GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2018

GRADE 10

ACCOUNTING
PAPER 1

TIME: 2 hours

MARKS: 150

11 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	22	18 minutes
2	Concepts and Debtors' Ledger	15	11 minutes
3	Income Statement	52	42 minutes
4	Notes and Balance Sheet	36	29 minutes
5	Analysis and Interpretation	25	20 minutes
TOTAL		150	120 minutes

QUESTION 1: 22 marks; 18 minutes	
Topic of the question:	**This question integrates:**
Analysis of transactions	Analysis of transactions of a sole trader

QUESTION 2: 15 marks; 11 minutes	
Topic of the question:	**This question integrates:**
Concepts and Debtors' Ledger	Concepts Debtors' transactions

QUESTION 3: 52 marks; 42 minutes	
Topic of the question:	**This question integrates:**
Income Statement	Income Statement of a sole trader

QUESTION 4: 36 marks; 29 minutes	
Topic of the question:	**This question integrates:**
Notes and Balance Sheet	Notes to the Financial Statements; Balance Sheet: Equity and Liabilities Section; Ethics

QUESTION 5: 25 marks; 20 minutes	
Topic of the question:	**This question integrates:**
Analysis and interpretation	Analysis and interpretation of financial statements

QUESTION 1: ANALYSIS OF TRANSACTIONS (22 marks ; 18 minutes)

INFORMATION:

Andile Makotsi is the owner of AM Stores. AM Stores sells men's clothing. Andile uses a fixed mark-up percentage of 65% for all merchandise sold.
He also employs a tailor to do alterations for his customers. He uses a Fee Income Account to record all alterations done.

REQUIRED:

- Analyse the following **THREE** transactions according to the example provided in your ANSWER BOOK.
- Assume that the bank balance is favourable for all the transactions.

EXAMPLE:

e.g. Purchased stationery from XY Stationers for R800 and paid by cheque

TRANSACTIONS

1.1 Purchased shirts on credit from Siva Traders for R35 000 less 10% trade discount

1.2 Cash sales of merchandise, R14 355

1.3 Charged Madhav R350 for alterations to a pair of trousers. Madhav promised to pay the amount at the end of the month.

QUESTION 2 : CONCEPTS AND DEBTORS' LEDGER (15 marks ; 11 minutes)

2.1 **CONCEPTS**

Choose the correct word(s) from COLUMN B to match the description in COLUMN A. Write only the letter (A – D) next to the number (2.1.1 – 2.1.4) in the ANSWER BOOK. (4)

COLUMN A		COLUMN B	
2.1.1	The maximum amount of time a debtor is allowed to take to pay his debt	A	Bad debts
2.1.2	Debtors written off, who are not likely to settle their accounts	B	Credit Limit
2.1.3	The maximum amount a debtor is allowed to buy goods on credit	C	Credit Control
2.1.4	Are policies and procedures aimed at controlling the granting of credit	D	Credit terms

2.2 **DEBTORS' LEDGER**

The following information was taken from the books of Dlomo Stores for April 2018. Dlomo Stores allows its debtors 30 days to pay. If a debtor is in arrears, interest of 6% per month is charged.

REQUIRED:

Prepare the Debtors' Ledger account of M. Smart for the month of May 2018. (11)

INFORMATION:

01 Balance at the beginning of the month, R7 000

05 Sold goods on credit to M. Smart for R5 000. Issued invoice no. 101.

10 Received payment of R6 800 in full settlement of the amount owing on 1 May, issued Receipt no. 4002

15 Issued credit note no. 12 for R900 in respect of goods returned

20 The bank returned the cheque received on 10 April 2018, with the remark, "R/D – Insufficient funds".

25 Charged M. Smart interest for one month on his opening balance

QUESTION 3: INCOME STATEMENT (52 marks ; 42 minutes)

The information below was taken from the books of Romeo Traders. Their financial year ends on 28 February 2018. Romeo Traders uses a mark-up of 100% on all merchandise sold.

REQUIRED:

Prepare the Income Statement for Romeo Traders for the year ended 28 February 2018. (52)

INFORMATION:

ROMEO TRADERS		
EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE: 28/02/2018		
	DEBIT	**CREDIT**
BALANCE SHEET ACCOUNTS SECTION		
Capital		570 000
Drawings	68 090	
Land and Buildings	480 000	
Vehicles at carrying value	180 000	
Equipment at carrying value	75 000	
Loan: Pretor Bank		120 000
Trading Stock	38 000	
Consumable Stores on hand – stationery (1/3/2017)	300	
Debtors' Control	29 380	
Bank	17 060	
Cash Float	500	
Petty Cash	1 200	
Creditors' Control		55 500
NOMINAL ACCOUNTS SECTION		
Sales		625 850
Cost of Sales	309 000	
Debtors' Allowances	17 850	
Discount Received		9 000
Discount Allowed	1 800	
Salaries and wages	120 900	
Advertising	5 600	
Bad Debts	1 035	
Rent Income		22 200
Bank Charges	1 210	
Insurance	16 000	
Telephone	4 425	
Stationery	1 800	
Sundry Expenses	3 400	
Water and Electricity	24 000	
Interest on Fixed Deposit		5 000
Interest on loan	11 000	
	1 407 550	1 407 550

ADJUSTMENTS:

1. The sale of merchandise on credit to MK Jonas, for R4 500 was not recorded.
2. A credit note was issued to J Robbie in respect of goods returned. The cost price of the goods was R7 500. The transaction was not recorded.
3. The owner had donated stock worth R5 200 (at cost) to an old age home. This transaction was not recorded.
4. The accountant of Romeo Traders did not reverse the stationery on hand from the previous year.
5. A physical stock take on 28 February 2018 revealed the following on hand :

   Trading Stock R29 000
   Stationery R800
6. B. Dillyn, a debtor, who owed Romeo Traders R7 000 was declared insolvent. He transferred R 2 100 into the bank account, the balance must be written-off.
7. Depreciation of R16 350 must still be provided for.
8. Rent was received up to the end of April 2018. Take into account that rent increased by 10% from 1 September 2017.
9. The payment for advertising was a payment for 2 adverts. One of the adverts will only appear in the newspaper in March.
10. A debtor deposited R760 into the bank account. The debtor's account had been previously written-off.
11. The bank statement received from the bank reflected the following:

    Service fees R1 470
    Interest on current account R1 300
12. Water and electricity of R1 300 for February 2018 will only be paid in March 2018.
13. Insurance includes an amount of R4 200 which is the annual premium for insurance payable on the 1st of June every year.

QUESTION 4: CONCEPTS, NOTES AND BALANCE SHEET (36 marks ; 29 minutes)

4.1 CONCEPTS

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (4.1.1 – 4.1.4) in the ANSWER BOOK

4.1.1 Accrued expenses are expenses incurred by the business and they have been paid by the end of the financial year.

4.1.2 The loan payable within the next 12 months will be classified as current liabilities on the Balance Sheet.

4.1.3 Solvency is the ability of the business to pay its outstanding debts when they are due.

4.1.4 The credit balance of the Bank Account is reduced when payment is made to creditors. (1 x 4)

4.2 NOTES AND BALANCE SHEET

Below is an extract from the Post-closing Trial Balance of Baba Dealers on 28 February 2018. Baba Dealers hired an inexperienced bookkeeper during the year and the adjustments below were not taken into account.

REQUIRED:

4.2.1 Prepare the following Notes to the Financial Statements.

(a) Owner's Equity (04)

(b) Trade and Other Payables (18)

4.2.2 Prepare the Equity and Liabilities section of the Balance Sheet of Baba Dealers on 28 February 2018. (10)

(Where no notes are required, show calculations to earn part marks.)

INFORMATION:

BABA DEALERS		
EXTRACT OF POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 2018		
	DEBIT	**CREDIT**
BALANCE SHEET ACCOUNTS SECTION		
Loan: BNB Bank		?
Consumable Stores on Hand	3 000	
Debtors' Control	38 000	
Accrued Income	1 800	
Accrued Expenses		2 300
Prepaid Expenses	2 400	
Income Received in Advance		4 700
Bank overdraft		29 000
Creditors' Control		23 400

ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. The net profit calculated in the Income Statement amounted to R397 695.

2. The owner increased his capital contribution during the year by R70 000.

3. The owner withdrew R25 000 during the financial year.

4. A debtor with a credit balance of R900 should be transferred to creditors.

5. The following relates to the loan from BNB Bank.

Balance on 1 March 2017	60 000
Repayments include interest	21 000
Interest	**7 000**
Balance on 28 February 2018	?

Payments of R14 000 will be made during the next financial year on the loan.

6. J Smith joined Baba Dealers on 1 February 2018. The Finance Department left him out of the February payroll by mistake. The details of his salary are as follows:

Gross Salary	15 000
Deductions:	
PAYE	3 500
Pension Fund	1 500
Medical Aid	2 000
UIF	150
Net salary	7 850

The business also contributes towards the:

Pension fund : 7.5% of gross
Medical Aid : For every R1, the business contributes R1.50.
UIF : On a Rand-to-Rand basis

NOTE: The Income Statement has already been adjusted.

QUESTION 5: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

(25 marks ; 20 minutes)

The information provided below is extracted from the books of Simona Traders. Their financial year ends on 28 February 2018.

REQUIRED:

5.1 Calculate the current ratio for 2018. (5)

5.2 Calculate the acid-test ratio for 2018 (4)

5.3 Comment on whether the business is able to meet its short-term debts. Quote figures. (4)

5.4 Calculate the percentage operating expenses on sales for 2018. Comment on the control of expenses. Use figures to support your answer. (5)

5.5 Use the figures provided to calculate the return on average Owner's Equity for 2018. Should Simona be satisfied with the rate of return? (7)

Information from the Income Statement for the year ended 28 February 2018	
Sales	760 000
Cost of Sales	(570 000)
Other operating income	18 200
Operating expenses	146 260
Net Profit	61 900

Information from the Balance Sheet on 28 February 2018	
Fixed Assets	397 000
Fixed Deposit: Bank of Tshwane (9 % p.a.)	10 000
Inventories	35 200
Trade and Other Receivables	47 000
Cash and Cash Equivalents	13 000
Owner's Equity (beginning of the year)	390 000
Owner's Equity (end of the year)	420 000
Long Term Loan	80 000
Trade and Other Payables	21 000

FINANCIAL INDICATORS ON 28 FEBRUARY 2017:

Current ratio	2,9 : 1
Acid-test ratio	1,2 : 1
Percentage operating expenses on sales	27,2%
Return on average owner's equity	25,5%

TOTAL: 150

END