KWAZULU-NATAL PROVINCE

EDUCATION

REPUBLIC OF SOUTH AFRICA

ACCOUNTING

SEPTEMBER 2023

COMMON TEST

NATIONAL SENIOR CERTIFICATE

GRADE 10

MARKS: 100

TIME : 1 ½ HOUR

This paper consists of 6 pages, 1 formula sheet and the answer booklet of 7 pages

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INSTRUCTIONS AND INFORMATION

1. You are provided with a question paper and an SPECIAL ANSWER BOOK.

2. This question paper comprises **THREE** compulsory questions.
   Answer ALL the questions.

3. Use the format provided in the answer book in order to reflect your answers.

4. Where applicable-workings must be shown in order to achieve part-marks.

5. Non-programmable calculators may be used. Round off to **ONE** decimal place where necessary.

6. You may use dark pencil or blue/black ink to answer the questions.

7. Use the information in the table, below, as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPICS	MARKS	MINUTES
1	Statement of Financial Position and Tangible/ Fixed Assets Note	56	50
2	Ratio Calculations	19	17
3	Interpretation of Financial Information	25	23
TOTAL		**100**	**90**

QUESTION 1: FIXED ASSETS, STATEMENT OF FINANCIAL POSITION

(56 marks; 50 minutes)

The following information relates to Old Trafford Traders. The financial year ended on 28 February 2023.

REQUIRED:

1.1 **Refer to Information B.**

Calculate the missing amounts denoted by **(i)** to **(iv)**. (18)

1.2 Complete the Statement of Financial Position on 28 February 2023. Show workings in brackets. (38)

INFORMATION:

A. Amounts extracted from the records on 28 February 2023:

Balance Sheet accounts section	**R**
Capital Account	4 400 000
Drawings	215 000
Fixed assets (carrying value) **(Information B)**	**?**
Loan from Bule Bank **(Information H)**	**?**
Trading stock	686 881
Trade debtors	67 200
Fixed deposit: Zuma Bank	1 199 650
Bank (favourable)	180 000
Petty cash	10 000
Cash float	17 700
Creditors' control	184 000
Nominal accounts section (pre-adjustment amounts)	
Insurance	30 200
Rent income	108 450
Water and electricity	42 000

B. Fixed assets:

	LAND AND BUILDINGS	**VEHICLES**	**EQUIPMENT**	**TOTAL**
Cost		350 000	460 000	
Accumulated depreciation		(215 000)		
Carrying value (01/03/2022)	**(i)**	135 000		
Movements:				
Additions	325 000	422 550	0	
Depreciation		**(ii)**	(13 766)	
Carrying value (28/02/2023)	2 550 000	**(iii)**	50 994	**(iv)**
Cost		772 550	460 000	
Accumulated depreciation				

- Depreciation on vehicles is calculated at 20% p.a. on cost.

- The new vehicle was purchased on 1 September 2022.

C. The rent for February 2023 has not been received yet. The rent increased by R1 350 on 1 July 2022.

D. The water and electricity account for February 2023, R5 600, was still outstanding.

E. An additional insurance policy was taken out on 1 November 2022. The annual premium of R10 200 was paid and recorded. Provide for insurance paid in advance

F. Bad debts must be taken into account, R270.

G. Net profit for the year, R518 000, was calculated after taking into account all the adjustments above.

H. Extract from Bule Bank loan statement:

Balance on 1 March 2022	R376 000
Instalments (including interest)	R92 000
Interest capitalised	R48 000
Balance on 28 February 2023	**?**

I. **NOTE:**

- R50 000 of the loan balance will be settled in the next financial year.

J. R 170 000 of the fixed deposit will mature in the next financial year.

QUESTION 2; RATIO CALCULATIONS

(19 marks; 17 minutes)

The following information relates to Madrid Traders a business owned by Dr. Rakathi. The financial year ends on the last day of February each year.

