



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA



GRADE 10

**ACCOUNTING
PAPER 1**

MARKS: 150

TIME: 2 hours

This question paper consists of 10 pages and a 7-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use this if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 25marks; 20 minutes	
Topic of the question:	This question integrates:
Concepts Accounting Equation	GAAP Accounting Concepts Bookkeeping entries Accounting Equation

QUESTION 2: 45 marks;35minutes	
Topic of the question:	This question integrates:
Income Statement	Year-end adjustments Income Statement of a sole trader

QUESTION 3: 50 marks; 40 minutes	
Topic of the question:	This question integrates:
Balance Sheet and notes	Concepts Year-end adjustments Balance Sheet and notes

QUESTION 4: 30 marks; 25minutes	
Topic of the question:	This question integrates:
Concepts and Analysis and interpretation	Concepts Calculation of financial indicators Evaluation of financial indicators

QUESTION 1: CONCEPTS AND ANALYSIS OF TRANSACTIONS**(25 marks; 20 minutes)****1.1 GAAP PRINCIPLES**

Match the example in column A to the concept in column B. Write only the letter (A–D) next to the question number (1.1.1. – 1.1.4) in the ANSWER BOOK.

(4)

Example		Concepts	
1.1.1	A debtor who owes R1 270, was written off as a bad debt as he could not be traced.	A	Materiality
1.1.2	Interest on overdraft is not shown as part of bank charges.	B	Entity
1.1.3	An amount of R450, still due for telephone at the end of the financial year, will be added to telephone expense in the income statement for the current year.	C	Matching
1.1.4	The owner pays her personal cell phone account with a business cheque. She does not record the amount as an expense to the business.	D	Prudence

1.2 ANALYSIS OF TRANSACTIONS

The transactions appeared in the books of LeoStores. The business maintains a gross profit mark-up of 50% on cost.

REQUIRED:

Analyse the following transactions according to the headings provided in the ANSWER BOOK.

(21)

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

Example: The owner took goods for personal use, R500.

TRANSACTIONS:

- 1.2.1 Purchased trading stock on credit, R14 000 less 8% trade discount.
- 1.2.2 A debtor returned goods, cost R900, to the business.
- 1.2.3 Credit sales to U. Kabi. Invoice total, R6 000.
- 1.2.4 A creditor charged interest of R75 on the overdue account which Leo Stores had forgotten to pay on time.

QUESTION 2: INCOME STATEMENT (45 marks; 35 minutes)

The information is from the books of Andrews Traders. The financial year ended on 28 February 2023.

REQUIRED:

Prepare the Income Statement (Statement of Comprehensive Income) for Andrews Traders for the year ended 28 February 2023.

(45)

EXTRACT FROM THE TRIAL BALANCE ON 28 FEBRUARY 2023

	Debit	Credit
BALANCE SHEET SECTION		
Capital		865 500
Fixed Deposit: ABBA Bank (7% p.a.)	80 000	
Trading stock	123 400	
Bank	87 500	
Loan: FNB Bank (14% p.a.)		150 000
NOMINAL ACCOUNT SECTION		
Sales		1 280 000
Cost of sales	640 000	
Debtors allowances	12 400	
Rent income		154 900
Interest on fixed deposit		4 200
Discount received		3 100
Water and electricity	35 400	
Advertising	30 000	
Bad debts	11 300	
Salaries	184 000	
Telephone	17 500	
Stationery	23 200	
Insurance	44 000	
Interest on loan	14 000	
Discount allowed	3 800	
Bank charges	2 300	

Adjustments and additional information:

- A. No entry was made for a credit note issued to debtor, K. Lebona, for stock returned, R3 000 (cost of goods returned, R2 000).
- B. On the last day of the financial year, a physical stock taking revealed the following:
- Trading stock R119 000
 - Stationery R 1 400
- C. A debtor, R. Groenewald, who owes R800 must be written off as irrecoverable.
- D. The telephone account for February 2023 has been received but not yet paid, R2 200.
- E. An annual insurance premium of R7 200 was paid on 30 September 2022.
- F. The Fixed Deposit was invested on 1 March 2022 at ABBA Bank. The interest was received for 9 months only. Provide for the outstanding interest.
- G. The bank statement received on 28 February 2023 reflected the following:
- Bank charges - R 400
 - A EFT for R1 300 from debtor, J. Taylor, dishonoured due to insufficient funds. This EFT was received in settlement of his account of R1 600.
 - P Bezuidenhout, a debtor whose account was previously written off as irrecoverable, deposited R900 into the business bank account.
- H. A spare office has been rented out to a tenant since 1 March 2022. The tenant paid the March 2023 rent in advance, during February 2018. Note the rent was increased by R1 800 per month from 1 January 2023.
- I. The long term loan is repaid annually on 1 September with an instalment of R30 000. This amount has been properly recorded. Provide for interest owing at 14% p.a.
- J. Provide for depreciation of R47 500 for the year.
- K. An employee has been omitted from the Salaries Journal of February 2023. His details are as follows:

Gross Salary	Deductions	*Contributions	Net Salary
?	6 000	3 000	13 000

* Employer's contributions are recorded as Salaries and wages.

