



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

NOVEMBER 2023

GRADE 10

ACCOUNTING
(PAPER 1)

TIME: 2 hours

MARKS: 150

9 pages, a formula sheet and a 6-page answer book

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Answer all questions in the ANSWER BOOK provided.
3. Show ALL calculations to earn part-marks.
4. Non-programmable calculators may be used.
5. You may use blue or black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. Write neatly and legibly.
8. A FORMULA SHEET is attached at the end of this question paper.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPICS	MARKS	TIME
1	GAAP Concepts and Analysis of Transactions	33	25 minutes
2	Statement of Comprehensive Income	44	35 minutes
3	Notes and Statement of Financial Position	38	32 minutes
4	Concepts and Analysis and Interpretation of Financial Statements	35	28 minutes
Total		150	120 minutes

QUESTION 1: GAAP CONCEPTS AND ANALYSIS OF TRANSACTIONS

(33 marks: 25 minutes)

1.1 GAAP CONCEPTS

Match the principle in COLUMN A with the example that best describes it in COLUMN B. Write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.4) in your ANSWER BOOK.

COLUMN A	COLUMN B
1.1.1 Business entity	A Land and buildings are reflected in the Balance Sheet at the original price of R350 000, despite their market value of R500 000.
1.1.2 Going concern	B When a debtor settles his account, the discount allowed is recorded at the same time.
1.1.3 Historical cost	C Trading stock is valued at R20 000 even though it could be sold at R15 000.
1.1.4 Matching	D Stock taken by the owner is recorded as drawings in the financial statements.

(4)

1.2 ANALYSIS OF TRANSACTIONS

Analyse the following transactions according to the headings provided in the ANSWER BOOK. The business uses a mark-up of 50% on cost.

(29)

Assume that the Bank balance is favourable for all the transactions.

Example: Bought stationery for cash, R 2 000.

TRANSACTIONS:

- 1.2.1 Bought equipment on credit for R10 000 from Tshwane Furnishers.
- 1.2.2 A debtor, N Mothusi paid R4 750 via EFT in settlement of her account of R5 000.
- 1.2.3 Sold goods for cash, the cost price was R3 000.
- 1.2.4 The owner took trading stock at the cost of R850 for personal use.
- 1.2.5 The owner of the business returned damaged goods to the supplier, they were discounted by 5%, the original cost price was R1 800.

33

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

(44 marks; 35 minutes)

SEBENZA TRADERS

The following information was taken from the records of Sebenza Traders on 28 February 2023, the last day of the financial year. The business uses a mark-up of 40% on cost.

REQUIRED:

- 2.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ending 28 February 2023. (44)

INFORMATION:

A. Extract from the Trial Balance for the year ended 28 February 2023

Balance Sheet Accounts	Debit	Credit
Capital (1 March 2022)		600 000
Drawings	34 000	
Vehicles	280 000	
Accumulated depreciation on vehicles (1 March 2022)		56 000
Equipment	130 000	
Accumulated depreciation on equipment (1 March 2022)		44 600
Fixed Deposit: Al Raji Bank @ 9% p.a.	24 000	
Trading stock	44 000	
Debtors' control	42 300	
Bank (favourable)	4 600	
Mortgage Loan: SAAB Bank		103 800
Nominal Accounts		
Sales		588 000
Cost of sales	420 000	
Debtors' allowances	6 800	
Rent income		36 200
Commission income		10 150
Salaries	43 500	
Insurance	12 500	
Bad debts	4 800	
Stationery	3 320	
Water and electricity	19 100	
Bank charges	4 200	
Packing material	7 100	
Advertising	2 300	
Interest on fixed deposit		1 620

B. ADJUSTMENTS AND ADDITIONAL INFORMATION

- (i) The water and electricity account for February 2023 has not yet been paid, R1 830.
- (ii) Stock with a selling price of R2 520 was donated to a local orphanage. No entry was made.
- (iii) According to a physical stock count on 28 February 2023, the following items were on hand:
 - Trading stock R 41 000
 - Packing material R 1 950
- (iv) Insurance includes an annual premium of R3 960 paid for the period 1 September 2022 to 31 August 2023.
- (v) Rent for February 2023 has not yet been received. The rent was increased by R300 per month with effect from 1 July 2022.
- (vi) R. Adam, a debtor, who owed R1 200 to Sebenza Traders was declared insolvent. His estate was able to settle half of the amount owing. Write off the outstanding amount.
- (vii) The loan statement received from SAAB Bank on 28 February 2023 reflected the following:

Balance on 1 March 2022	R150 000
Repayments during the year (including interest)	R 46 200
Interest on loan (capitalised)	?
Balance on 28 February 2023	R117 300

- (viii) Provide for the outstanding interest on fixed deposit, interest is not capitalised.
- (ix) The bank statement for February 2023 reflected the following:
 - EFT fees – R 170
 - Credit card levies – R 90
 - Interest on the current account – R220
- (x) Depreciation is calculated as follows:
 - On vehicles at 10% p.a. on cost
 - On equipment at 15% p.a. on the diminishing balance method

NOTE: Additional equipment with a cost price of R12 400 was purchased on 1 December 2022. This transaction has not yet been recorded.

QUESTION 3: NOTES AND STATEMENT OF FINANCIAL POSITION**(38 marks; 32 minutes)****SAVAGE TRADERS**

Jasper Savage is the owner of Savage Traders a supplier of catering equipment. The business also services equipment at a fee for various clients. The business uses a mark-up of 100% on cost.

