GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2016

GRADE 10

ACCOUNTING

MEMORANDUM

14 pages

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

ACCOUNTING

MEMORANDUM

Question 1 Journal Entries and Control Accounts (60 marks; 35 minutes)

1.1	**Explain ONE advantage of the Perpetual Inventory System.**	
	An inventory system that keeps account of trading inventory by keeping track of the cost of sales for each transaction.	2
1.2	**How can the business verify that the Trading Stock account accurately reflects trading stock on hand?**	
	By doing physical stock-taking and comparing it to the balance on the trading stock account.	2

1.3

General Journal of Manchester Traders for May 2016

Day	Details	Fol.	General Ledger Dr	General Ledger Cr	Debtors' Ledger Dr	Debtors' Ledger Cr	Creditors' Ledger Dr	Creditors' Ledger Cr	
31	**Totals**	**b/f**			**275**	**120**	**207**	**320**	
(a)	Interest Expense	✓	✓9						
	Chelsea Ltd	✓		9				✓9	
(b)	Repairs	✓	✓500						
	LP Builders	✓		500				✓500	
(c)	Leeds and Co.	✓	✓120				✓120		
	Leeds Traders	✓		120				✓120	
(d)	Everton Ltd	✓	✓900				✓900		
	Trading Stock	✓		900					
(e)	S. Charlton	✓	✓200		✓200				
	A. Charlton	✓		200		✓200			
(f)	Sun Traders	✓	✓240				✓240		
	Trading stock	✓		240					
			one mark for both figures		475	320	1467	949	
					☑ one mark for all the totals				**27**

General Ledger of Manchester Traders									
1.4.1	**Debtors' Control Account**								
May	**1**	**Balance**	**b/d**	**43 270**	May	31	Bank and discount allowed ✓	CRJ	✓37 580
	31	Sales ✓	DJ	✓ 38 160			Debtors' allowances ✓	DAJ	✓ 1 920
		Bank ✓	CPJ	✓ 2 630			Journal credits	GJ	☑ 320
		Petty cash ✓	PCJ	✓ 35			Balance	c/d	44 750
		Journal Debits	GJ	☑ **475**					
				84 570					84 570
June	30	Balance	b/d	☑ 44 750					
									13

General Ledger of Manchester Traders									
1.4.2	**Trading Stock Account**								
May	**1**	**Balance**	**b/d**	**57 290**	**May**	**31**	**Cost of sales**	**DJ**	**23 850**
	31	Bank ✓	CPJ	✓ 9 480			Cost of sales✓	CRJ	✓✓49 450
		Creditors' control ✓	CJ	✓ 31 320			Creditors' control ✓	CAJ	✓ 2 100
		Cost of sales ✓	DAJ	✓ 1 020			Creditors' control ✓	GJ	✓ 900
							Creditors' control ✓	GJ	✓ 240
							Balance	c/d	32 570
				109 110					109 110
June	1	Balance	b/d	☑ 32 570					
									16

60

Question 2 Debtors' Ledger and Internal Control **(30 marks; 17 minutes)**

2.1 Debtors' Ledger of Kalahari Traders

J. Monty

Date		Details	Fol	Dr	Cr	Balance
June	**1**	**Balance**	**b/d**			**12 520**
	3	Invoice no. 379 ✓	DJ	✓5 770		✓18 290
	7	Receipt no. 1231 ✓	CRJ		✓1 000	✓17290
	11	C/N no. 123 ✓	DAJ		✓320	✓16 970
	15	Bank debit note / Bank statement ✓	CPJ	✓3 400		✓20 370
		Journal voucher (Discount cancelled) ✓	GJ	✓80		✓20 450
	21	Journal voucher (Interest) ✓	GJ	✓130		☑20 580

18

2.2	Explain why the total of the Debtors' List must be equal to the balance on the Debtors' Control account?
	The debtors' control account is a summary of the debtors' ledger. ✓ Individual entries are made in the individual debtors' accounts✓ and totals are posted from the journals to the debtors' control account.✓

3

2.3	**Is Kalahari Traders managing its credit term policy effectively? State TWO points. Quote figures to support your answer.**
	No ✓ Any two points ✓✓ ✓✓ • His credit limit is R8 000 but he owes R12 520 at the beginning of the month. • The debtor is supplied with goods without settling his debt. • He is not complying with the credit terms of 30 days.

5

2.4	**Provide TWO points of advice to Kalahari Traders with regard to J. Monty's account.**
	Any two points ✓✓ ✓✓ • Do not supply him with any further goods. • Make arrangements for him to settle his account. • Take back some of the goods that were supplied to him.

