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# ACCOUNTING

## REVISION BOOKLET

### 2025 TERMS 3 & 4

#### Grade 10

This revision program is designed to assist you in revising the critical content and skills that you have covered during the 3<sup>rd</sup> and 4<sup>th</sup> term. The purpose is to prepare you to understand the key concepts and to provide you with an opportunity to establish the required standard and the application of the knowledge necessary to succeed in the examination.

The revision program covers the following topics:

- Financial Statements
- Analysis and interpretation of financial statements
- Cost Accounting

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## FINANCIAL STATEMENTS

<b>Basic concepts</b>	Financial statements   Statement of comprehensive income   Statement of financial position   gross profit   net profit   adjustments   GAAP principles   accounting cycle
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### ACTIVITY 1: STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)

**51 marks; 41 minutes)**

Name the GAAP principle that is best described by the following statements:

- 1.1.1 Service fees, cash deposit fees are shown collectively as '*Bank Charges*'. (1)
- 1.1.2 All goods and cash taken by the owner for his personal use must be recorded as "*Drawings*". (1)
- 1.1.3 Trading stock is stated in the Statement of Financial Position at cost price and not at selling price. (1)
- 1.1.4 Land and Buildings are shown in the Statement of Financial Position at R250 000, even though the municipal valuation indicates R700 000. (1)

The information below relates to KayCee Traders.  
Their financial year ends 28 February each year.

- 1.2 Prepare the Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2022.  
**NOTE:** Complete the Note for Interest Expense. (45)
- 1.3 Will the Bank account balance be a current asset or a current liability on 28 February 2022? Give a reason for your answer. (2)

**EXTRACT from the Pre-adjustment Trial Balance for KayCee Traders  
on 28 February 2022**

	Debit	Credit
<b>Balance Sheet Section</b>		
Land and Buildings	500 000	
Vehicles	190 000	
Equipment	132 000	
Accumulated depreciation on vehicles (1/3/2021)		36 400
Accumulated depreciation on equipment (1/3/2021)		48 000
Trading Stock	43 400	
Debtors Control	36 500	
Bank		12 600
Loan: MM Bank		300 000
Creditors Control		56 600
<b>Nominal Account Section</b>		
Sales		1 300 000
Cost of sales	940 000	
Debtors' allowances	13 700	
Rent income		28 000
Water and electricity	25 680	
Telephone	18 920	
Salaries and wages	173 000	
Interest on loan	29 000	
Bad debts	2 100	
Bad debts recovered		800
Discount received		1 990
Discount allowed	2 550	
Stationery	7 300	
Insurance	7 650	
Interest on current account		220
Interest on overdraft	1 170	
Bank charges	2 440	

**ADJUSTMENTS AND ADDITIONAL INFORMATION:**

1. The account of a debtor B. Mack, R350, must be written off as irrecoverable.
2. Received R700 from a debtor, O. Blige, whose account was written off in January 2020.
3. **Depreciation policy:**
  - Equipment: 10% p.a. on cost.  
**NOTE:** New equipment, cost R55 000, was purchased and recorded on 30 November 2021.
  - Vehicles: 15% p.a. on the diminishing balance-method

**4. Loan: MM Bank:**

The annual instalment, R20 000 was paid on 1 September 2021 and correctly recorded. Provide for interest at 15% p.a. still payable.

5. The owner donated goods, on behalf of the business, to the local orphanage at cost price, R2 500. This transaction has not been recorded.
6. Goods with a cost price of R1 840 was returned to a creditor, AM Suppliers, on 20 February 2022. No entry was made of this transaction.
7. After the physical stock take on 28 February 2022, the following were on hand:
  - Trading stock R35 800
  - Stationery used during the year R 4 100
8. Rent for February 2022 has not yet been received. Rent increased by R650 per month with effect from 1 September 2021.
9. Water and electricity for February 2022, R3 200, and Telephone, R2 570 were still payable on 28 February 2022.
10. An annual insurance premium of R4 800 was paid in full on 1 October 2021.

**Activity 2: Statement of Financial Position (Balance Sheet)****(50 marks; 40 minutes)**

Dopolo Stores, owned by Thandi Dopolo, sells groceries to the residents.

The information below is from the financial records for the financial year ended 30 June 2021.

**REQUIRED:**

2.1 Prepare the following notes to the Statement of Financial Position.

- |       |                                |      |
|-------|--------------------------------|------|
| 2.1.1 | Fixed assets (Tangible assets) | (12) |
| 2.1.2 | Trade and other receivables    | (9)  |
| 2.1.3 | Trade and other payables       | (5)  |
| 2.1.4 | Owners' Equity                 | (4)  |

**Note:** Some figures have already been inserted on the Answer Book.

2.2 Prepare the Statement of Financial Position on 30 June 2021. (20)  
Where notes are not required show all workings in brackets.

**Note:**

The Net profit has been calculated for you and requires **no adjustment**. All adjustments affecting the net profit have been taken into account. You need to consider the adjustments and show how they impact **ONLY** on the Statement of Financial Position and notes.

