

**ACCOUNTING MARKING GUIDELINES GRADE 12 TEST 3**

**SELF-STUDY (LOCKDOWN PERIOD)**

**TOPIC : INCOME STATEMENT, NOTES, RATIO ANALYSIS AND AUDIT REPORT**

**NOTE**

* Accounting is a principle-based subject and therefore it is method marked.
* It is important that learners familiarise themselves with the MARKING PRINCIPLES given below as they have been used in this Marking Guideline.
* Concepts relating to the Marking Principles will be understood easily as they have applied in this Marking Guideline.
* Learners should read the fine print in this Marking Guideline.

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| **MARKING PRINCIPLES:** | |
| Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied. |
| Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item. |
| Full marks for correct answer. If the answer is incorrect, mark the workings provided. |
| 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 memo for components of workings, these do not carry the method mark for final answer as well. |
| 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. |
| Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates. |
| This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions. |
| Where penalties are applied, the marks for that section of the question cannot be a final negative. |
| Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. |
| 'Operation' means 'Check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, ×, ÷, or per memo. |
| In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios. |
| In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with ⌧. |
| Be aware that some candidates provide valid alternatives beyond the marking guideline. |
| Codes: f = foreign item; p = placement/presentation. |

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| **QUESTION 1** | |
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|  | **GOVENDER LTD.** |
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| **1.1.1** | **INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019** | |
|  | |  |  |  | | --- | --- | --- | | 39 000 – 1 mark – 5 850 – 2 marks  **Sales** **(5 590 000** + 33 150🗸🗸🗸 – 2 600🗸)one part correct | 5 620 550🗹 |  | | **Cost of sales (4 300 000** + 30 000🗸– 2 000🗸)  one part correct | (4 328 000) 🗹 |  | | **Gross profit**  **(9)** operation | 1 292 550🗹 |  | | **Other income** operation | 387 350🗹 |  | | **Rent income** (414 000🗸 – 33 000🗸🗸) one part correct | 381 000🗹 |  | | Bad debts recovered | 4 350🗸 |  | | Provision for bad debts adjustment (11 940🗸 – 9 940✓🗸🗹) or check 1.1.2 one part correct | 2 000🗹 |  | | **(12)** operation | 1 679 900🗹 |  | | **Operating expenses** operation | (606 440)🗹 |  | | Rates and taxes (69 800✓ + 11 800✓) | 81 600🗸 |  | | Bad debts (13 700 🗸+ 6 000✓🗸) one part correct | 19 700🗹 |  | | Insurance (21 000🗸 + 1 750🗸✓) one part correct | 22 750🗹 |  | | Salaries and wages | 256 760🗸 |  | | Depreciation | 104 700✓ |  | | Trading stock deficit one part correct (246 500🗸 – 30 000🗸 + 45 000🗸– 251 500🗸) | 10 000🗹 |  | | Sundry expenses balancing figure | 110 930🗹 |  | | **Operating profit** | 1 073 460🗹 |  | | Interest income (26 000🗸 + 52 000✓) one part correct | 78 000🗹 |  | | **Profit before interest expense (25)** | 1 151 460🗸 |  | | Interest on loan | **(251 460)** |  | | **Profit before income tax** | 900 000🗸 | |  | | --- | |  | | **48** | | | **Income tax (2)** | (270 000)✓ | | **Net profit for the year** | **630 000** | | |
|  | Foreign items –1 (max –2)  Trading stock surplus – Award (246 500 + 45 000 – 271 500 = 20 000 four marks | |
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| **1.1.2** | **Trade and other receivables**   |  |  | | --- | --- | | Net trade debtors | 188 860🗹  operation | | **Debtors**  see 1.1  (**174 250** + 33 150🗹 – 2 600🗸– 6 000🗸🗸) | 198 800🗹  one part correct | | Provision for bad debts (11 940 – 2 000🗹) see 1.1  Or 5% of the debtors control balance above for two method marks | (9 940) 🗹 | | Accrued income (Interest) | 52 000🗹 | |  | 240 860🗹 | | |  | | --- | |  | | **10** | |
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| **1.1.3** | **Calculate the following financial indicators on 30 June 2019:** |  |
|  | **Net profit percentage on turnover**  630 000🗸 x 100 = 11.2%🗹 one part correct  5 620 550🗹 See 1.1 | |  | | --- | |  | | **3** |  |  | | --- | |  | | **4** | |
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|  | **Debt-equity ratio**  8 500 300  2 651 460 ✓ : (7 960 000🗸 + 540 300🗸)  2 651 460 : 8 500 300  0,3:1🗹 one part correct |
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| **1.1.4** | **The board of directors wants to acquire an additional loan to fund expansions within the company. Comment on why you think this is a good idea or not. Quote TWO financial indicators (with figures) to support your opinion.**  see 1.2.2  Debt-equity ratio improved from 0,4:1 in 2018 to 0,3:1 in 2019 signifying low risk. 🗸🗸  Percentage return on total capital employed increased from 18.9% in 2018 to 21.1% in 2019 and much more than the interest on the loan of 10.5%. This is positive gearing. 🗸🗸 | |  | | --- | |  | | **4** | |
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| **1.2** | **Explain each audit opinion underlined in the extract below.**   |  |  | | --- | --- | | **Audit report** | **Description (audit opinion) 🗸🗸 🗸🗸 🗸🗸**  Any reasonable explanation | | Qualified | Financial statements fairly present except for something that cannot be properly accounted for (can be relied upon except for a few items that need attention) | | Unqualified | Financial statements fairly present in all material respects  (positive – can be relied upon) | | Disclaimer | Unable to express an opinion  (negative – cannot be relied upon) | | |  | | --- | |  | | **6** | |
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| **TOTAL MARKS** |
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| **75** |