2.1 Calculate the indicated ratios for the year ended 28 February 2023:

2.1.1	Gross profit on sales	(4)		(4)
2.1.2	Operating expenses on sales	(3)		(3)
2.1.3	Current ratio	(3)		(3)
2.1.4	Acid test ratio	(4)		(4)
2.1.5	Return on average equity	(5)		(5)

INFORMATION FOR Madrid Traders:

A. Information from Statement of Comprehensive Income on 28 February 2023:

Sales	R20 605 000
Gross profit	7 925 000
Operating expenses	2 408 000
Operating profit	5 517 000
Interest income	441 000
Interest expense	749 000
Net profit for the year	5 209 000

B. Information from Statement of Financial Position on 28 February:

	2023	**2022**
Fixed assets	R11 835 100	R10 658 000
Current Assets	3 045 600	2 560 250
Inventory	1 250 000	985 900
Trade and other receivables	948 700	1 050 250
Cash and cash equivalents	846 900	524 100
Total Assets	**14 880 700**	**13 218 250**
Owners equity	9 900 700	7 152 500
Loan: Mlosthwa Bank	3 000 000	4 500 000
Current Liabilities	1 980 000	1 565 750
Total Equity and Liabilities	**14 880 700**	**13 218 250**

QUESTION 3; INTERPRETATION OF FINANCIAL INFORMATION

(25 marks; 23 minutes)

You are provided with financial indicators for HLOPHE Stores and AMABHELE Traders, the two businesses situated in a busy town Pongola, both business sells school furniture and stationery. Their financial year ends on 30 June each year.

INFORMATION:

A. Financial indicators for year ended 30 June.

Financial Indicators	HLOPHE Stores		AMABHELE Traders	
	2023	2022	2023	2022
Current ratio	0,9:1	1,2:1	2,3:1	2,1:1
Acid test ratio	0,6:1	0,8:1	1,5:1	1,1:1
Solvency ratio	3:1	2,5:1	2,8:1	2,3:1
Gross profit on sales	55%	52,4%	60%	57,5%
Gross profit on cost of sales	67%	62,5%	75%	60.7%
Operating expenses on sales	25%	30%	27%	20,3%
Operating profit on sales	19,3%	17,5%	13,7%	15,6%
Net profit on sales	11,7%	10,5%	8%	9,9%
Return on average equity	24,8%	29,6%	10%	13%
Interest rate on fixed deposits	12%	12%	12%	12%

NOTE: Where comments or explanations are required, quote financial indicators, figures and trends to support your answer.

REQUIRED:

3.1 HLOPHE Stores

3.1.1 Comment on whether the business was able to manage its expenses efficiently, thus making more profit. Quote and explain TWO relevant financial indicators (6)

3.1.2 Comment on the liquidity position of the business by quoting TWO relevant financial indicators (6)

3.2 AMABHELE Traders

3.2.1 The business has a target mark-up percentage of 80% on cost. Quote ONE financial indicator to explain whether the business achieved its target mark-up (3)

Explain ONE reason that may cause the business not to achieved its targeted mark-up (2)

3.2.2 Comment on the degree of solvency of the business. Quote ONE relevant financial indicator. (3)

3.2.3 Explain on whether the owner should be satisfied with the return on owner's equity. Quote and explain One relevant financial indicator to support your opinion. (5)

TOTAL MARKS: 100

Annexure A

FORMULA SHEET FOR GRADE 10

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
Current assets : Current liabilities	Current Assets - Inventory : Current liabilities	
$\frac{\text{Net profit}}{\text{Average equity}} \times \frac{100}{1}$	Total assets : Total liabilities	

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REPUBLIC OF SOUTH AFRICA

ACCOUNTING

SPECIAL ANSWER BOOK

SEPTEMBER 2023

NATIONAL SENIOR CERTIFICATE

GRADE 10

Name:_____ **Grade:**_____

Question	Topic	Question Mark	Learners Mark	Moderators Mark
1	Fixed Assets Note and Statement of Financial Position	56		
2	Ratio Calculations	19		
3	Interpretation of Financial Statements	25		
	TOTAL	100		

N.B. This Special Answer Book consists of 7 pages.