REQUIRED:

- 3.1 Prepare the following notes to the Statement of Financial Position;
- 3.1.1 Owner's Equity (6)
- 3.1.2 Trade and Other Payables (20)
- 3.2 Complete the Equity and Liabilities section of the Statement of Financial Position for the year ended 31 July 2023. (12)

INFORMATION:**Extract from the Pre-adjustment Trial Balance on 31 July 2023**

Capital	3 000 000
Drawings	200 000
Mortgage Loan: SWYS Bank (see adjustment (v))	?
Debtors' Control	680 000
Creditors' Control	530 000
SARS: PAYE	51 000
Pension Fund	19 000
Medical Aid	17 000
Bank overdraft	105 000

ADDITIONAL INFORMATION AND ADJUSTMENTS NOT RECORDED

- (i) Jasper Savage invested another R100 000 cash in the business on 30 June 2023. This transaction has not been recorded.
- (ii) Net profit for the year amounted to R170 000 and it has not been entered in the books.
- (iii) Jasper Savage took additional merchandise with a cost price of R40 000 for personal use.

- (iv) A debtor returned three industrial ovens with a selling price of R75 000 each. Upon inspection Savage Traders found that all three ovens were not working and subsequently returned them to the supplier.
- (v) Baking trays costing a total of R3 000 were purchased on credit from the supplier, however they were posted as indicated in the table below: Correct the error.

Details	Debit	Credit
Trading stock	R3 000	
Bank		R3 000

- (vi) The statement from SWYS Bank received on 31 July 2023 was as follows:

Balance on 01 June 2022	290 000
Repayments including interest	(80 000)
Interest charged	30 000
Balance on 31 July 2023	240 000

25% of the outstanding balance on loan will be repaid in the next financial year.

- (vii) The statement for the telephone account was only received a few days after 31 July 2023. The amount of R6 000 will be paid in August 2023.
- (viii) One of the debtors had paid R12 000 for servicing electrical stoves. Due to loadshedding, the service will only be done in August 2023.
- (ix) Savage Traders employed a new sales assistant at the beginning of July 2023. Human Resource (Labour) Department had not processed the assistant's information and he was not paid for July 2023.

His salary details are as follows:

Gross salary	PAYE	Pension Fund Deductions	Medical Aid Deductions	Nett Salary
15 000	2 100	1 500	1 300	?

Business contributions are:

Pension fund	R2,00 for every R1,00 deducted.
Medical Aid	On a rand for rand basis.

QUESTION 4: CONCEPTS AND INTERPRETATION OF FINANCIAL STATEMENTS
(35 marks; 28 minutes)

4.1 CONCEPTS

Indicate whether the following statements are TRUE or FALSE. Write only 'True' or 'False' next to the numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

- 4.1.1 Fixed deposit maturing in the next financial year is recorded under non-current liabilities.
- 4.1.2 The financial institution will be interested in the financial statements of a business if they apply for a loan.
- 4.1.3 Solvency is the ability of a company to meet its long-term debts and financial obligations. (3)

4.2 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

Milan Dealers is owned by James Milan. He sells ladies bags locally. The financial year end is 28 February 2023.

Calculate the financial indicators as at 28 February 2023.

- 4.2.1 Calculate the mark-up percentage. (3)
- 4.2.2 Calculate the net profit on sales. (3)
- 4.2.3 Calculate the current ratio. (3)
- 4.2.4 Calculate the acid test ratio. (4)
- 4.2.5 Calculate the return on owner's equity. (5)
- 4.2.6 James Milan is not happy with the control of expenses in the business. Quote ONE financial indicator with figures to support his concern. (3)
- 4.2.7 Comment on the liquidity of the business. Quote TWO financial indicators and provide figures to support your answer. (4)
- 4.2.8 Milan Dealers has a mark-up policy of 40% on all merchandise. The owner is concerned that the business is not achieving the mark-up. Provide TWO reasons why the business is not achieving its intended mark-up. (2)
- 4.2.9 State whether Milan Dealers will be happy with the % return on equity. Give TWO reasons for your answer. Quote the financial indicators and relevant figures. (5)

INFORMATION:**A.**

EXTRACT FROM STATEMENT OF COMPREHENSIVE INCOME		
	2023	2022
Sales	676 000	600 000
Cost of sales	520 000	480 000
Gross profit	156 000	120 000
Operating expenses	74 880	54 000
Net profit	81 120	66 000

B.

EXTRACT FROM STATEMENT OF FINANCIAL POSITION		
	2023	2022
Owner's equity	550 000	500 000
Non-current assets	680 000	440 000
Current assets	490 000	570 000
Non-current liabilities	620 000	840 000
Current liabilities	220 200	200 200
Inventories	200 000	261 000
Cash and cash equivalents	165 000	124 000
Trade and other receivables	125 000	185 000

C.

FINANCIAL INDICATORS	2023	2022
% Mark up on cost	?	25%
% Operating expenses on sales	14.2%	9%
% Net profit on sales	?	11%
Current ratio	?	2,8 : 1
Acid test ratio	?	1,5: 1
% Return on average equity	?	12,8%
Interest rate on fixed deposit	9%	9%
Interest rates on loan	18%	18%

35**TOTAL: 150****END**

GRADE 10 ACCOUNTING FINANCIAL INDICATORS FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
Current Assets: Current Liabilities	Current Assets – Inventories: Current Liabilities	
(Trade and other receivables + Cash and cash equivalents): Current liabilities		
$\frac{\text{Net profit}}{\text{Owner's equity}} \times \frac{100}{1}$	Total assets: Total liabilities	