education

Department:
Education
PROVINCE OF KWAZULU-NATAL

NATIONAL SENIOR CERTIFICATE

GRADE 10

ACCOUNTING

SEPTEMBER 2019

COMMON TEST

MARKS: 100

TIME : 1½ Hour

This paper consists of 8 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 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 1	**(60 Marks; 54 Minutes)**
Topic of the question	**This question integrates:**
Sole Trader Financial Statements	**Financial accounting** • Income Statement/ Statement of Comprehensive Income • Fixed Assets Note(Calculations)
QUESTION 2	**(20 Marks; 18 Minutes)**
Topic of the question	**This question integrates:**
Analysis and Interpretation of Financial Statements	**Financial accounting** • Ratio Calculations
QUESTION 3	**(20 Marks; 18 Minutes)**
Topic of the question	**This question integrates:**
Analysis and Interpretation of Financial Statements	**Financial accounting** • Comments

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QUESTION 1 (60 Marks; 54 Minutes)

SOLE TRADER: INCOME STATEMENT AND NOTES

Use the following information from Agrizzi Traders for the financial year ending on 28 February 2019. The business is owned by Xolani Maduna.

REQUIRED:

1.1 Prepare the Income Statement/Statement of Comprehensive Income for the year ended 28 February 2019. (43)

1.2 Calculate the missing figures in the Tangible/ Fixed Assets Note denoted by letters A – D by using **information no.9**. (17)

INFORMATION:
PRE-ADJUSTMENT TRIAL BALANCE OF AGRIZZI TRADERS ON 28 FEBRUARY 2019.

Balance sheet accounts section	**Debits**	**Credits**
Capital		1 200 000
Drawings	68 000	
Mortgage loan: Mange Bank		207 600
Land and buildings at cost	1 160 000	
Equipment at cost	260 000	
Accumulated depreciation on equipment(1 March 2018)		69 200
Vehicles at cost	560 000	
Accumulated depreciation on vehicles (1 March 2018)		112 000
Fixed deposit: Sithathu Bank (8% p.a.)	48 000	
Trading stock	88 000	
Debtors control	84 600	
Bank	60 200	
Creditors control		85 200
Nominal accounts section		
Sales		1 792 840
Cost of sales	840 000	
Debtors allowances	21 840	
Salaries and wages	187 000	
Insurance	25 000	
Bad debts	17 600	
Stationery	28 640	
Telephone	42 900	
Bank charges	22 800	
Rent income		66 800
Packing materials	40 000	
Advertising	11 280	
Commission income		30 620
Interest on fixed deposit		1 600
	3 565 860	**3 565 860**

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Additional information and adjustments:

1. Received a first and final dividend of 40 cents in the rand from the insolvent estate of S. Phakathi, a debtor who owed R 1 600.The remainder must be written off. No entries have as yet been made.

2. The telephone account for February 2019, R1 830, was still outstanding.

3. The rent for March 2019 has already been received. The rent was increased by R600 per month with effect from 1 January 2019.

4. The loan statement received reflected the following:

Balance on 1 March 2018	300 000
Repayments during the financial year (including interest)	92 400
Interest capitalized	?
Balance on 28 February 2019	234 600

Provide for the interest on loan.

5. Insurance includes an amount of R1 920 paid for the period 1 January 2019 to 30 June 2019.

6. Provide for the outstanding interest on the fixed deposit.

7. There was a fire in the business on 20 February 2019 and merchandise was damaged. The insurance company has agreed to pay only 80% of the claim as the goods were under-insured. Their settlement cheque of R12 800 will be received during March 2019.No entries have as yet been made.

8. Stocks on hand on 28 February 2019 as per stock sheets:
   - Trading stock, R71 000
   - Packing materials, R950

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9. Fixed/ Tangible Assets Note for the year ended February 2019.

FIXED/TANGIBLE ASSETS	Equipment	Vehicles
Carrying value at beginning of year		C
Cost	A	560 000
Accumulated depreciation	(69 200)	(112 000)
Movements		
Additions at cost	24 800	0
Depreciation	B	D
Carrying value at end of year		
Cost	260 000	
Accumulated depreciation		

Provide for depreciation as follows:

- On vehicles at 25% p.a. on cost.
- On equipment at 20% p.a. on diminishing balance method.

NOTE:

Additional equipment with a total cost of R24 800 was purchased on 1 September 2018. This transaction was recorded and therefore included in the equipment balance above.

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QUESTION 2 (20 Marks; 18 Minutes)

RATIO CALCULATIONS

The following information was extracted from the accounting records of TS Galaxy Traders the business owned by Mondli Langa which is selling sporting equipment in Ngoje Area.

REQUIRED:

2.1 Calculate the following ratios/financial indicators for the year ended 30 June 2019. Show all calculations to the nearest two decimal points.

