



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING

GRADE 12

MAY/JUNE 2017

MARKING GUIDELINES

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 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 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).
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. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
10. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'.
Note: Check operation means must be +, –, x or ÷ as per memo, but some items can be + or – such as provision for bad debts adjustment / sale of asset.
Note: Where appropriate, use of numerator and denominator must be correctly applied to earn marks.
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 that some candidates provide valid alternatives beyond the memorandum.
13. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 18 pages.

QUESTION 1

1.1 TRUE OR FALSE

1.1.1	True ✓
1.1.2	False ✓
1.1.3	False ✓

3

1.2 MIZZY BOUTIQUE

Use the table provided to indicate corrections that must be made to the Debtors' Control Account and the debtors' list.

Provide figures and a plus (+) or minus (–) sign for each correction.

	Debtors' Control Account	Debtors' List
Balance/Total on 28 February 2017	R37 710	R39 490
(a)	+ 7 440 ✓	+ 7 440 ✓
(b)		– 4 500 ✓✓
(c)		+1360 +1360 one mark one mark + 2 720 ✓✓
(d)	+ 1 350 ✓	+ 1 350 ✓
(e)	– 450 ✓	– 450 ✓
(f)	+ 1 950 ✓	+ 1 950 ✓
Balance/Total on 28 February 2017	R48 000 <input checked="" type="checkbox"/> for both totals; need not be equal	R48 000

13

-1 superfluous items (max -2) refer (b) and (c) only

No sign: assume positive; Brackets: assume negative; Tick is for figure & sign

1.3 GLENDALE TRADERS**1.3.1 Explain how a debtors' age analysis can assist with internal control over debtors.**

Any ONE valid point. ✓✓ One mark for incomplete / unclear answer

- Gives an indication of debtors whose accounts are overdue.
- The analysis will give a clear idea of reliable debtor.
- Assist the business to review credit limits allowed to debtors.
- Assist the business when to refuse additional credit sales until accounts are paid.

2

1.3.2 Calculate the percentage of total debts exceeding the credit terms.

$$\frac{16\ 640 \text{ two marks} + 2\ 080 \text{ ✓}}{41\ 600 \text{ ✓}} \times 100 = 40\% \text{ ✓} \quad \text{one part correct; must be calculated as a \%}$$

OR $35\% + 5\% = 40\%$
2 marks 1 mark 1 method mark

4

1.3.3 Explain ONE problem (with figures) relating to EACH of the following debtors:

DEBTOR	PROBLEM ✓ ✓ FIGURES ✓ ✓
D Pillay	Exceeded the credit limit of R10 000 / by R1 800 / owes <u>R11 800</u> which is more than the credit limit
W Patel	Exceeded credit terms of 30 days / The R11 192 exceeds the credit terms / His balance has been outstanding for 60 days / 90 days

4

1.3.4 Explain TWO problems (with figures) relating to debtor D Gouws.

TWO valid points (with figures). Problems ✓ ✓ Figures ✓ ✓

- Exceeding credit terms / slow payer (5 448/13 450) 40,5% of his account is more than 30 days
- The business allowed him to buy R4 100 more goods even though he does not pay on time.

4

TOTAL MARKS

30

QUESTION 2**2.1 VAT****2.1.1**

(a)	Input VAT ✓
(b)	Credit ✓
(c)	Increase ✓
(d)	Salaries ✓

4

2.1.2

No.	VAT AMOUNT	INCREASES THE AMOUNT DUE TO SARS	DECREASES THE AMOUNT DUE TO SARS
(a)	224 ✓✓		X ✓
(b)	1 218 ✓✓	X ✓	
(c)	1 274 ✓✓✓	Accept any figure in place of X	X ✓

10

X in both columns (mark wrong); If figure placed in other columns, award marks for figures
If workings are shown for VAT amount without answer, award 1 mark only

2.2**INVENTORY VALUATION****2.2.1**

Give a reason why the business uses the weighted average method to value the stock of tyres.

