GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2017

GRADE 10

ACCOUNTING MEMORANDUM

11 pages

QUESTION 1 **44 MARKS**
TRANSACTION ANALYSIS

		General Ledger		Accounting equation		
No.	**Source document**	**Account debited**	**Account credited**	**A**	**OE**	**L**
1	Cheque counterfoil✓	Wages✓	Bank✓	-2 400✓	-2 400✓	0
2	Petty cash voucher✓	Trading stock✓	Petty cash✓	+380✓ -380✓	0	0
3	Duplicate invoice✓	Debtors' control✓	Sales✓	+2 700✓	+2 700✓	0
		Cost of sales✓	Trading stock✓	-1 500✓☑	-1 500✓☑	0
4	Original invoice✓	Equipment✓	Creditors' control✓	+9 180✓☑	0	+9 180✓☑
5	Journal voucher✓	Debtors' control✓	Interest income*✓	+70✓☑	+70✓☑	0
6	Duplicate receipt✓	Bank✓	Debtors' control✓	+1 800✓ -1 800✓	0	0
		Discount allowed✓	Debtors' control✓	-30✓	-30✓	0

*or Interest on overdue debtors
☑ Any amount, but the sign must be correct

QUESTION 2 **40 MARKS**

DEBTORS' RECONCILIATION

GENERAL LEDGER OF SOHO TRADERS

BALANCE SHEET ACCOUNTS SECTION

Dr **DEBTORS' CONTROL** Cr

Sep	1	Balance [21 370✓ – 530✓]	b/d	20 840	00☑	Sep	30	Bank and discount allowed	CRJ	24 380	00✓
	30	Sales	DJ	31 920	00✓			Debtors' allowances ✓ [980✓ + 160✓]	DAJ	1 140	00☑
		Bank (R/D) ✓	CPJ	600	00✓			Journal credits	GJ	580	00✓
		Journal debits (820✓ + 800✓✓)	GJ	1 620	00☑			Balance	c/d	29 000	00
		Petty cash✓	PCJ	120	00✓						
				55 100	**00**					**55 100**	**00**
Oct	1	Balance	b/d	29 000	00☑						

[19]

List of debtors at 30 September 2017

DEBTOR		Debit	
S Cronje		**6 500**	**00**
P Diane [7480✓ – 200✓✓✓]	one part must be correct	7 280	00☑
G Tloubatla [5 340✓ + 120✓]	one part must be correct	5 460	00☑
M Shumi [1 890✓ – 90✓✓]	one part must be correct	1 800	00☑
R Coetzee		6 760	00✓
P Moila [-800✓ + 800✓]	one part must be correct	0	00☑
T Kgaka [*1800✓ – 300✓ – 300✓]	one part must be correct	1 200	00☑
	check operation	29 000	00☑

[21]

OR [*1800✓ – 600✓✓]

QUESTION 3 **88 MARKS**

INCOME STATEMENT AND NOTES

SAMANTHA DISTRIBUTORS			
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017			
Sales (875 000✓ – 12 600✓ – 1 500✓)	one part must be correct	4	860 900☑
Cost of Sales (500 000✓ – 1 200✓)	one part must be correct	3	(498 800)☑
GROSS PROFIT	check operation	1	362 100☑
OPERATING INCOME	check operation	1	44 810☑
Discount Received			**9 280**
Rent Income (37 570✓ – 2 890✓✓)	one part must be correct	4	34 680☑
Bad Debts Recovered✓		2	850✓
GROSS OPERATING INCOME		1	406 910☑
OPERATING EXPENSES	check operation	1	(175 950)☑
Discount Allowed (800✓ – 80✓✓)	one part must be correct	4	720☑
Salaries and wages (96 750✓ + 10 000✓)	one part must be correct	3	106 750☑
Bad Debts (5 200✓ + 720✓✓)	one part must be correct	4	5 920☑
Bank Charges (1 210✓ + 240✓✓)	one part must be correct	4	1 450☑
Insurance (9 800✓ – 750✓✓)	one part must be correct	4	9 050☑
Telephone (12 560✓ + 1 000✓)	one part must be correct	3	13 560☑
Stationery✓ (10 800✓ – 800✓)	one part must be correct	4	10 000☑
Water and Electricity✓		2	14 200✓
Sundry expenses✓		2	5 400✓
Trading Stock Deficit ✓ (16 300✓ + 1 200✓ – 3 000✓ – 12 000 ✓)	one part must be correct	6	2 500☑
Donation✓		2	3 000✓
Depreciation✓		2	3 400✓
OPERATING PROFIT	check operation	1	230 960☑
Interest Income✓ (2 000✓✓ + 150✓)	one part must be correct	5	2 150☑
PROFIT BEFORE INTEREST EXPENSE	check operation	1	233 110☑
Interest Expense			**(13 500)**
NET PROFIT	check operation	1	219 610☑

