GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2019

GRADE 10

ACCOUNTING
PAPER 1

TIME: 2 hours

MARKS: 150

9 pages, 1 formula sheet and a 6 page answer book

Copyright reserved

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

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 this 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 1: 30 marks; 25 minutes	
Topic of the question:	**This question integrates:**
Concepts Accounting Equation	GAAP Accounting Concepts Accounting Equation

QUESTION 2: 55 marks; 45 minutes	
Topic of the question:	**This question integrates:**
Income Statement	Year-end adjustments Income Statement of a sole trader

QUESTION 3: 40 marks; 30 minutes	
Topic of the question:	**This question integrates:**
Balance Sheet and notes	Concepts Year-end adjustments Balance Sheet and notes

QUESTION 4: 25 marks; 20 minutes	
Topic of the question:	**This question integrates:**
Analysis and interpretation	Concepts Calculation of financial indicators Interpretation of financial indicators

Copyright reserved

QUESTION 1: CONCEPTS AND ACCOUNTING EQUATION

(30 marks; 25 minutes)

1.1 GAAP PRINCIPLES

Choose a term from COLUMN B that matches the description in COLUMN A. Write ONLY the letter (A – E) next to the question number (1.1.1 – 1.1.5) in your ANSWER BOOK, for example 1.1.6 G. (5)

COLUMN A	COLUMN B
1.1.1 Financial statements are drawn up on the assumption that the business will continue to trade in the foreseeable future.	A Historical cost principle
1.1.2 Income and the expenses must be recorded in the correct accounting period regardless of whether it's been paid or received.	B Business entity rule
1.1.3 Information that is important and that will influence the decision-making process, must be shown separately in the financial statements.	C Prudence principle
1.1.4 Fixed assets purchased are recorded in the financial statements at its original cost.	D Materiality principle
1.1.5 Money lost due to theft of stock is written-off, even though there is a possibility that it may be recovered in future.	E Matching principle
	F Going-concern principle

1.2 ANALYSIS OF TRANSACTIONS

The transactions appeared in the books of Libra Stores. The business maintains a gross profit mark-up of 50% on cost.

REQUIRED:

Analyse the following transactions according to the headings provided in the ANSWER BOOK. (25)

Assume that the Bank balance is **favourable** for all the transactions.

Example: The owner took goods for personal use, R500.

TRANSACTIONS:

1.2.1 Libra Stores paid R3 000 to a creditor.

1.2.2 Issued a credit note to a debtor for merchandise returned. The cost price of the merchandise returned was R700.

1.2.3 Received an invoice for trading stock purchased from a supplier for R21 500 less 7% trade discount.

1.2.4 A debtor whose account was overdue was charged interest of R25.

30

QUESTION 2: INCOME STATEMENT (55 marks; 45 minutes)

The information set out below was taken from the books of RAV Distributors. Their financial year ends on 28 February 2019. The percentage mark-up used by RAV Distributors is 75%.

REQUIRED:

Prepare the Income Statement of RAV Distributors for the year ended 28 February 2019. (55)

INFORMATION:

Pre-adjustment Trial Balance of RAV Distributors on 28 February 2019

	Debit	Credit
Balance Sheet Accounts Section		
Capital		784 490
Drawings	403 860	
Loan: DEF Bank (18% p.a.)		235 000
Land and Buildings	910 000	
Equipment	140 000	
Accumulated Depreciation on Equipment		52 000
Trading Stock	16 500	
Debtors' Control	20 720	
Bank	55 500	
Creditors' Control		135 000
Nominal Accounts Section		
Sales		875 000
Cost of Sales	400 000	
Debtors' Allowances	13 000	
Wages	20 300	
Commission Income		8 400
Salaries	95 250	
Rent Income		37 100
Discount Allowed	800	
Discount Received		880
Insurance	9 800	
Bank Charges	1 210	
Bad Debts	2 300	
Telephone	12 560	
Water and Electricity	11 700	
Stationery	10 800	
Sundry Expenses	3 570	
	2 127 870	2 127 870

Copyright reserved

Adjustments and additional information:

A. Commission of R4 000 has not yet been received by the business.

B. The telephone account for February 2019 was not recorded, R1 450.

C. The business made a donation of stock with a selling price of R1 400 to a local crèche before stock count. No entry was made of this transaction.

D. A physical stock count on 28 February 2019 revealed the following on hand:
- Trading Stock R15 500
- Stationery R460

E. A debtor who owed R1 200 was declared insolvent. A dividend of 40 cents to the rand was received and recorded. Write-off the remaining debt as irrecoverable.

F. An amount of R2 000 received from B. Ben, a debtor whose debt was written-off as irrecoverable the previous year, was credited to Debtors' Control and to the account of B. Ben. Correct the error.

