GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

2015

GRADE 10

ACCOUNTING

MEMORANDUM

14 pages

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

ACCOUNTING

MEMORANDUM

QUESTION 1

	General Ledger		Subsidiary Ledger		Amt	Equation		
	A/c Dr	A/c Cr	A/c Dr	A/c Cr		A	OE	L
e.g.	**Stationery**	**Petty cash**			**300**	**-**	**-**	**0**
A	Debtors control ✓	Sales ✓	G. Nel✓		1 500	+✓	+✓	0
	Cost of sales✓	Trading stock✓			1 000	-✓	-✓	0
B	Equipment✓	Creditors control✓		New Concepts✓	7 550	+✓	0	+✓
C	Debtors' control ✓	Bank✓	A Jacob ✓		300	+✓-✓	0	0
	Debtors' control ✓	Discount allowed✓	A Jacob ✓		30	+✓	+✓	0
D	Creditors' control✓	Bank✓	JJ Traders ✓		3 430	-✓	0	-✓
	Creditors' control✓	Discount received✓	JJ Traders ✓		170	0	+✓	-✓
E	Trading stock✓	Bank✓			1 230	+✓-✓	0	0
F	Bank✓	Fixed deposit✓			20 000	+✓-✓	0	0
	Bank✓	Interest on fixed deposit✓			5 000	+✓	+✓	0
G	Drawings✓	Trading stock✓			1 050	-✓	-✓	0

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QUESTION 2

2.1 GENERAL JOURNAL

						Debtors' control		Creditors' control	
Doc no	D	Details	F	Dr	Cr	Dr	Cr	Dr	Cr
	30	**Provisional Totals**				**960**	**180**	**150**	**870**
JV1	a	Creditors for wages	✓	10 720					
		Wages	✓		10 720				
JV2	b	Trading stock	✓	1 200					
		Stationery	✓		1 200				
JV3	c	Equipment	✓	5 270					
		Bad Debts Recovered	✓		5 270				
JV4	d	Sabatini Traders	✓	300				#300	
		Selini Traders	✓		300				#300 ✓
JV5	e	Debtors' allowances	✓	530					
		Debtors' control	✓		530		✓530		
JV6	f	Pop Traders	✓	1 050		✓1 050			
		Pop Traders	✓		1 050				✓1 050
		Totals				**☑2 010**	**☑710**	**☑450**	**☑2220**
		Details and amounts carry 1 mark				**Allocate method marks for totals** **Totals must be greater than provisional totals** **# 1 mark for both amounts**			

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2.2 General ledger of Snap Traders

	Debtors' control account								
Sep	**1**	**Balance**	**b/d**	**35 270**	Sep	30	Bank and discount✓	CRJ	✓21 710
	30	Sales✓	DJ	✓35 980			Debtors' Allowances✓	DAJ	✓1 710
		Bank✓	CPJ	✓4 520			Journal credits✓	GJ	☑710 See 2.1
		Journal debits	GJ	☑2 010 See 2.1			Balance	c/d	☑53 650
				77 780					77 780
Oct	1	Balance	b/d	53 650					[12]

	Creditors' control account								
Sep	30	Total Allowances✓	CAJ	✓7 120	**Sep**	**1**	**Balance**	**b/d**	**30 650**
		Bank and discount✓	CPJ	✓25 670		30	Total purchases✓	CJ	✓83 720
		Journal debits	GJ	☑450 See 2.1			Journal credits✓	GJ	☑2 220 See 2.1
		Balance	c/d	☑83 350					
				116 590					116 590
				[10]	Oct	1	Balance	b/d	83 350

	Trading stock account								
Sep	**1**	**Balance**	**b/d**	**95 700**	Sep	30	Cost of sales✓	CRJ	✓37 800
	30	Bank✓	CPJ	✓31 950			Cost of sales	DJ	✓25 700
		Creditors' control✓	CJ	✓67 380			Creditors' control✓	CAJ	✓6 950
		Cost of Sales✓	DAJ	✓✓1 000			Balance	c/d	☑125 580
				196 030					196 030
Oct	1	Balance	b/d	125 580					[13]

QUESTION 3

3.1	**Explain in detail why the balance of the Creditors' Control account must be equal to the total of the Creditors' list at the end of the month.**	
	• The individual creditors' accounts are debited and credited with their respective amounts from the journals on a daily basis. ✓ • The Control account is debited and credited with the totals from the journals at the end of each month.✓ • The control account is a summary of the creditors' ledger.✓✓	4