Any valid explanation ✓✓ One mark for incomplete / unclear answer

The products are very similar
The quantities are high
There is not a great variation of the nature of the product
There is not a great variation of the price of the product
It is an easy system to use and is appropriate for tyres

2

2.2.2

Calculate: Value of closing stock on 28 February 2017

$$\begin{array}{r}
 931\,500 \text{ six marks} \\
 927\,550 \text{ three marks} \\
 847\,800 \text{ two marks} \qquad 796\,450 \text{ three marks} \\
 \qquad \qquad (2\,685 \times 40) \qquad (79 \times 300) \\
 \hline
 27\,650 \checkmark + 820\,150 \checkmark + 107\,400 \checkmark \checkmark - 23\,700 \checkmark \checkmark \quad \times 280 \checkmark \\
 \hline
 2\,700 \checkmark \checkmark \\
 (94 + 2\,685 - 79) \\
 \hline
 \text{Eight marks} \qquad \qquad \text{One mark} \\
 = 345 \quad \times \quad 280 \\
 \hline
 = 96\,600 \checkmark \text{ one part correct; must be multiplied by units}
 \end{array}$$

10

2.2.3

Calculate: Cost of sales

$$\begin{array}{r} (27\ 650 + 820\ 150 - 23\ 700 + 107\ 400) \\ 931\ 500 \checkmark \end{array} - 96\ 600 \checkmark$$

see 2.2.2

= 834 900 one part correct

3

Calculate: Gross profit

$$968\ 000 \checkmark - 834\ 900 \checkmark = 133\ 100 \checkmark$$

see above one part correct

3

Calculate: Average stock-holding period (in days)

62 125 three marks
see 2.2.2

$$\frac{1}{2} \checkmark \frac{(27\ 650 \checkmark + 96\ 600 \checkmark)}{834\ 900 \checkmark} \times 365 = 27,2 \checkmark \text{ days}$$

see above accept 27 days one part correct

Use of numerator & denominator must be correct

5

2.2.4

Should the owner be satisfied with the stock-holding period calculated above? Explain. Quote figures. NOTE: The stock-holding period for 2016 was 70 days.

Yes / No depends on calculation above; if no calculation no mark; also must not contradict explanation below e.g. 800 days definitely No; 27 days Yes or No

Trend/Explanation and figure

- The stock holding period decreased to 27 days / by 43 days see 2.2.3

Responses for one mark:

- Improve sales – cash flow
- Prevents stock piling
- Stocking the latest products

3

TOTAL MARKS
40

QUESTION 3

3.1

3.1.1	factory overhead cost ✓ Accept factory or overhead
3.1.2	fixed cost ✓
3.1.3	selling and distribution cost ✓ Accept selling or distribution
3.1.4	minimum ✓

4

3.2

3.2.1 Factory Overhead Cost Note

Indirect factory materials (5 950 + 36 000 – 8 750)	33 200 ✓✓
Salaries and wages (2 900 000 x 10%)	290 000 ✓✓
Rent expense (291 000 x 240/300)	232 800 ✓✓
Insurance (49 200 ✓ x 12/15 ✓ x 4/10 ✓) (49 200 – 9 840) or 39 360 two marks	15 744 ☑*
Telephone (28 800 x 20/40) / 57 600 X 20/80	14 400 ✓✓
Sundry factory expenses	189 856 ✓
If some figures above are in brackets, penalise on this method mark only If all figures in brackets award the marks	776 000 ☑*

14

*One part correct

3.2.2 Production Cost Statement for the year ended 28 February 2017

Direct materials cost check operation; must be PC – DLC; must be positive	2 743 000 ☑
Direct labour cost (2 900 000 x 45%)	1 305 000 ✓✓
Prime cost check operation; must be 4 824 000 - FOC	4 048 000 ☑
Factory overhead cost see 3.2.1	776 000 ☑
Total manufacturing cost	4 824 000
Work-in-process at beginning check operation from figure below	70 000 ☑
check operation; must be COPOFG + WIPS at end	4 894 000 ☑
Work-in-process at end ignore brackets	(94 000) ✓
Cost of production of finished goods (40 000 x 120)	4 800 000 ✓✓

10

Incorrect placement: award marks but -1 for each item misplaced (-2 max)

3.2.3 Infinity Hats are considering importing raw materials at a lower price than they are currently paying. Provide TWO points they should consider before deciding.