2.1.1 Solvency ratio (5)

2.1.2 Current ratio (3)

2.1.3 Acid test ratio (4)

2.1.4 Return on average owner's equity (5)

2.1.5 Operating expenses on sales (3)

INFORMATION:

1. **Extract from the Income Statement for the year ended 30 June 2019:**

Sales	1 875 000
Cost of sales	1 118 750
Operating expenses	700 000
Net profit	525 000

2. **Extract from the Balance Sheet as at 30 June :**

	2019	2018
Fixed/Tangible assets at carrying value	2 250 000	1 500 000
Fixed deposit: Betty Bank	150 000	120 000
Current assets	1 287 500	880 000
Inventories	300 000	225 000
Trade and other receivable	850 000	565 000
Cash and cash equivalents	137 500	90 000
Owner's equity	2 500 000	1 475 000
Non current liabilities	818 750	625 000
Current liabilities	368 750	400 000

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QUESTION 3 (20 Marks; 18 Minutes)

INTERPRETATION OF FINANCIAL INFORMATION

You are provided with information about Vuma Stores for the past two financial years ended 30 September. The business is situated in KZN Pongola and trades in racing bikes. The business is owned by Phila Hlophe.

REQUIRED:

3.1. The owner a decision with regards to selling price/Mark-up of bikes in 2019;
- What is the decision, quote figures to support your answer? (3)
- Did the business benefited from that decision explain by mentioning TWO Points from the question with figures to support your answer. (6)

3.2. Comment on the liquidity position of the business, quote TWO financial Indicators to support your comment. (6)

3.3. The owner is satisfied with the return he is earning in this business, explain By quoting ONE financial indicator to support your answer. (5)

NOTE: Provide figures or financial indicators (ratios or percentages) and comparisons with the previous year to support comments or explanations.

INFORMATION FOR THE YEAR ENDED 30 SEPTEMBER:

A. FIGURES IDENTIFIED FROM INCOME STATEMENT:

	2019	2018
Sales	R13 182 000	R7 740 000
Number of bikes sold	1 750 bikes	900 bikes
Mark-up %	58%	72%
Cost of sales	8 330 000	4 500 000
Gross profit	4 852 000	3 240 000
Operating expenses	1 900 000	1 500 000
Depreciation	412 000	275 000
Net profit for the year	1 911 000	1 036 000

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B. FINANCIAL INDICATORS:

	2019	2018
Mark-up % achieved	58%	72%
Operating profit on sales	22%	17,5%
Net profit on sales	19%	16,2%
Operating expenses on sales	12,6%	19,4%
Current ratio	2,0 : 1	2,9 : 1
Acid-test ratio	1,2 : 1	0,9 : 1
Solvency Ratio	3,8 : 1	3,3 : 1
Return on owners equity	20,8%	17,8%
Interest(rate) on fixed deposit	12%	12%

TOTAL: 100

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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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ACCOUNTING

ANSWER BOOK

SEPTEMBER 2019

NATIONAL SENIOR CERTIFICATE

GRADE 10

Name:_____ **Grade:**_____

Question	Topic	Learners Mark	Moderators Mark
1	Income Statement And Notes		
2	Ratio Calculations		
3	Interpretation of Financial Statements		
	TOTAL		

This answer book consists of 7 pages.

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QUESTION 1

1.1. INCOME STATEMENT OF AGRIZZI TRADERS FOR THE YEAR ENDED 28 FEBRUARY 2019

Sales		
Cost of sales		
Gross profit		
Other operating income		
Gross operating income		
Operating expenses		
Operating profit		
Interest income		
Profit before interest expense		
Interest expense		
Net profit for the year		

43

1.2

	WORKINGS	ANSWER
(A)		
(B)		
(C)		
(D)		

17

60

QUESTION 2

2.1.1 Solvency Ratio

5

2.1.2. Current Ratio

3

2.1.3. Acid test ratio

4

2.1.4. Return on average owner's equtiy

5

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2.1.5. Operating expenses on sales

3

20

QUESTION 3

3.1. The owner took a decision with regards to selling price/Mark-up of bikes in 2019;

- **What is the decision, quote figures to support your answer?**
- **Did the business benefited from that decision explain by mentioning TWO Points from the question with figures to support your answer.**

Decision

Explanation TWO Points

9

3.2. Comment on the liquidity position of the business, quote TWO financial indicators to support your comment.

6

3.3.	The owner is satisfied with the return he is earning in this business, explain By quoting ONE financial indicator to support your answer.

5

20

TOTAL MARKS: 100

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ACCOUNTING

MARKING GUIDELINE

SEPTEMBER 2019

NATIONAL SENIOR CERTIFICATE

GRADE 10

MARKS: 100

MARKING PRINCIPLES:

1. 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. Full marks for correct answer. If answer incorrect, mark the workings provided.
3. 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).
4. 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.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where penalties are applied, the marks for that section of the question cannot be a final negative.
7. 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.
8. [redacted]
9. Be aware of candidates who provide valid alternatives beyond the marking guideline.

