair that Calvin get paid the same salary of R105 000, as Marcel when he does not work weekends.
- Marcel has provided the majority of the capital (R900 000 vs R300 000) yet the profits are being shared equally. Revisit the profit-sharing ratio based on capital contributions.

(or any other relevant/appropriate explanation)

44

TOTAL MARKS

150