TWO valid points ✓✓ ✓✓

- Exchange rate fluctuations
- Import duties changing in future
- Time lags for imports & returns
- The quality of raw material
- Possibility of job losses
- Support for local businesses / effect on the economy
- Transport costs

4

3.3 SANYATI BAKERY

Mark as per Memo i.e. mark problem & solution independently

3.3.1

	PROBLEM WITH FIGURES ✓ ✓	SOLUTION ✓ ✓
Doughnut factory	Direct labour cost Increased from R2,00 to R3,20 (60%) or by R1,20	Train the workers Skills development / training Increase supervision Control overtime/supervise normal time/set targets
Cake factory	Direct material cost Increased from R15,00 to R22,50 (50%) or by R7,50	Look for cheaper materials Buy in bulk Use local suppliers (closer) Control wastage

6

3.3.2 Provide workings to show that the break-even point of 158 298 units for the doughnuts in 2016 was correctly calculated.

$$\frac{372\,000 \checkmark}{12,00 \checkmark - 9,65 \checkmark} = 158\,298$$

2,35 two marks

Must be denominator; not answer

3

3.3.3 Explain why Damon should be concerned over the break-even point of doughnuts. Quote figures.

Explanation ✓✓

Figure ✓

Must refer to BEP & production; One mark for incomplete / unclear explanation

- BEP increased from 78 316 to 158 298 (by 79 982) while production decreased.
- BEP increased considerably, while producing 40 000 units fewer which led to a lower profit.
- In 2015 made a profit on 201 684 units: in 2016 only on 81 702 units

Response for 1 mark:

Decrease in net profit R836 000 / Increase in BEP / Decrease in production

3

3.3.4

PRODUCT	COMMENT ON PRICE AND DEMAND (WITH FIGURES)
Doughnuts	<p>Explanations: ✓ must include price & sales</p> <ul style="list-style-type: none"> • Customers not willing to buy doughnuts although price dropped • Price dropped and sales decreased • Sales decreased despite the decrease in price <p>Figures: must reflect trend & figure/s</p> <p>For prices: by R2 ✓ (from R14 to R12 / decreased to R12)</p> <p>For units: by 40 000 units ✓ (from 280 000 to 240 000 units / decreased to 240 000 units)</p>
Cakes	<p>Explanations: ✓ must include price & sales</p> <ul style="list-style-type: none"> • Customers are willing to pay much more for the product even though the price increased • Price and sales increased <p>Figures: must reflect trend & figure/s</p> <p>For prices: by R15 ✓ (from R50 to R65 / increased to R65)</p> <p>For units: by 3 000 units ✓ (from 15 000 to 18 000 units / increased to 18 000 units)</p>

6

TOTAL MARKS
50

KEEP THIS PAGE BLANK.

QUESTION 4

4.1

4.1.1	D ✓
4.1.2	C ✓
4.1.3	A ✓
4.1.4	B ✓

4

4.2 MTOMBENI LTD

4.2.1

Calculate: Carrying value of the vehicle sold on 30 November 2016

$$190\,000 \checkmark - \overset{100\,500 \text{ three marks}}{(72\,000 \checkmark + 28\,500 \checkmark \checkmark)} = 89\,500 \checkmark \text{ one part correct}$$

5

Calculate: Total depreciation on equipment on 28 February 2017

New:

$$32\,000 \checkmark \times 6/12 \checkmark \times 10\% = 1\,600 \checkmark \text{ one part correct but not for 10\%}$$

Old:

$$= \overset{133\,000 \text{ two marks}}{(218\,000 \checkmark - 85\,000 \checkmark)} \times 10\% = 13\,300 \checkmark \text{ one part correct but not for 10\%}$$

(250 000 – 32 000) one mark

$$\text{Total} = 14\,900 \checkmark \text{ one part correct}$$

7

4.2.2 MTOMBENI LTD

Income Statement (Statement of Comprehensive Income) for the year ended 28 February 2017:

*one part correct

Sales (5 500 000 – 32 500 ✓ + 15 000 ✓)	5 482 500	<input checked="" type="checkbox"/> *
Cost of sales (3 150 000 + 9 375 ✓)	(3 159 375)	✓
Gross profit 6	2 323 125	<input checked="" type="checkbox"/> Sales - COS
Other operating income	198 950	<input checked="" type="checkbox"/> *
Rent income (169 500 ✓ + 16 500 ✓✓)	186 000	<input checked="" type="checkbox"/> *
Bad debt recovered	4 750	✓
** Profit on sale of asset (97 700 ✓ – 89 500 <input checked="" type="checkbox"/> see 4.2.1)	8 200	<input checked="" type="checkbox"/> *
Gross operating income 10	2 522 075	<input checked="" type="checkbox"/> *
Operating expenses	(1 356 075)	<input checked="" type="checkbox"/> *
Directors' fees	380 000	
Audit fees	54 000	
Bad debts (13 600 ✓ + 1 900 ✓)	15 500	✓
Salaries and wages 488 500 two marks 1 755 two marks (475 000 ✓ + 13 500 ✓ + 1 620 ✓ + 135 ✓)	490 255	<input checked="" type="checkbox"/> *
Consumable stores	61 700	✓✓
Insurance (19 220 ✓ + 1 780 ✓)	21 000	✓
Bank charges (7 760 ✓ + 870 ✓)	8 630	✓
Sundry expenses	140 085	✓
** Trading stock deficit (386 500 ✓ – 9 375 <input checked="" type="checkbox"/> – 374 000 ✓) R12 500 two marks only see cost of sales	3 125	<input checked="" type="checkbox"/> *
** Provision for bad debts adjustment (4 030 ✓ – 3 650 ✓)	380	✓
Depreciation (28 500 <input checked="" type="checkbox"/> + 138 000 ✓ + 14 900 <input checked="" type="checkbox"/>) see 4.2.1 see 4.2.1	181 400	<input checked="" type="checkbox"/> *
Operating profit 30	1 166 000	<input checked="" type="checkbox"/> GOI- OExp
Interest income Missing figure NP after Interest income – Operating profit Cannot work out to be a negative figure	178 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Net profit after interest income NPBT + Interest expense	1 344 000	<input checked="" type="checkbox"/>
Interest expense	(144 000)	✓✓
Net profit before tax NPAT + Income tax	1 200 000	<input checked="" type="checkbox"/>
Income tax	(336 000)	✓✓
Net profit after tax 8	864 000	

Foreign items -1 max -2

** Award marks to workings if item misplaced; -1 for placement; max -2
All other misplaced items marked as incorrect

54

TOTAL MARKS

70

QUESTION 5

5.1

5.1.1	Liquidity ✓
5.1.2	Gearing ✓
5.1.3	Net working capital ✓
5.1.4	Limited liability ✓

4

5.2 MIHKA LTD

5.2.1 ORDINARY SHARE CAPITAL

Authorised Share Capital

800 000 ordinary shares

Issued Share Capital

600 000	Ordinary shares on 1 January 2016	4 200 000
100 000	Issued on 31 August 2016 <small>balancing figure repurchase must be a subtraction from top</small>	840 000 ✓*
(40 000) ✓	Re-purchased (ASP: R7,20)	(288 000) ✓✓
660 000 ✓	Ordinary shares on 31 December 2016	4 752 000 ✓

6

Ignore brackets *Check balancing figure (ClosBal + BuyBack – OpBal) for method mark

RETAINED INCOME

Balance on 1 January 2016	276 000
Net profit after income tax (1 150 000 – 322 000)	828 000 ✓✓
Shares repurchased (40 000 ✓ x R1,30 ✓) <small>must be in brackets</small>	(52 000) ✓
Ordinary share dividends <small>balancing figure; must be in brackets</small>	(415 000) ✓
• Interim dividends <small>total dividends – final dividends or (65c – 25c) x 600 000</small>	240 000 ✓
• Final dividends	175 000 ✓
Balance on 31 December 2016	637 000 ✓