[65]

TRADE AND OTHER RECEIVABLES		
Trade Debtors (20 720✓ – 1 500✓✓ – 480✓ – 720✓ + 1 200✓ + 80✓) one part must be correct OR -1 200✓✓	8	19 300☑
Prepaid Expenses	1	750✓
Accrued Income	1	2 000✓
One part correct	1	22 050☑

[11]

TRADE AND OTHER PAYABLES		
Trade Creditors		**45 000**
Income Received in Advance / Deferred Income	1	2 890✓
Accrued Expenses	1	1 000✓
SARS - PAYE	1	1 800✓
Pension Fund	2	750✓✓
Medical Aid	1	720✓
Unemployment Insurance Fund	2	100✓✓
Creditors for Salaries [☑ Any figure less than R10 000]	3	6 630✓✓☑
One part correct	1	58 890☑

[12]

QUESTION 4 **38 MARKS**

TANGIBLE ASSETS

4.1 Total Depreciation on Vehicles	Answer
OLD 190 000 x 15% x 12/12 = 28 500✓✓ **NEW** 160 000 x 15% x 9/12 = 18 000✓✓	one part must be correct 46 500☑

[5]

4.2 Total Depreciation on Equipment	Answer
OLD 56 000 – 5 600 x 10% x 12/12 = 5 040✓✓ **NEW** 30 000 x 10% x 4/12 = 1 000✓✓	one part must be correct 6 040☑

[5]

4.3 NOTE 3 : FIXED / TANGIBLE ASSETS			
	LAND AND BUILDINGS	**VEHICLES**	**EQUIPMENT**
Carrying value @ the beginning of the year	**240 000**	**161 500**	**50 400**
Cost	240 000✓	190 000✓	56 000✓
Accumulated Depreciation		(28 500) ✓	(5 600) ✓
MOVEMENTS			
Additions at cost	50 000✓	160 000✓	30 000✓
Depreciation		See 4.1. (46 500) ☑	See 4..2 (6 040) ☑
Carrying value @ the end of the year	290 000☑	275 000☑	74 360☑
Cost	290 000✓	350 000✓✓	86 000✓✓
Accumulated Depreciation		(75 000) ☑	(11 640) ☑

[20]

4.4.1	Indicate the amount that will be recorded in the financial statements on 30 June 2017	(2)
R290 000✓✓		

4.4.2	Name the GAAP principle that is applicable to Question 4.4.1	(2)
Historical Cost Principle✓✓		

4.5	State TWO internal control measures that the owner can put in place to reduce the misuse of the delivery vehicle by the driver.	(4)

Any two valid points ✓✓ ✓✓ **(any 2 x 2 = 4)**

- Install a tracking device.
- Explain the code of conduct to employee(s) and the procedures applicable if the vehicles are misused.
- The driver must complete a logbook of all kilometres travelled.