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QUESTION 1

1.1

(i)	**Calculate the carrying value of Land and Buildings on 1 March 2022.**	**2**
(ii)	**Calculate the total depreciation on vehicles on 28 February 2023.**	**8**
(iii)	**Calculate the carrying value of Vehicles on 28 February 2023.**	**4**
(iv)	**Calculate the total carrying value of fixed assets on 28 February 2023.**	**4**

STATEMENT OF FINANCIAL POSITION OF OLD TRAFORD TRADERS ON 28 FEBRUARY 2023

ASSETS			
NON CURRENT ASSETS			
Fixed assets			
Fixed Deposit			
CURRENT ASSETS			
Inventory		**686 881**	
TOTAL ASSETS			
EQUITY AND LIABILITIES			
OWNER,S EQUITY			
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
TOTAL EQUITY AND LIABILITIES			**38**

TOTAL MARKS
56

QUESTION 2

2.1. MADRID TRADERS
Calculate the following financial indicators for 2023:

2.1.1

% Gross profit on cost of sales

4

2.1.2

% Operating expenses on sales

3

2.1.3

Current ratio

3

2.1.4

Acid test ratio

4

2.1.5

% Return on average owners equity

5

TOTAL MARKS
19

QUESTION 3

3.1 HLOPHE Stores

3.1.1

Comment on whether the business was able to manage its expenses efficiently, thus making more profit. Quote and explain TWO relevant financial indicators

6

3.1.2

Comment on the liquidity position of the business by quoting TWO relevant financial indicators

6

3.2 AMABHELE Traders

3.2.1

The business has a target mark-up percentage of 80% on cost. Quote ONE financial indicator to explain whether the business achieved its target mark-up

Explain ONE reason that may cause the business not to achieved its targeted mark-up

5

3.2.2

Comment on the degree of solvency of the business. Quote ONE relevant financial indicator.	
	3

3.2.3

Explain on whether the owner should be satisfied with the return on owner's equity. Quote and explain One relevant financial indicator to support your opinion.	
	5

TOTAL MARKS
25

TOTAL MARKS: 100

KWAZULU-NATAL PROVINCE
EDUCATION
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NATIONAL SENIOR CERTIFICATE

GRADE 10

ACCOUNTING

MARKING GUIDELINES

COMMON TEST

SEPTEMBER 2023

MARKS: 100

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, 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.
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 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.
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 and at least one part must be correct before awarding the mark.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement/presentation.

This marking guideline consist of 7 pages.

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QUESTION 1

1.1

(i) Calculate the carrying value of Land and Buildings on 1 March 2022.

2 550 000 – 325 000 = 2 225 000 ✓✓
complete workings shown and but no final answer allocate 1 mark only

2

(ii) Calculate the total depreciation on vehicles on 28 February 2023.
Allocate the marks to correct workings even if subtotals not shown.

New:
422 550✓ x 20/100✓ x 6/12✓ = 42 255☑ **one part correct**

Old: one mark
350 000✓ x 20/100✓ = 70 000 ☑ **one part correct**

42 255 + 70 000 = 112 255 ☑ **one part correct**

8

(iii) Calculate the carrying value of Vehicles on 28 February 2023.
Note: Apply Marking Principle12
Mark one line only – choose line to benefit the learner

135 000 ✓ + 422 550 ✓ – 112 255 ☑ (**see (ii) above**) = 445 295 ☑ (**one part correct**)

OR

772 550 – (215 000 + 112 255 **see (ii) above**) = 445 295
(**one mark**) (**one mark**) (**one method mark**) (**one method mark**)
327 255 **two marks**

4

(iv) Calculate the total carrying value of fixed assets on 28 February 2023.
Note: Apply Marking Principle12

2 550 000 ✓ + 445 295 ☑ (**see (iii) above**) + 50 994 ✓ = 3 046 289☑ (**one part correct**)

4

1.2 STATEMENT OF FINANCIAL POSITION OF OLD TRAFORD TRADERS ON 28 FEBRUARY 2023

	ASSETS			
	NON CURRENT ASSETS		4 075 939	☑
	Fixed assets	See (1.1 iv)	3 046 289	☑
5	Fixed Deposit (1 199 650✓ – 170 000✓)		1 029 650	☑
	CURRENT ASSETS		1 148 661	☑
	Inventory		**686 881**	
	Trade and other receivables 67 200 ✓ – 270 ✓✓ + 6 800✓✓ +10 350 ✓✓		84 080	☑*
	Cash and cash equivalents (180 000✓+10 000✓+ 17 700✓+170 000✓)		377 700	☑
15	**TOTAL ASSETS**		5 224 600	☑
	EQUITY AND LIABILITIES			
	OWNER,S EQUITY		4 703 000	☑
5	Capital Account (4 400 000✓+518 000✓- 215 000✓)		4 703 000	☑
	NON-CURRENT LIABILITIES		282 000	☑
5	Loan: Bule Bank ✓☑ ✓ 332 000 – 50 000 (376 000+48 000-92 000)		282 000	☑*
	CURRENT LIABILITIES		239 600	☑*
	# Trade and other payables (184 000✓ + 5 600✓✓)		189 600	☑*
	Current portion of loan		50 000	✓✓
8	**TOTAL EQUITY AND LIABILITIES**		5 224 600	☑*

38

*one part correct

#Trade and other payables can combine the other elements under current liabilities. Allocate the part-marks accordingly.