9

5.2.2

CASH EFFECTS OF OPERATING ACTIVITIES	292 600 ✓*
Cash generated from operations	1 237 400
Interest paid	(100 000) ✓
Income tax paid (9 200 ✓ + 322 000 ✓ + 3 600 ✓)	(334 800) ✓*
Dividends paid (270 000 ✓ + 240 000 ✓) <small>see 5.2.1</small>	(510 000) ✓*

9

*one part correct; lose method mark on answer if incorrect use of brackets

5.2.3 Amounts in the Cash Flow Statement:

Calculate: Change in fixed deposit

300 000 ✓✓ Inflow ✓

3

Calculate: Proceeds on disposal of equipment

$$5\,828\,000 \checkmark + 360\,400 \checkmark - 1\,495\,000 \checkmark - 4\,905\,800 \checkmark = 212\,400 \checkmark$$
 one part correct

OR:

$$- 5\,828\,000 - 360\,400 + 1\,495\,000 + 4\,905\,800 = -212\,400$$

Inflow ✓

6

5.2.4 **Calculate: Mark-up percentage on cost**

$$\frac{1\,890\,000 \checkmark}{6\,090\,000 \checkmark - 1\,890\,000 \checkmark} \times 100 = 45\% \checkmark$$
 one part correct;
correct use of numerator & denominator
4 200 000 two marks

4

Calculate: Debt-equity ratio

$$1\,000\,000 \checkmark : (4\,752\,000 \checkmark + 637\,000 \checkmark)$$

$$0,2 : 1 \checkmark$$
 one part correct; must be x:1 accept 0,19:1
5 389 000 two marks

4

Calculate: Net asset value (in cents)

$$\frac{5\,389\,000 \checkmark}{660\,000 \checkmark} \times 100 = 817 \text{ or } 816,5 \text{ cents } \checkmark$$
 one part correct; accept 816
see above
see 5.2.1
correct use of numerator & denominator
Do not accept Rand sign

3

5.2.5 The financial director was questioned about the decision to increase the loan. Explain what he should say to justify this decision. Quote TWO financial indicators (with figures).

Financial indicators: ✓ ✓ trend with figures ✓ ✓

Debt-equity ratio increased (from 0,1 : 1) to 0,2 : 1 / by 0,1 : 1 **see 5.2.4**
Return on average capital employed (ROTCE) increased from 21,3% to 21,8%.

Explanation

- Although the debt-equity ratio increased, the company is low risk / low gearing. ✓
- The ROTCE has also increased – earning far above the interest rate of 12,5% (positive gearing). ✓

Do not accept increase in risk as an explanation (counts against the decision)

6

5.2.6 Ashraf, a new shareholder, bought 70 000 shares on 31 August 2016. He expected the company to distribute at least 80% of its earnings as it did in 2015.

Ashraf is unhappy with the dividend pay-out policy for 2016. Provide a calculation to support his opinion.

$65 \checkmark / 131 \checkmark \times 100 = 49,6\% \checkmark$ accept 49,61% or 50% **one part correct**

Response for two marks:

DPS was 65c while EPS was 131c

3

Explain TWO points to support the company's decision regarding dividends for 2016.

Explanation ✓✓ ✓✓ **One mark for incomplete / unclear answer**

- The company decided to retain more of the EPS this year
- The NAV would increase thereby positively affecting the market price of the shares
- The company retained funds to expand the company in future (extensions to the building)
- Improve the cash situation/eliminated the bank overdraft from 2015
- Improvements could lead to greater profitability in the future
- The ROSHE has also increased – possibly better dividends in the long run.
- Shareholders would benefit from a capital gain on shares
- Cheaper than borrowing money (avoid interest)

4

5.2.7

Comment on the re-purchase price paid for the 40 000 shares on 30 December 2016. Provide TWO financial indicators (with figures) in your comment.

Two indicators with figures

- ✓ NAV is 817 cents see 5.2.4
- ✓ Market price is 848 cents

Comment ✓✓ One mark for incomplete / unclear answer

- The shareholder has benefitted as he may have received less had he sold his shares on the stock exchange.
- The directors may have to be investigated to determine why they disadvantaged the company.
- The price is fair because in line with the current market price.
- The price was set at a level to encourage the disgruntled shareholder to sell his shares.