3.2	**Refer to the transaction dated 25 September 2015. Give a reason for the late payment although there was sufficient funds in the bank. Provide TWO suggestions to overcome this problem.**	
	Reason • Poor internal control of creditors' accounts.✓ **Suggestions** **Any two** ✓✓ ✓✓ • Let one person check the work of the creditors' clerk to ensure that all payments are made on time. • Issue post-dated cheques to creditors' to avoid late payments and risk losing discounts. • Proper planning	5

3.3 Creditors' Ledger of Galaxy Traders

Venus Ltd

Date		Details	Fol	Dr	Cr	Balance
May	1	Balance	b/d			✓7 800
	3	D/N 567✓	GJ		✓78	7 878
	5	Cheque no. 107✓	CPJ	✓7 000		878
		Discount received✓	CPJ	✓140		738
	10	Invoice no. 483✓	CJ		✓✓1 105	1 843
	13	D/N 220✓	CAJ	✓173		1 670
	25	Journal voucher (Cancellation of discount)✓	GJ		✓140	☑☑1810

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QUESTION 4

4.1.1	Historical cost principle ✓
4.1.2	Matching ✓
4.1.3	Materiality ✓
4.1.4	Business entity ✓

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4.2.1 Income statement of Russell traders for the year ending 28 Feb 2015	
Sales (**519 000** – 1 875✓– 300✓)	516 825☑
Cost of sales (**346 350** – 200✓)	(346 150) ✓
Gross profit	170 675☑
Other operating income	50 885☑
Bad debts recovered (**315**+ 1 500✓)	1 815✓
Discount received	270✓
Rent Income (**40 000** – 3 200✓)	36 800✓
Commission Income	12 000✓
Gross operating income	221 560☑
Operating expenses	129 933☑
Salaries and wages (**54 000** + 18 000)	72 000✓✓
Pension Fund Contribution	720✓
Unemployment Insurance Contribution	180✓
Discount allowed	675✓
Insurance (**10 128** – 3 675✓)	6 453☑
Bad debts (**975**+1 350✓✓)	2 325☑
Water and electricity (**4 395** +465✓)	4 860☑
Stationery (**8 400** – 270✓)	8 130☑
Trading stock deficit (34 650 – 33 600)	1 050✓✓
Depreciation (13 200✓✓ +14 460✓ +5 340✓)	33 000☑
Bank charges	540✓
Operating profit	91 627☑
Interest income	2 250✓
Profit before interest expenses	93 877☑
Interest expenses (12 300✓+ 2 750✓ + 21 840✓)	(36 890)☑
Net profit for the year	56 987✓☑

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4.2.2

Fixed assets note	**Land and buildings**	**Vehicles**	**Equipment**	
Carrying value at the beginning of the year	**456 862**	144 600✓	33 340✓	
Cost price	**456 862**	**207 000**	**88 000**	
Accumulated depreciation	0	(62 400)✓	(54 660)✓	
Movements				
Additions at cost	0	160 200✓	0	
Disposal at carrying value	**0**	**0**	**0**	
Depreciation for the year	0	(19 800)✓☑	(13 200)✓☑	
Carrying value at the end of the year	**456 862**	222 600☑	20 140☑	
Cost price	**456 862**	304 800✓	88 000✓	
Accumulated depreciation	0	(82 200)✓	(67 860)✓	**15**

Trade and other Payables		
Trade creditors	**21 435**	
Creditors for Salaries (**18 000**-1 800✓-720✓-1 200✓-180✓)	14 100☑	
Medical Aid Fund	**1 200**	
Income received in advance	3 200✓	
Accrued expenses	465✓	
PAYE	1 800✓	
Pension Fund (720✓+720✓)	1 440☑	
Unemployment Insurance Fund (180✓+180✓)	360☑	
Total	44 000☑	**15**

