GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2017

GRADE 10

ACCOUNTING

MARKS: 300

TIME: 180 minutes

15 pages

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INSTRUCTIONS

1. Answer all questions in the ANSWER BOOK provided.
2. Show all workings where applicable in order to earn part marks.
3. Read all instructions carefully.
4. Try at all times to adhere to the suggested time allocation.
5. Non-programmable calculators may be used.
6. Write neatly and legibly.

QUESTION	TOPIC	MARKS	TIME
1	Analysis of transactions	44	26 min
2	Debtors' Reconciliation	40	24 min
3	Income Statement and Notes	88	54 min
4	Note 'Tangible assets'	38	22 min
5	Balance Sheet	30	18 min
6	Analysis and Interpretation	40	24 min
7	VAT, Manufacturing and Budgets	20	12 min
TOTAL		**300**	**180 min**

QUESTION 1 **44 MARKS**

ANALYSIS OF TRANSACTIONS

REQUIRED:

Analyse the following transactions using the headings provided. Indicate an increase with a '+', a decrease with a '-' and no effect with a '0'. Amounts should be reflected in the equation.
The business has a favourable bank balance and uses a mark-up of 80% on cost price.

TRANSACTIONS:

Example: Bought stationery on credit from the supplier ZZ Stationers, R500.

1. Paid weekly wages by cheque, R2 400.

2. Bought trading stock for R380 and paid out of petty cash.

3. Sold goods on credit to L Molala, R2 700.

4. Bought equipment on account from Sally Traders for R10 800 less 15% trade discount.

5. Charged interest of 5% per annum on A, Mahlangu's overdue account of R4 200 for 4 months.

6. Received R1 800 from M Radue on his account, allowed him R30 discount.

QUESTION 2 **40 MARKS**

DEBTORS' RECONCILIATION

REQUIRED:

2.1 Prepare a correct Debtors' Control Account for September 2017 by taking into account errors and omissions. Balance the account. [19]

2.2 Prepare a correct list of debtors as at 30 September 2017. [21]

Note: Show all your calculations in brackets.

INFORMATION:

GENERAL LEDGER OF SOHO TRADERS

BALANCE SHEET ACCOUNTS SECTION

Dr **DEBTORS' CONTROL** Cr

Sep	01	Balance	b/d	21 370	00	Sep	30	Bank and discount allowed	CRJ	24 380	00
	30	Sales	DJ	31 920	00			Journal credits	GJ	580	00
		Debtors' allowances	DAJ	980	00			Bank (R/D)	CPJ	600	00
		Journal debits	GJ	820	00			Balance	c/d	29 530	00
				55 090	**00**					**55 090**	**00**
Oct	01	Balance	b/d	29 530	00						

Note: The bookkeeper made errors when posting to the Debtors' Control Account

List of debtors as at 30 September 2017

Debtor	Debit		Credit	
S Cronje	6 500	00		
P Diane	7 480	00		
G Tloubatla	5 340	00		
M Shumi	1 890	00		
R Coetzee	6 760	00		
P Moila			800	00
T Kgaka	1 800	00		
	29 770	00	800	00

Errors and omissions

1 The balance of the Debtors' Control Account on 01 September 2017 is incorrect. The list of debtors reflected a credit balance of R530, which was not taken into account when determining the opening balance.

2 A receipt issued to M Shumi for R980 cash received was recorded correctly in the subsidiary journal, but was posted to her account as R890.

3 The total of the Debtors' Allowances column in the Debtors' Allowances Journal was under-cast by R160.

4 An entry in respect of goods returned by T Kgaka to the value of R300 was correctly entered in the Debtors' Allowances Journal but entered on the wrong side of T Kgaka's account.

5 The Debtors' Ledger reflects the credit balance in the account of P. Moila, the amount must be transferred to the Creditors' Ledger.

6 On 28 September 2017, R120 postage was paid on behalf of a debtor, G Tloubatla from the petty cash. No entry was made in the books.

7 P Diane paid R3 800 on her account after she received a 5% discount. The payment and discount were recorded correctly in the subsidiary journal but the discount was not posted to her account.

QUESTION 3 **MARKS 88**

INCOME STATEMENT AND NOTES

The information below was taken from the books of Samantha Distributors. Their financial year ends on 28 February 2017.

REQUIRED:

3.1 Prepare the Income Statement for Samantha Distributors for the year ended 28 February 2017. [65]

3.2 Prepare the following Notes to the Financial Statements:

3.2.1 Trade and Other Receivables [11]

3.2.2 Trade and Other Payables [12]

INFORMATION:

SAMANTHA DISTRIBUTORS		
PRE-ADJUSTMENT TRIAL BALANCE AS AT 28 FEBRUARY 2017		
	DEBIT	**CREDIT**
BALANCE SHEET ACCOUNTS SECTION		
Capital		784 490
Drawings	58 000	
Mortgage Loan : FBN Bank		100 000
Land and Buildings	910 000	
Equipment	140 000	
Accumulated depreciation on equipment		52 000
Fixed Deposit : FBN Bank (10% p. a.)	20 000	
Trading Stock	16 300	
Debtors' Control	20 720	
Bank	55 500	
Creditors' Control		45 000
NOMINAL ACCOUNTS SECTION		
Sales		875 000
Cost of Sales	500 000	
Debtors' Allowances	12 600	
Discount Received		9 280
Rent Income		37 570
Discount Allowed	800	
Salaries and wages	96 750	
Bad Debts	5 200	
Bank Charges	1 210	
Insurance	9 800	
Telephone	12 560	
Stationery	10 800	
Sundry Expenses	5 400	
Water and Electricity	14 200	
Interest on loan	13 500	
	1 903 340	**1 903 340**

ADJUSTMENTS

1 A credit note was issued to M. Shaba, a debtor for R1 500, this was for merchandise returned. The cost price of the goods returned was R1 200. No entry was made.

2 Donation of goods to an old age home was not recorded, cost price is R3 000.

3 A physical stock-taking on 28 February 2017 revealed the following:

- Trading Stock R12 000
- Stationery R800

4 A debtor, C Clutz, was declared insolvent. His estate offered to pay a dividend of 40 cents for every rand owed. His original debt was R1 200, and the balance must be written off. No entries were made in the books.

5 Insurance includes an amount of R1 800. This is an annual payment for the period 01 August 2016 to 31 July 2017.

6 Depreciation for the year amounted to R3 400.

7 Provide for outstanding interest on Fixed Deposit, the interest is not capitalised.

8 Rent has been received up to the end of March 2017.

9 A debtor, S Fouche, deposited R850 into the business bank account. The debtor's account was previously written off as irrecoverable.

10 The bank statement received from the bank on 28 February 2017 reflected the following:

• Service fees	R 40
• Cash deposit fees	R 200
• Interest on current account	R150
• A dishonoured cheque from B. Lobbie, a debtor. for R1 200. This cheque was in settlement of his account of R1 280.	

11 The telephone account for February 2017 was received but will only be paid in March 2017, R1 000.

12 One employee has been omitted from the Salaries Journal of February 2017. His details are as follows:

Gross salary	R10 000		
DEDUCTIONS:			
PAYE	R1 800	Medical Aid	R 720
Pension Fund	7.5% of gross salary	UIF	1% of gross salary

Note: The employer does not contribute towards any Fund.

QUESTION 4 **MARKS 38**

TANGIBLE ASSETS

The following information was extracted from the books of Mickey Toys Shop for the financial year ended 30 June 2017.

REQUIRED:

4.1 Calculate the depreciation on vehicles on 30 June 2017. [5]

4.2 Calculate the depreciation on equipment on 30 June 2017. [5]

4.3 Prepare the note on Tangible/fixed assets on 30 June 2017. [20]

4.4 After the extensions and repairs were done to the building, the land and buildings were valued at R500 000.

4.4.1 Indicate the amount that will be recorded in the financial statements on 30 June 2017. [2]

4.4.2 Name the GAAP principle that is applicable to Question 4.4.1 [2]

4.5 It was discovered after preparing the financial statements that the fuel expenses have increased by 80% from last year. The driver who does deliveries takes the vehicle home every day. State **TWO** internal control measures that the owner can put in place to reduce the misuse of the delivery vehicle by the driver. [4]

INFORMATION:

A Some balances on 01 July 2016 in the General Ledger:

	R
Land and buildings	240 000
Vehicles	190 000
Equipment	56 000
Accumulated depreciation on vehicles	28 500
Accumulated depreciation on equipment	5 600

B The following transactions involving tangible assets took place during the year:

- Extension was done to the shop to the value of R50 000 and repairs to the building, R15 000. AB Builders was paid by cheque on 15 January 2017 and it was recorded in the books of the business.

- The business bought computers and printers for office use for R28 000 on 01 March 2017, installation cost of R2 000 was paid by cheque.

- A new vehicle was bought on credit from AA Motors on 1 October 2016 for R160 000 and recorded into the books.

- Depreciation is written off on vehicles at 15% per annum on cost price and on equipment at 10% per annum on the diminishing balance method.

QUESTION 5 **MARKS 30**

BALANCE SHEET

You are provided with the Post-closing Trial Balance and additional information regarding Livingstone Suppliers for the financial year ended 28 February 2017.

REQUIRED:

5.1 Prepare the Balance Sheet of Livingstone Suppliers at 28 February 2017. Show calculations in brackets to earn part marks.