Complete comment would include an opinion e.g. fair / unfair

4

TOTAL MARKS
65

QUESTION 6

6.1

Comment on the control of EACH item and give ONE point of advice in each case.

	COMMENT ✓ ✓	ADVICE ✓ ✓
Telephone	Over-spent / budget figure too low	Private calls should be controlled / keep record of all calls / charge the staff for private calls / possibly increase budget
Staff training	Under-spent	This is an essential expense / staff training improves the interaction with customers / this leads to efficiency and goodwill.

4

6.2

Identify TWO items incorrectly entered in the Cash Budget.

Any TWO items ✓ ✓ **Ignore superfluous items**

Possible responses:

- Office furniture bought on credit
- Depreciation
- Credit sales
- Deliveries free of charge
- Delivery expenses on credit

2

6.3

CREDITORS' PAYMENT SCHEDULE

MONTH	CREDIT PURCHASES	MAY	JUNE
March	R64 000	6 400	
April	R72 000	10 800	R7 200 ✓✓
May	R80 000 ✓✓	57 000	R12 000 15% of credit purchases ✓✓
June	R96 000		R68 400 ✓✓
		74 200	R87 600 ✓*

*one part correct; ignore foreign entries

9

6.4

	CALCULATION	AMOUNT
(i)	Cash sales $R180\,000 \times 40\%$ If correct workings are shown without answer, award 1 mark only	R72 000 ✓✓
(ii)	Cash purchases of stock $R100\,000$ two marks $R150\,000 \checkmark \times 100/150 \checkmark \times 20\% \checkmark$	R20 000 <input checked="" type="checkbox"/> one part correct
(iii)	Delivery expenses $9\,000 \checkmark / 150\,000 \checkmark \times 180\,000 \checkmark$ 6% two marks	10 800 <input checked="" type="checkbox"/> one part correct
(iv)	Salaries and wages $38\,700 \checkmark \times 100 \checkmark / 107,5 \checkmark$	36 000 <input checked="" type="checkbox"/> one part correct
(v)	Repayment of loan $168\,000 - 120\,000$ two marks one mark OR $600 \checkmark \times 100/15 \checkmark \times 12 \checkmark$ OR $7\,200 \times 100/15$ two marks one mark	48 000 <input checked="" type="checkbox"/> one part correct
(vi)	Cash at end of month	35 500 ✓
(vii)	Cash deficit for the month $35\,500 + 7\,300$ If correct workings are shown without answer, award 1 mark only	(42 800) ✓✓ ignore brackets

6.5

Piet wants to save on costs by not offering a free delivery service. Is this a good idea? Explain.

Yes/No ✓ mark independently

Any one possible response ✓✓ **One mark for incomplete / unclear answer**

- Whether his competitors are offering the service or not
- What the reaction from his customers will be should he withdraw the service (i.e. will they go to other suppliers?)
- The possibility of charging customers for the delivery service
- The possibility of finding a cheaper delivery service
- The possibility of using his own vehicles instead of subcontracting / extra costs of providing his own service (e.g. depreciation of vehicle, petrol)
- Could have been the reason for the increase in sales

3

6.6

Explain ONE advantage and ONE disadvantage of each option.

Note that figures are not required; Alternative valid answers possible

OPTION	ADVANTAGE ✓ ✓ ✓	DISADVANTAGE ✓ ✓ ✓
Raise a new loan	He will own the assets / they could last longer than five years if he takes good care of them.	He has to pay interest / pay a monthly instalment (which must include interest).
Hire (lease) the assets from Computer Solutions	He does not have to raise a loan / does not have to pay interest on the loan / will not have to pay repair costs.	The lease charges are expensive / lease is over five years / never owns the assets but continues to pay.
Ask a friend to become equal partner	He will have the necessary funds to purchase the assets (which will then belong to the business) / share workload and skills / partner will share losses.	He will have to share half his profits with his new partner.

6

TOTAL MARKS
45

TOTAL: 300