4

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Question 3 Analysis of Transactions **(30 marks; 18 minutes)**

Complete the table below (Assume that the bank balance is **overdrawn** at all times)

No.	Source Document	Sub. Book	Account in General Ledger		Accounting Equation		
			Debit	Credit	Asset	OE	Liability
1		**CRJ**	Bank✓	**Debtors' control**	**-96**	0	-96✓
			Bad debts	Debtors' control ✓	**-224**	-224✓	0
2	**C / N**	DAJ ✓	Debtors' allowances✓	Debtors' control✓	-180✓	**-180**	0
			Trading stock	Cost of sales✓	**+120**	+120✓	0
3		**GJ**	Fixed deposit✓	**Interest on fixed deposit (capitalized)**	+900✓	**+900**	0
4	Original invoice✓	**CJ**	**Trading stock**	Creditors' control✓	**+1 440**		+1 440✓
5	Cheque counterfoil ✓	**CPJ**	**Creditors' control**	Bank✓	0	0	**-1053** +1053✓
			Creditors' control✓	**Discount received**	0	+27✓	**-27**
6	Bank statement ✓		**Bank Charges**	Bank✓	0	**-270**	+270✓
7	**Duplicate D/N**	CAJ ✓	Creditors' control✓	Stationery	0	+171✓	-171
8		GJ✓	Trading account✓	Profit and loss (Gross profit)	0	-7 000✓ +7 000✓	0

30

Question 4.1 Financial Statements and Notes (70 marks; 40 minutes)

4.1.1 Income Statement for the year ended 29 February 2016	
Sales (470 800✓ – 1 900✓)	✓ 468 900
Cost of sales	✓ (233 250)
Gross profit	✓ 235 650
Other Operating Incomes	☑ 73 300
Rent income (56 000✓ + 6 000✓)	☑ 62 000
Trading stock surplus	✓✓ 3 990
Discount received	✓ 7 310
Gross Operating income	☑ 308 950
Operating Expenses	☑ (159 735)
Utilities (**35 020** + 2 480✓)	☑ 37 500
Discount allowed (**5 200** - 20✓)	☑ 5 180
Advertising (**11 700** +1500✓- 500✓)	☑ 12 700
Insurance	✓ 5 930
Stationery	✓✓ 4 150
Packing Material (**7 620** - 1 510) ✓	☑ 6 110
Bad debts (**510** + 165) ✓	☑ 675
Salaries and wages (**57 830** + 9 500✓ + 2 500✓ + 120✓ + 880✓	☑ 70 830
Bank charges (**2 340** + 170) ✓	☑ 2 510
Depreciation (2 400✓ + 1850✓ + 9 900✓)	☑ 14 150
Operating Profit for the year	☑ 149 215
Interest income (750✓ + 690✓✓)	☑ 1 440
Profit before interest expense	150 655
Interest expense (3 740✓ + 120✓ + 10 710✓)	☑ (14 570)
Net Income for the year	☑ 136 085

50

Note: No marks will be allocated if a figure given on the answer sheet is entered into the money column.

4.1.2 (a) Fixed assets note	**Land and buildings**	**Vehicles**	**Equipment**	
Carrying value at the beginning of the year	**240 000**	**24 000**	✓ 46 300	
Cost price	**240 000**	**40 000**	✓ 49 500	
Accumulated depreciation		✓ (16 000)	**(3 200)**	
Movements				
Additions at cost			✓ 37 000	
Disposal at carrying value	**0**	**0**	**0**	
Depreciation for the year **see 4.1**		☑ (2 400)	☑ (11 750)	
Carrying value at the end of the year	✓ 240 000	☑ 21 600	☑ 71 550	
Cost price	240 000	✓ 40 000	✓ 86 500	
Accumulated depreciation		☑ (18 400)	☑ (14 950)	**13**

4.1.2 (b) Trade and other Receivables		
Trade debtors **(3 180** - 220 ✓ + 280 ✓ + 20 ✓)	☑ 3 260	
Prepaid expenses	✓ 500	
Accrued income	✓ 6 000	
Total	☑ 9 760	**7**

Question 4.2 Concepts, Notes and Balance Sheet (40 marks; 25 minutes)

4.2.1	Provide the correct description.
A	Income statement ✓
B	Going concern ✓
C	Finance cost ✓
D	Historical cost ✓
E	Balance sheet ✓

5

4.2.2 Owners' Equity

Capital balance at the beginning of year	✓ 300 000
Decrease in capital contribution	✓ (20 000)
Net Profit	✓ 217 860
Drawings	✓ (154 030)
Capital balance at end of the year	☑ 343 830