QUESTION 3: CONCEPTS AND NOTES TO THE BALANCE SHEET
(50 marks; 40 minutes)

3.1 Indicate whether the following statements are TRUE or FALSE.

- 3.1.1 Current assets include items that are expected to be converted into cash within one year.
- 3.1.2 Non-current liabilities contain debts that will be settled within one year.
- 3.1.3 Creditors for salaries and SARS(PAYE) will be shown under non-current assets.

(3)

3.2 VENUS STORES

You are provided with information the books of Venus Stores for the financial year ended 28 February 2023.

REQUIRED:

3.2.1 Prepare the following notes to the Balance Sheet (Statement of Financial Position) for the year ended 28 February 2023:

- Inventories (5)
- Trade and other receivables (5)
- Cash and cash equivalents (3)
- Capital (8)
- Trade and other payables (5)

3.2.2 Complete the Balance Sheet on 28 February 2023. (21)

INFORMATION**Extracted from the General Ledger on 28 February 2023.**

	R
Capital	1 030 000
Drawings	125 000
Loan from Star Bank	350 000
Fixed assets (carrying value on 28 February 2023)	1 191 200
Fixed deposit: Top Bank	120 000
Trading stock	310 000
Debtors control	48 700
Bank overdraft	64 700
Petty cash	1 200
Creditors for salaries	16 000
SARS – PAYE	3 200
Creditors control	74 800

ADDITIONAL INFORMATION:

- A. The owner of Venus Stores:
- Contributed R180 000 cash as additional capital on 31 July 2022 (this has been properly recorded)
 - Took stock for personal use at cost price, R11 000 (this has not been recorded).
- B. The following adjustments must be taken into account for the Balance Sheet:
- Amount owed for electricity, R3 900
 - Commission income received in advance, R15 000
 - An advertisement costing R14 000 will appear in the newspaper in March 2023. Payment was made and recorded in February 2023.
 - Packing material on hand at year-end per physical count, R7 300
 - Rent owed by tenant, R8 000
- C. The fixed assets include an amount of R182 000 paid to Ace Builders for building a storeroom (R150 000) and repairs to the roof of the shop (R32 000). The error must be corrected.
- D. R25 000 of the Fixed Deposit at Top Bank matures on 31 May 2023.
- E. A direct transfer of R15 000 was made from the bank account to settle the monthly repayment of the loan from Star Bank on 28 February 2023 but no entry has been made in the books.
- F. The net profit for the year amounts to R235 000 after all adjustments were taken in consideration.

QUESTION 4: INTERPRETATION OF FINANCIAL INFORMATION

(30 marks; 25 minutes)

The year-end of Mkhwanazi Suppliers was 28 February 2023. The owner is Rebecca Mkhwanazi. You are provided with extracts from the 2018 financial statements and financial indicators.

REQUIRED:

- 4.1 Refer to the table in **Information C**:
Calculate the missing financial indicators below.
- 4.1.1 The percentage operating expenses on sales (3)
- 4.1.2 Current ratio (3)
- 4.1.3 Acid-test ratio (4)
- 4.1.4 The percentage return on average equity (5)
- 4.2 Explain whether Rebecca should be happy with the solvency of the business. (3)
- 4.3 Explain why Rebecca should be happy with the liquidity of the business. Quote **TWO** financial indicators and their trends in this case. (4)
- 4.4 Rebecca has changed the mark-up % in 2023. Explain why Rebecca's decision was wrong. Quote figures to support your answer. (4)
- 4.5 Explain why Rebecca should be happy with the % return on equity. Quote **ONE** financial indicator and their trends in this case. (4)

INFORMATION:**MKHWANAZI SUPPLIERS****A.**

EXTRACTS FROM INCOME STATEMENT (STATEMENT OF COMPREHENSIVE INCOME) FOR YEAR ENDED 28 FEBRUARY		
	2023	2022
Sales	2 560 000	2 275 000
Cost of sales	1 600 000	1 300 000
Gross profit	960 000	975 000
Other operating income	80 000	60 000
Operating expenses	566 400	455 000
Operating profit	433 600	580 000
Interest income	45 000	55 000
Interest expense	55 000	38 000
Net profit	423 600	597 000

B.**EXTRACT FROM BALANCE SHEET**

(STATEMENT OF FINANCIAL POSITION) AS AT 28 FEBRUARY		
	2023	2022
Owner's equity	1 647 000	1 213 000
Non-current assets	1 660 000	1 150 000
Current assets	270 000	408 000
Non-current liabilities	175 000	209 000
Current liabilities	108 000	136 000
Fixed assets	1 300 000	700 000
Inventories	135 000	306 000
Investment in Fixed deposit	360 000	450 000
Cash and cash equivalents	58 000	40 000
Trade and other receivables	77 000	62 000

C.

FINANCIAL INDICATORS	2023	2022
Mark-up %	60,0 %	75,0%
Gross profit on sales	37,5 %	42,9 %
Operating expenses on sales	?	20%
Operating profit on sales	24,6 %	25,5 %
Net profit on sales	24,1 %	26,3 %
Solvency ratio	6,8 : 1	4,5 : 1
Current ratio	?	3,0 : 1
Acid-test ratio	?	0,75 : 1
% Return on average equity	?	27,2 %

TOTAL: 150 MARKS

GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
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	