G. The February Bank Statement was received after the pre-adjustment trial balance was drawn up. The following must be adjusted:
- Dishonoured cheque, R2 000. This was in settlement of H. Heidi's account of R2 040.
- Interest on favourable bank balance, R480.
- Bank charges, R183.

H. The insurance amount includes an annual premium of R2 160 paid on 1 July 2018.

I. The rent increased by R400 per month from 1 November 2018. The rent for March 2019 was received and deposited.

J. Interest on the loan from DEF Bank has not yet been entered. Interest is capitalized. The loan statement received from DEF Bank reflected the following:

Balance on 1 March 2018	270 000
Repayments made during the year	85 000
Interest	?
Balance on 28 February 2019	235 000

K. Depreciation on equipment is calculated at 10% p.a. on the cost price method. New equipment was bought on 1 September 2018 at a cost price of R24 000. This transaction has been recorded.

55

QUESTION 3: CONCEPTS AND NOTES TO THE BALANCE SHEET

(40 marks; 30 minutes)

3.1 Indicate whether the following statements are TRUE or FALSE.

3.1.1 Loans that will be paid over a long term (more than 12 months) form part of Non-Current Liabilities. (1)

3.1.2 Prepaid Expenses will be included with Trade and Other Payables. (1)

3.1.3 A Fixed Deposit due to mature within the next 12 months will be shown under Non-Current Assets. (1)

3.2 Thabo Sepere owns a shoe store, Thabo Shoes. You are provided with an extract from the Post-adjustment Trial Balance on 30 September 2019. The bookkeeper has not yet taken all the adjustments into account.
Note: The Net profit for the year is R774 300.

REQUIRED:
Use the trial balance and additional information to prepare the following notes to the balance sheet as at 30 September 2019:

3.2.1 Inventories (4)

3.2.2 Trade and other receivables (5)

3.2.3 Owner's equity (7)

3.2.4 Trade and other payables (5)

3.2.5 Statement of financial position (Balance sheet) (16)

EXTRACT FROM POST-ADJUSTMENT TRIAL BALANCE OF THABO SHOES ON 30 SEPTEMBER 2019

Balance sheet accounts section	Debit	Credit
Capital (01 October 2018)		1 036 470
Drawings	33 870	
Trading stock	105 000	
Fixed Assets	1 933 000	
Debtors control	80 500	
Fixed Deposit	649 350	
Loan: ASA		120 000
SARS (PAYE)		4 600
Accrued income (interest on fixed deposit)	8 700	
Accrued expenses (interest on loan)		5 500
Consumable goods on hand (stationery)	900	
Bank		710 000
Cash Float	8 500	
Petty Cash	5 000	
Creditors' Control		55 000

Copyright reserved

Adjustments not yet brought into account:

A. Thabo Sepere transferred a vehicle to the value of R100 000 to the business on 1 January 2019. It is not yet recorded.

B. On 30 September 2019, after physical stock-taking was performed, Thabo took shoes with a cost price of R2 000 for his personal use. This is not yet recorded.

C. An instalment of R20 000 is repaid annually on the loan at ASA on 31 December.

D. The rental income account reflects a total of R102 000. It includes rent for three months, received in advance.

E. Too much insurance was paid, R950. This amount must be used to settle the insurance due the following year.

F. An amount of R500 was incorrectly credited against the Debtors' Control account. This amount was received from C. Els, a debtor, whose account was already written-off as a bad debt in 2017.

40

QUESTION 4: ANALYSIS AND INTERPRETATION (25 marks; 20 minutes)

Use the information given for Beatle Bailey to answer the questions correctly.

Post-closing Trail Balance on 30 June	**2019**	**2018**
Tangible assets	222 664	203 804
Fixed Deposit: ABSA (10%)	45 000	45 000
Inventory	54 070	42 120
Trade and other receivables	34 700	25 328
Cash and Cash equivalents	1 650	6 200
Owner's equity	271 430	180 000
Mortgage bond: First Bank (15% p.a.)	60 000	120 000
Trade and other payables	26 654	22 452

Additional information:

Cost of Sales	600 000
Operating expenses	158 000
Net profit	130 000

REQUIRED:

4.1 Calculate Sales if the firm uses a mark-up of 50% on cost. (2)

4.2 Calculate the return on average owner's equity. Should the owner be satisfied with this return? Give a reason for your answer. (6)

4.3 Calculate the current ratio for 2019. (5)

4.4 Calculate the acid-test ratio for 2019. (4)

4.5 Calculate the degree of solvency on 30 June 2019. (8)

25

TOTAL 150

Copyright reserved

GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Net profit}}{\text{Owner's equity}} \times \frac{100}{1}$	Total assets : Total liabilities	

Copyright reserved