5

4.2.3 Balance Sheet of Tex Stores as at 29 February 2016

Assets	
Non-Current Assets	☑ 391 820
Tangible Assets	✓ 386 500
Financial Assets	
Fixed Deposit (10 320✓ - 5 000✓)	✓ 5 320
Current Assets	☑ 148 920
Inventories (129 630✓ + 3 420✓)	☑ 133 050
Trade and other receivables (3 180✓ + 2 190✓ + 3 000✓)	☑ 8 370
Cash and Cash equivalents (5 000✓ +1 500✓ + 1 000✓)	☑ 7 500
TOTAL ASSETS	☑ 540 740
Equity and liabilities	
Owners' Equity	☑ 343 830
Capital	343 830
Non-Current Liabilities	126 190
Mortgage Loan (156 190✓ - 30 000✓)	☑ 126 190
Current Liabilities	☑ 70 720
Trade and other Payables (18 040✓ + 4 960✓ + 12 000✓)	☑ 35 000
Bank overdraft	✓ 5 720
Short Term Loan **see mortgage loan**	✓ 30 000
TOTAL EQUITY AND LIABILITIES	☑ 540 740

30

4.1.1	4.1.2	4.2	Total
50	**20**	**40**	**110**

Question 5 Ratio, Analysis and Interpretation **(40 marks; 25 minutes)**

5.1	**Calculate the percentage mark-up obtained by the business.**	
	$\frac{350\ 000✓}{500\ 000✓}$ X 100✓ = 70%☑	4

5.2	**Provide TWO reasons for the difference in the mark-up percentages. See Information C.**	
	Any two ✓✓ ✓✓ • Discounts were offered to bulk buyers. • Goods were discounted during clearance sales. • Mark-up could have been calculated incorrectly.	4

5.3	**Calculate the percentage gross profit on sales.**	
	$\frac{350\ 000✓}{850\ 000✓}$ X 100✓ = 41%☑	4
5.4	**Calculate the percentage net profit on sales.**	
	$\frac{119\ 000✓}{850\ 000✓}$ X 100✓ = 14%☑	4

5.5	**List ONE reason for the decrease in percentage in your calculations in Questions 5.3 and 5.4**	
	Operating expenses✓✓	2

5.6	**Calculate the return on average owners' equity.**	
	$\frac{119\ 000✓}{(350\ 000✓ + 450\ 000✓) / 2}$ X 100✓ 400 000 = 29,75%☑	5

5.7	**Should the owner be satisfied with his percentage return? Explain. Quoting financial indicators to support your answer.**	
	Yes✓ • Better than investments at banks. Banks offer a maximum of 8%.✓ • Improvement✓ in the return from 23% in 2015 to 29,75% in 2016.✓	**4**

5.8	**Calculate the current ratio for 2016.**	
	92 000✓ + 24 200✓ + 6 800✓ : 41 000✓ 123 000 : 41 000 3 : 1 ☑	**5**

5.9	**Calculate the acid test ratio for 2016.**	
	24 200✓ + 6 800✓ : 41 000✓ 31 000 : 41 000 0,76 : 1 ☑	**4**
5.10	**Explain why trading stock is excluded in the calculation for the acid test ratio?**	
	• Acid test ratio is calculated to determine the ability of the business to settle its short-term debts quickly. ✓✓ • Trading stock cannot be sold quickly in the short-term. Therefore, it is excluded. ✓✓	**4**

40

Question 6 VAT, Cost and Budgets **(30 marks; 20 minutes)**

6.1 VAT

Match the items in Column A with the descriptions in Column B.
Write only the letter indicating the correct answer.

6.1.1	G	✓✓
6.1.2	E	✓✓
6.1.3	B	✓✓
6.1.4	A	✓✓
6.1.5	D	✓✓

10

6.2 Cost

6.2.1 In each of the following statements choose the **correct word or phrase** provided in brackets. **Do not re-write the sentence.**

A	Remain unchanged	✓
B	Increase	✓
C	Decrease	✓
D	Remain unchanged	✓
E	Break-even point	✓

6.2.2 Indicate whether each of the costs listed below is FIXED or VARIABLE.
Place a tick (✓) in the correct column.

	Manufacturing cost	**Fixed**	**Variable**
A	Direct Materials Cost		✓
B	Direct Labour Cost		✓
C	Factory Overhead cost	✓	
D	Prime Cost		✓
E	Rent paid for factory premises	✓	

10

6.3 Cash Budgets

6.3.1	**State the type of budget that is being described in each of the following statements.**
(a)	Cash budget
(b)	Projected income statement

	2

6.3.2	**Name TWO users of budgets.**
	• Families • Businesses • Government

	2

6.3.3	**List TWO purposes for preparing a cash budget.**
	• It prevents over expenditure. • It prevents bank overdrafts. • It helps in prioritizing expenditure. • It shows changes in spending habits. • It is an internal control measure for receipts and payments.

	2

6.3.4	**The owner of a business has included an amount of R30 000 as sundry expenses in the December 2016 cash budget. He plans to take his family for a holiday to Cape Town during December 2016. Comment on his actions.**
	• This expenditure should have been shown as Drawings and not as Sundry Expenses. • He will be showing a lower profit because his operating expenses would be increasing. Therefore, the financial statement will not accurately reflect the financial position of the business. • His action is unethical because he is evading personal tax and it is illegal to do so.

	4

	30

	300