4.3.1 Balance Sheet of Top Dog Traders as at 28 February 2015

Assets		
Non - Current Assets	1 425 200☑	
Tangible Assets	1 408 000✓	
Financial Assets		
Fixed Deposit (37 200-20 000✓)	17 200☑	
Current Assets	181 730☑	
Inventories (67 200+540)	67 740✓✓	
Trade and other receivables (53 820+7350+3120)	64 290✓✓	
Cash and Cash equivalents (1 500✓+28 200✓+20 000☑)	49 700☑	
TOTAL ASSETS	1 606 930☑	
Equity and liabilities	1 126 920	
Owner's Equity see 4.3.2	1 126 920☑	
Non-Current Liabilities	222 250	
Mortgage Loan (274 200✓-51 750✓✓)	222 450☑	
Current Liabilities	257 560☑	
Trade and other Payables (88 000+4 530+6 400)	98 930✓✓	
Bank overdraft	106 880✓	
Short Term Loan see mortgage loan	51 750☑	
TOTAL EQUITY AND LIABILITIES	1 606 930☑	**25**

4.3.2 Owner's Equity

Capital Balance at Beginning of year	800 000✓
Increase in capital contribution	150 000✓
Net Profit	412 290✓
Drawings	(235 370)✓
Capital Balance at end of the year	1 126 920☑

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QUESTION 5

5.1.1	Profit mark-up % achieved
	168 750✓/ 281 250✓ x 100☑ = 60% ☑Operation if one part is correct

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5.1.2	Percentage return on owner's equity
	50 000✓ / 255 000✓ x 100✓ = 19.61% ☑Operation if one part is correct

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5.1.3	Current ratio
	Current assets: Current liabilities 26 040 + 18530 + 1 000: 17 500 + 4 200 45 570✓✓✓: 21 700✓✓ 2.1: 1☑ operation if one part is correct

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5.1.4	Acid test ratio
	26 040 + 1 000 : 21700 27 040✓✓:21 700☑ see 5.1.4 1.24 :1☑ operation if one part is correct

4

5.2	**The targeted mark-up is 78%. Did the business achieve this mark-up percentage? Explain using figures. Provide THREE reasons for your answer.**
	No. Only 60% was achieved. ✓ **Reasons Any Three ✓✓ ✓✓ ✓✓** • Goods were sold at discount prices to bulk buyers. • Theft of goods • Regular seasonal sales were held to promote sales. • Markup calculation could have been done incorrectly.

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5.3	**Should Phiri Traders be satisfied with the liquidity position? Explain by quoting TWO financial indicators or figures to support your answer.**
	No.✓ **Explanation Any Two ✓✓ ✓✓** • The current ratio decreased✓ from 3,3 : 1 to 2,1 : 1✓ • The acid test ratio decreased✓ from 2,4 : 1 to 1,24 : 1✓ **OR** Yes.✓ **Explanation Any Two ✓✓ ✓✓** • The current ratio decreased✓ from 3,3 : 1 to 2,1 : 1✓ • The acid test ratio decreased✓ from 2,4 : 1 to 1,24 : 1✓ • The business is still able to pay its short term debts although the current ratio and acid test has decreased.

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QUESTION 6

6.1.1	**What does VAT stand for?**	
	Value added tax✓	1

6.1.2	**What is the current VAT rate?**	
	14%✓	1

6.1.3	**Complete the table in respect of VAT.**	
	A PAYE ✓ **B** Salaries / wages ✓ **C** Consumers ✓ **D** Indirect ✓	4

6.1.4	**Comment on his practise and state what consequences he could be faced with if he is reported to SARS.**	
	Any one point ✓✓ **Type of practice** • Unethical • Fraudulent • Theft Any one point ✓✓ **Consequences** • Pay a fine to SARS • Face a jail sentence	4

6.2	Choose the word/phrase from the list that best fit the definition.	
	6.2.1 Variable cost ✓✓ 6.2.2 Direct material cost ✓✓ 6.2.3 Fixed cost ✓✓ 6.2.4 Indirect material cost ✓✓ 6.2.5 Indirect labour cost ✓✓	10

6.3.1	What is a cash budget?	
	A cash budget is a financial plan showing projected future receipts and payments.✓✓	2

6.3.2	Name TWO users of cash budgets.	
	Any two ✓ ✓ • Families • Businesses • The government	2

6.3.3	Explain THREE reasons for preparing a cash budget.	
	Any three ✓✓ ✓✓ ✓✓ • It prevents over expenditure. • It prevents people or businesses from spending more than they expecting to receive. • It helps to guard against bank overdrafts and having to pay interest. • It helps in prioritizing expenditure. • It prevents people and businesses from getting into debt. • It shows changes in spending habits.	6

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Total: 300