TOTAL MARKS
56

QUESTION 2

2.1 MADRID TRADERS

Calculate the following financial indicators for 2023:

2.1.1

% Gross profit on cost of sales

$$\frac{7\ 925\ 000\ ✓}{(20\ 605\ 000✓ - 7\ 925\ 000✓)} \times 100$$

$$\frac{7\ 925\ 000}{12\ 680\ 000} \times 100$$ **(2 marks)**

62,5% ☑

one part correct Do not accept 63% or 62% % sign not necessary

4

2.1.2

% Operating expenses on sales

$$\frac{2\ 408\ 000\ ✓}{20\ 605\ 000✓} \times 100$$

11,7% ☑

one part correct Accept 11,6%Do not accept 11% or12% % sign not necessary

3

2.1.3

Current ratio

3 045 000✓ : 1 980 000✓

1,5: 1☑

one part correct must in x:1

3

2.1.4

Acid test ratio
(3 045 000✓ – 1 250 000✓) : 1 980 000✓ **2 marks** **1 mark** 1 795 000 : 1 980 000 0,9 : 1☑ **one part correct must in x:1 do not accept 1:1**

4

2.1.5

% Return on average owners equity
5 209 000 ✓ / (9 900 700✓ + 7 152 500✓)/2 ✓ x 100 **1 mark** 5 209 000 / 8 526 600 x 100 **(3 marks)** 61,1% ☑ **one part correct accept 61% % sign not necessary**

5

TOTAL MARKS
19

QUESTION 3

3.1 HLOPHE Stores

3.1.1

Comment on whether the business was able to manage its expenses efficiently, thus making more profit. Quote and explain TWO relevant financial indicators

Relevant Financial Indicators with trends ✓ ✓ figures ✓ ✓

Operating expenses on sales decreased from 30% to 25% / by 5%
And
Operating profit on sales increased from 17,5% to 19,3% / by 1,8%
Or
Net profit on sales increased from 10,5% to 11,7%/ by 1,2%

General Comment ✓✓ (may be included in financial indicators comment)

Business managed to minimise expenses/ show good control over expenses which increased profit.

6

3.1.2

Comment on the liquidity position of the business by quoting TWO relevant financial indicators

Relevant Financial Indicators with trends ✓ ✓ figures ✓ ✓

Current ratio decreased from 1,2:1 to 0,9:1
Acid test ratio decreased from 0,8:1 to 0,6:1

General Comment ✓✓(may be included in financial indicators comment)

The business is currently facing liquidity problems/ unable to pay its short term debts/ liquidity position is bad.

6

3.2 AMABHELE Traders

3.2.1

The business has a target mark-up percentage of 80% on cost. Quote ONE financial indicator to explain whether the business achieved its target mark-up

Explain ONE reason that may cause the business not to achieved its targeted mark-up

Relevant Financial Indicator with trends ✓ figures ✓
Comparison with target mark-up ✓

Gross profit on cost of sales increased from 60,7% to 75% / by 14,3%
The business did not achieve target mark-up of 80%

One Reason ✓✓

Selling on discounted or reduced prices / errors in calculating selling prices.

5

3.2.2

Comment on the degree of solvency of the business. Quote ONE relevant financial indicator.

Relevant Financial Indicator with trends ✓ figures ✓ explanation ✓

Solvency ratio increased from 2,3:1 to 2,8:1
The business is solvent/ solvency is good/ able to pay its total debts

3

3.2.3

Explain on whether the owner should be satisfied with the return on owner's equity. Quote and explain One relevant financial indicator to support your opinion.

Relevant Financial Indicator with trends ✓ figures ✓
Comparison with interest rate on fixed deposit ✓✓

Not satisfied ✓

Return on equity decreased from 13% to 10% / by 3%

The return is below 12% interest rate on fixed deposits.

5

TOTAL MARKS
25

TOTAL MARKS: 100

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