GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

2015

GRADE 10

ACCOUNTING

MEMORANDUM

14 pages

MEMORANDUM	Accounting

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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MEMORANDUM	Accounting

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.✓✓

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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

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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

16

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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✓☑	**46**

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☑

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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☑

5

QUESTION 5

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

4

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

4

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

6

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.

5

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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	✓

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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

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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	✓✓

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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.

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Total: 300