**A** Balances/Totals extracted from the Pre-Adjustment Trial Balance on 30 June 2021:

Capital (1 July 2020)	240 000
Drawings	56 000
Fixed deposit	?
Loan: Jo Bank (1 July 2020)	290 000
Trading stock	133 600
Debtors Control	216 500
Creditors Control	199 000
Rent income	212 800
Interest on investment	16 100

**B** The above figures do not take into account the following:

- (i) A credit sales transaction of R24 500 on 30 June 2021 was not taken into account. The business uses a profit mark-up of 40% on cost.
- (ii) The account of S. Sly (a debtor), R7 200 must be written off as a bad debt.
- (iii) Insurance includes an annual premium of R9 600 paid for the period 1 January 2021 to 31 December 2021.

- (iv) The telephone account for June 2021, R1 300, was still outstanding.
- (v) Interest on fixed deposit was not received for May and June 2021. The fixed deposit was invested on 1 October 2020 and interest is not capitalized.
- (vi) The extra storage room was rented out on 1 July 2020. The tenant paid the rent up till 31 August 2021.
- (vii) Depreciation on vehicles is provided for at 15% p.a. on cost and on equipment at 20% p.a. on the diminishing balance method.  
**Note:** New equipment was bought on 1 April 2020.
- (viii) The loan statement received from Jo Bank revealed the following:

Balance on 1 July 2020	290 000
Repayments	40 000
Interest capitalised	22 000
Balance on 30 June 2021	?

An amount of R18 000 will be paid on the loan in the next financial year.

- (x) The current ratio on 30 June 2021 was 1,5 : 1
- C. After taking all the above adjustments into account, the net profit for the year was R78 000.

**ACTIVITY 3: Statement of Financial Position (Balance Sheet)****(40 marks; 32 minutes)**

The following information was taken from the books of Luzuko Stores who sells a wide range of household goods to the public at a mark-up of 75%.

**REQUIRED:**

- 3.1 Complete the following notes to the financial statements:
- Fixed assets (10)
  - Inventory (4)
  - Trade and other receivables (7)
- 3.2 Complete the Owner's Equity and Liabilities Section of the Statement of Financial Position (Balance Sheet) on 31 July 2022. Show workings in brackets. (19)

**ADJUSTMENTS AND ADDITIONAL INFORMATION:**

1. Water and electricity owing for July 2022 is R780.
2. The bank statement was received after the Trial balance had been drawn up and the following have not been taken into account:
  - Bank charges, R530
  - Interest on overdraft, R790
3. The following problems were found with the debtors:
  - A. Tobi has been declared insolvent. An amount of R770 has been received from the insolvent estate representing 40 cents in the Rand. An EFT payment was received and the entries posted. No entry has been made for the bad debt.
4. Depreciation must be written off as follows:
  - Vehicles at 20% p.a on cost.
  - Equipment at 15% p.a on diminishing balance method

**Note:** New equipment was bought on 30 June 2022
5. The tenant has rented the building since 2020 and has paid the rent for August 2022 in advance. Rent income according to the Pre-adjustment trial balance, R81 600. Note that the rent was increased by R1 200 on 1 June 2022.
6. Joe joined the business on the 15 July 2022 but the bookkeeper failed to process his **half-month** salary. Details are as follows:
  - Gross monthly salary; R13 000
  - PAYE: 18%
  - UIF: 1%
  - The business contributes a further 1% to the UIF.
7. Trading stock worth R9 000 was destroyed in a flash flood. No entries have been processed.

8. A credit customer returned goods to the business. The original cost price was R3 800. The debtor was given a trade discount of 10% on the original sale.

9. A physical stock count revealed the following:

- Trading stock on hand, R147 800
- Consumable stores on hand, R2 700

10. The loan statement received from JZ Bank revealed the following:

Balance 1 August 2021	R670 000
Interest capitalised	156 000
Repayments	(206 000)
Balance 31 June 2022	620 000

- In terms of the loan agreement a fixed capital portion of R50 000 is repaid every year.

11. Insurance included an amount of R10 290 paid in advance.

### INTERPRETATION OF FINANCIAL STATEMENTS

<b>Basic concepts</b>	Analysing and interpreting financial statements   gross profit on sales   gross profit on cost of sales   operating profit on sales   net profit on sales   operating expenses on sales   current ratio   acid-test ratio   solvency ratio   return on equity   liquidity   profitability
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#### ACTIVITY 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS (30 marks; 24 minutes)

Use the information below in the books of Mocha Coffee Shop. Show all working details and give your answers to first decimal place only. The business obtains a profit mark-up of 65%.