This marking guideline consists of 7 pages.

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QUESTION 1

1.1. INCOME STATEMENT OF AGRIZZI TRADERS FOR THE YEAR ENDED 28 FEBRUARY 2019

Sales (1 792 840✓ - 21 840✓)		☑1 771 000
Cost of sales (840 000)		✓ (840 000)
Gross profit operation	**5**	☑931 000
Other operating income one part correct		☑91 820
Commission income(30 620)		✓30 620
Rent income(66 800✓ – 5 600✓✓) one part correct		☑61 200
Gross operating income	**7**	☑1 022 820
Operating expenses operation		☑ (555 660)
Salaries and wages(187 000)		✓187 000
Insurance(25 000✓ – 1 280✓)		☑23 720
Bad Debts (17 600✓ + 960✓)		☑18 560
Stationery (28 640)		✓28 640
Telephone (42 900✓ + 1 830✓)		✓44 730
Bank Charges (22 800)		✓22 800
Packing Materials (40 000✓–950✓)		✓39 050
Advertising (11 280)		✓11 280
Trading stock deficit		✓✓1 000
Depreciation see B+D in 1.2		☑175 680
Loss due to fire (16 000✓ – 12 800✓)	**23**	☑3 200
Operating profit operation		☑467 160
Interest income (1 600✓ + 2 240✓)		☑3 840
Profit before interest expense		☑471 000
Interest expense		✓✓(27 000)
Net profit for the year operation	**8**	**☑444 000**

Foreign items -1 max 2
No penalties for misplacement of income statement items

43
43

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1.2

	WORKINGS		ANSWER
(A)	260 000✓ – 24 800✓	3	☑235 200 One part correct
(B)	**New** 24 800✓ X 20% X 6/12✓ = 2 480☑ **Old** 235 200✓ – 69 200✓= 166 000☑ X 20% = 33 200☑ 2 480 + 33 200 3 Marks 4 Marks	3 4 1	☑35 680 One part correct
(C)	560 000✓ – 112 000✓	3	☑448 000 One part correct
(D)	560 000✓ X 25%✓	3	☑140 000 One part correct

17
17

60
60

QUESTION 2

2.1.1 Solvency Ratio

(2 550 000 + 150 000✓ for both + 1 287 500✓) : (818 750✓ + 368 750✓)

3 987 500 : 1 187 500
2 Marks 2 Marks
3,4 : 1☑
One part correct

5
5

2.1.2. Current Ratio

1 287 500✓ : 368 750✓

3,5 : 1☑
One part correct

3
3

2.1.3. Acid test ratio

(1 287 500✓ – 300 000✓) : 368 750✓

987 500 : 368 750
2 Marks 1 Mark
2,7 : 1☑
One part correct

4
4

2.1.4. Return on average owner's equtiy

$$\frac{525\,000\ ✓}{(1\,475\,000✓ + 2\,500\,000✓)/✓2} \times 100$$

$$\frac{525\,000\ \text{1 mark}}{1\,987\,500} \times 100$$
3 marks

= 26,4%☑
One part correct

5
5

2.1.5. Operating expenses on sales

$\frac{700\,000}{1\,875\,000}$ ✓ x 100 ✓

37, 3% ☑
One part correct

3
3

20
20

QUESTION 3

3.1. The owner took a decision with regards to selling price/Mark-up of bikes in 2019;

- **What is the decision, quote figures to support your answer?**
- **Did the business benefited from that decision explain by mentioning TWO Points from the question with figures to support your answer.**

Decision (✓✓ for a decision ✓ Figures)

Decreased mark-up % from 72% - 58% or by 14%

Explanation TWO Points (Any TWO ✓✓ explanations ✓ Figures)

Sales increased from 7 740 000 – 13 182 000 or by 5 540 000

Number of bikes sold increased from 900 – 1 750 or by 850

Gross profit increased from 3 240 000 – 4 852 000 or by 1 612 000

9
9

3.2. Comment on the liquidity position of the business, quote TWO financial Indicators to support your comment.

Relevant Financial Indicators with figures ✓✓

Current Ratio decreased from 2,9 : 1 – 2,0 : 1

Acid Test Ratio increased from 0,9 : 1 – 1,2 : 1

General Comment ✓✓

Liquidity position indicates that the business can pay its current liabilities using current assets/ there are no liquidity problems/ the business does not rely on stock

6
6

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3.3. The owner is satisfied with the return he is earning in this business, explain By quoting ONE financial indicator to support your answer.

Relevant Financial Indicators with figures ✓✓✓

Return on Equity increased from 17,8% - 20,8% or by 3%

Compare with interest rate on fixed deposit ✓✓

This is above interest rate on fixed deposit at 12%

5
5

20
20

TOTAL MARKS: 100

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