QUESTION 5 **30 MARKS**
BALANCE SHEET

LIVINGSTONE SUPPLIERS		
BALANCE SHEET AT 28 FEBRUARY 2017		
ASSETS		
Non-Current Assets check the operation	1	982 180☑
Fixed / Tangible Asset		**947 180**
Financial Assets (60 000✓ – 25 000✓)	3	35 000☑
Current Assets check the operation	1	159 920☑
Inventories (72 400✓ + 2 820✓) one part must be correct	3	75 220☑
Trade and other receivables (14 800✓ + 3 400✓ + 3 900✓) one part must be correct	4	22 100☑
Cash and Cash equivalents (34 100✓ + 2 500✓ + 1 000✓ + 25 000✓✓) one part must be correct	6	62 600☑
TOTAL ASSETS check the operation	1	***1 142 100**☑
EQUITY AND LIABILITIES		**630 800**
Non-Current Liabilities		339 200
Loan: SA Bank (440 000✓ – 100 800✓)	3	339 200☑
Current Liabilities check the operation	1	172 100☑
Trade and other payables (48 900✓ + 4 100✓ + 6000✓ + 12 300✓) one part must be correct	5	71 300☑
Current portion of loan	1	100 800☑
TOTAL EQUITY AND LIABILITIES check the operation	1	**1 142 100**☑

***Get method mark if total assets is the same as equity and liabilities**

QUESTION 6 — 40 MARKS

6.1 CONCEPTS [6]

The information provided below is incorrect, use the table provided to reclassify.		
Liquidity	**Profitability**	**Return**
Acid test ratio ✓	Net profit on sales ✓	Return on equity ✓
Current ratio ✓	Operating expenses on sales ✓	
	Gross profit on sales ✓	

6.2 ANALYSIS AND INTERPRETATION

6.2.1	Calculate Mark-up %	(3)

585 000✓ X 100
900 000✓

= 65% ☑

6.2.2	Comment on the change in the Mark-up	(2)

Trend✓ figures ✓

The mark up % dropped from 70.4% in 2016 to 65% in 2017.

6.2.3	Calculate % Operating Expenses on Sales for 2017.	(3)

440 000✓ X 100
1 485 000✓

= 29,6%☑ Accept 30%

6.2.4	Should the owner be satisfied with the % operating expenses on sales?	(3)

Trend✓ figures ✓
Yes ✓
The % operating expenses on sales decreased from 36.5 % in 2016 to 29,7% in 2017.
OR
This implies that expenses were better controlled in 2017. ✓
(2 marks if figures are quoted)

6.2.5	Calculate the Solvency Ratio for 2017.	(4)

1 352 600✓ : 342 000✓✓

= 3,95 : 1 ☑

6.2.6	Calculate the Current Ratio for 2017.	(3)

237 000✓ : 162 000✓

= 1,46 : 1 ☑

6.2.7	Calculate the Acid Test Ratio for 2017.	(4)

237 000✓ - 140 000✓ : 162 000✓
(97 000)

= 0,6 : 1 ☑

6.2.8	Comment on the liquidity of the business.	4

Indicator ✓ Trend and figures ✓ (2x2)

The current ratio improved from 1,3 : 1 in 2016 to 1,46 :1 in 2017.

The acid test ratio improved from 0.4 :1 in 2016 to 0.6 : 1 in 2017.

6.2.9	Calculate % Return on Equity for 2017.	5

$$\frac{198\,600✓}{½✓(902\,000✓ + 1\,010\,600✓)} \times 100$$
(956 300)

= 20,8%☑

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

Trend✓ figures ✓
Yes ✓
The return has improved from 13,2% in 2016 to 20,8% in 2017.
OR
This return is higher than alternative investments✓ of 11%✓

40

QUESTION 7

7.1 VAT

7.1.1	Indirect	✓
7.1.2	14 %	✓
7.1.3	Output	✓
7.1.4	Zero-rated	✓
7.1.5	Exempt	✓
7.1.6	Input	✓
7.1.7	R1 000 000	✓
7.1.8	SARS	✓

[8]

7.2 Manufacturing

7.2.1	E	✓
7.2.2	D	✓
7.2.3	B	✓
7.2.4	A	✓
7.2.5	F	✓
7.2.6	C	✓

[6]

7.3 Budgets

7.3.1	TRUE	✓
7.3.2	FALSE	✓
7.3.3	FALSE	✓
7.3.4	TRUE	✓
7.3.5	FALSE	✓
7.3.6	TRUE	✓

[6]

20

TOTAL: 300