4.1 Calculate the following for the year ended 28 February 2022:

**REQUIRED:**

- 4.1.1 Gross profit as a percentage on cost of sales. (4)
- 4.1.2 Net profit as a percentage of turnover. (3)
- 4.1.3 Current ratio (4)
- 4.1.4 Acid test ratio (4)
- 4.1.5 Return on average owner's equity (5)
- 4.2 Do you think Mocha Coffee Shop can be satisfied with the gross profit % on cost of sales? Comment and quote figures to support your answer. (3)
- 4.3 Comment on the liquidity of Mocha Coffee Shop. Quote **TWO** financial indicators with figures to support your answer. (4)
- 4.4 Should Mocha Coffee Shop be satisfied with the returns on average owner's equity? Comment by quoting figures to support your answer. (3)

**INFORMATION:**

<b>EXTRACT FROM THE STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT) FOR THE YEAR ENDED 28 FEBRUARY:</b>		
	<b>2022</b>	<b>2021</b>
Sales	760 000	680 000
Cost of Sales	(475 000)	(425 000)
<b>Gross Profit</b>	?	?
Other operating income	202 580	195 000
Operating expenses	(220 540)	(256 150)
Operating profit	267 040	193 850
Interest Expense	(36 000)	(48 000)
Net Profit	231 040	145 850

<b>EXTRACT FROM THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY:</b>		
	<b>2022</b>	<b>2021</b>
Fixed Assets	?	?
Fixed Deposits (10%)	110 000	80 000
<b>Current Assets</b>	<b>?</b>	<b>?</b>
Trading Stock	29 035	37 200
Trade and Other Receivables	34 350	42 340
Cash and Cash Equivalents	825	840
	<b>?</b>	<b>?</b>
<b>Owner's Equity</b>	<b>830 716</b>	<b>810 968</b>
<b>Non- Current Liabilities</b>	<b>100 000</b>	<b>100 000</b>
<b>Current Liabilities</b>	<b>23 327</b>	<b>28 600</b>
	<b>?</b>	<b>?</b>

**Financial indicators for the year ended 28 February 2021:**

Current ratio	1,3 : 1
Acid test ratio	0,7 : 1
Return on average owner's equity	39%

**ACTIVITY 5****(26 marks; 21 minutes)**

The following information was extracted from the books of L & J Traders on 31 August 2021

**REQUIRED:**

- 5.1 Calculate the Current ratio for 2021. (4)
- 5.2 Calculate the Acid-test ratio for 2021. (4)
- 5.3 From the above calculations will L & J Traders experience liquidity problems? Support your answer with an explanation and figures. (5)
- 5.4 Is the business in danger of going bankrupt? Use an appropriate ratio to support your answer. (6)
- 5.5 Calculate the return of owner's equity for 2021. (4)
- 5.6 Should the owner be happy with this return? Give a reason for your answer. Quote figures to support your answer. (3)

**INFORMATION:****POST-CLOSING TRIAL BALANCE ON 31 AUGUST**

	<b>2021</b>	<b>2020</b>
Tangible assets	234 776	204 905
Fixed deposit: KD Bank (10% p.a.)	55 000	56 000
Inventory	40 190	31 338
Trade and other receivables	35 800	26 439
Cash and cash equivalents	1 760	6 300
Owner's equity	382 860	190 000
Mortgage bond: RT Bank (15% p.a.)	70 000	130 000
Trade and other payables	27 768	33 564

**ADDITIONAL INFORMATION:**

Net profit for the year amounted to R172 600.

**Financial indicators for the financial year ended 31 August**

	<b>2021</b>	<b>2020</b>
Current ratio	?	2.28 : 1
Acid test ratio	?	1.4 : 1
Return on owner's equity	?	50%

**ACTIVITY 6: COST ACCOUNTING)****(20 marks; 16 minutes)****6.1 MATCHING COLUMNS****(4)**

Match the words in Column A with the most appropriate explanation provided in Column B. Write the letter only, next to each number.

	Column A		Column B
6.1.1	Variable costs	A	Running costs of the factory
6.1.2	Overheads	B	The raw material actually needed to make the product
6.1.3	Fixed costs	C	Costs related to and easily traced to the making of a product.
6.1.4	Direct costs	D	Costs that change depending on the number of units produced
		E	Costs do not change even if the quantities produced by the factory increases or decreases

**6.2 MANUFACTURING CALCULATIONS**

Tiny Peters owns a small manufacturing enterprise, called Tiny's Custom-Made Furnishers. In January 2022, the principal of Silversands Primary School, Mrs Bailey, requested Tiny to make 40 special tables for the new Art centre at the school.

**REQUIRED:**

Use the information provided below to complete the following calculations.

- 6.2.1 Calculate the direct material cost (3)  
 6.2.2 Calculate the direct labour cost (2)  
 6.2.3 Calculate the prime cost (3)  
 6.2.4 Calculate the total cost of production (5)  
 6.2.5 Calculate the unit cost of ONE table (3)

**INFORMATION:****Material cost to manufacture the 40 tables:**

Wood	R16 000
Steel for structure	R5 500
Nuts, bolts and screws	R1 100
Glue	R300
Wood oil	R500
Paint	R600

- A** Tiny works from a small factory in Bellville and pays rent of R11 000 per month.
- B** His water and electricity bill for January 2022 was R1 800.
- C** R250 is paid to the casual employee for each table produced.
- D** 40 tables were produced during January.