INFORMATION:

LIVINGSTONE SUPPLIERS		
POST-CLOSING TRIAL BALANCE AS AT 28 FEBRUARY 2017		
	DEBIT	**CREDIT**
BALANCE SHEET ACCOUNTS SECTION		
Capital		630 800
Land and Buildings	680 000	
Vehicles	340 000	
Equipment	78 000	
Accumulated depreciation on vehicles		136 000
Accumulated depreciation on equipment		14 820
Trading stock	72 400	
Debtors' control	14 800	
Bank	34 100	
Petty cash	2 500	
Cash float	1 000	
Creditors' control		48 900
Fixed Deposit: AB Bank	60 000	
Loan: SA Loans		440 000
Consumable stores on hand	2 820	
Accrued income	3 400	
Accrued expenses		4 100
Income received in advance		6 000
Prepaid expenses	3 900	
Creditors for salaries		12 300
	1 292 920	**1 292 920**

ADDITIONAL INFORMATION:

1. Part of the fixed deposit at AB Bank matures on the 30 June 2017, R25 000.

2. R100 800 will be paid back on the loan from SA Bank in the next financial year. The loan is capitalised.

QUESTION 6 **40 MARKS**

CONCEPTS AND ANALYSIS AND INTERPRETATION

6.1 **CONCEPTS**

The information provided below is incorrect, use the table provided to reclassify. [6]

Liquidity	**Profitability**	**Return**
Net profit on sales	Acid test ratio	Current ratio
Operating expenses on sales	Return on equity	Gross profit on sales

6.2 **ANALYSIS AND INTERPRETATION**

You have been provided with information from the financial statements of Jeremy Jones, a retail business, for the year ended 28 February 2017. [34]

REQUIRED:

6.2.1 Calculate the Mark-up % for 2017. [3]

6.2.2 Comment on the change in the Mark-up %. [2]

6.2.3 Calculate % Operating Expenses on Sales for 2017. [3]

6.2.4 Should the owner be satisfied with the % operating expenses on sales? [3]

6.2.5 Calculate the Solvency Ratio for 2017. [4]

6.2.6 Calculate the current Ratio for 2017. [3]

6.2.7 Calculate the Acid Test Ratio for 2017. [4]

6.2.8 Comment on the liquidity of the business. [4]

6.2.9 Calculate the % Return on Equity for 2017. [5]

6.2.10 Comment on the return on equity. Should the owner be satisfied with the return? [3]

INFORMATION

A	EXTRACT FROM THE INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017	
	2017	**2016**
Sales	1 485 000	1 150 000
Cost of Sales	(900 000)	(675 000)
GROSS PROFIT	585 000	475 000
Other operating income	90 000	100 000
Operating expenses	(440 000)	(420 000)
Operating profit	235 000	155 000
Interest Expense	(36 400)	(45 600)
Net Profit	198 600	109 400

B	EXTRACT FROM THE BALANCE SHEET ON 28 FEBRUARY 2017	
	2017	**2016**
Fixed Assets	1 015 600	1 169 000
Fixed Deposits	100 000	60 000
Current Assets	**237 000**	**237 000**
Trading Stock	140 000	160 000
Trade and Other Receivables	62 000	35 000
Cash and Cash Equivalents	35 000	42 000
	1 352 600	1 352 600
Owners' Equity	1 010 600	902 000
Non-Current Liabilities	180 000	380 000
Trade and Other Payables	162 000	184 000
	1 352 600	1 352 600

C	Financial indicators	2017	2016
Mark-up %		?	70.4%
% Operating expenses on sales		?	36.5%
Current Ratio		?	1.3:1
Acid Test Ratio		?	0.4:1
Return on Equity		?	13.2%
Interest rate for investment		11%	10%
Interest rate for loan		13.5%	12%

QUESTION 7 **20 MARKS**

VAT, MANUFACTURING AND BUDGETS

7.1 **VAT**

Choose the correct word / amount / percentage in order to complete the sentences below. Only rewrite the correct word and not the complete sentence.

R500 000	Direct	Output	0%
Indirect	14%	SARS	Zero- rated
Input	Exempt	R1 000 000	

7.1.1 VAT is a / an _____ system of taxation.

7.1.2 In South Africa the standard rate of Vat is currently _____ .

7.1.3 VAT payable on Sales is known as VAT _____ .

7.1.4 Brown bread is an example of an item that is _____ .

7.1.5 Items on which VAT is currently not charged are known as _____ items.

7.1.6 VAT that is claimable on purchases is known as VAT _____.

7.1.7 A business with turnover or sales of _____ or more per year should register as a VAT vendor.

7.1.8 VAT is payable to _____. **[8]**

7.2 MANUFACTURING

Match Column A to Column B. Only write down the correct letter as your answer.

COLUMN A			COLUMN B
7.2.1	Fixed Costs	A	Cost that can be directly identified with the production process.
7.2.2	Work in progress	B	Costs incurred in the running of the factory.
7.2.3	Factory Overhead costs	C	Costs of labour of the people who are directly involved in the production process.
7.2.4	Direct Material Costs	D	Partially completed products.
7.2.5	Variable Costs	E	Costs that remain the same no matter how many units are produced.
7.2.6	Direct labour cost	F	Costs that vary according to production.

[6]

7.3 BUDGETS

Read each sentence carefully. Indicate by referring to the underlined information whether the statement is **TRUE** or **FALSE**.

7.3.1 A capital budget is focused on fixed assets.

7.3.2 A budget is a plan of action for the current period.

7.3.3 A cash budget includes bad debts.

7.3.4 A budget that is prepared from scratch is known as zero based budget.

7.3.5 Long term budgets are prepared for a period between 3 to 12 months.

7.3.6 A cash budget estimates the cash coming into the business and cash going out of the business over a specified period. **[6]**

TOTAL: 300

END