

**GRADE 10****NOVEMBER 2006****NAME OF LEARNER: \_\_\_\_\_****ANSWER BOOK**

<b>QUESTION</b>	<b>MAX</b>	<b>PART-MARKS</b>	<b>FINAL MARKS</b>
<b>1</b>	<b>40</b>		
<b>2</b>	<b>50</b>		
<b>3</b>	<b>80</b>		
<b>4</b>	<b>70</b>		
<b>5 or 6</b>	<b>60</b>		
	<b>300</b>		

**QUESTION 1**

1.1

1.1.1	Explain why rent is regarded as a fixed cost and the plastic containers as a variable cost.	(4)
1.1.2	TWO examples of fixed costs and TWO examples of variable costs other than those mentioned in QUESTION 1.1.1.  Fixed costs:  Variable costs:	(4)
1.1.3	Calculate the total cost of producing 150 rugs including the cost of the containers.	(8)
1.1.4	Calculate what it costs Jossie to produce ONE rug including the cost of the container.	(4)

## 1.2

1.2.1	Calculate the number of rugs that appear to be missing.	(6)
1.2.2	In your opinion do the costs of the stall make it worthwhile for Jossie to continue selling her rugs at the beachfront? Explain briefly. What advice would you offer her?	(5)

## 1.3

1.3.1	Is Jossie correct in assuming that registering for VAT would increase her profit by R9,10 per rug. Explain.	(5)
1.3.2	Explain why many people feel that VAT is a fair system of taxation. Provide TWO points.	(4)

<b>Marks</b>
<b>40</b>



## 2.2

Date	Journal	Source Document	A	O	L
1	Cash Receipts Journal	Receipt/Deposit slip/ Electronic transfer advice	+R50 000	+R50 000	0

(15)

<b>Marks</b>
<b>50</b>

**QUESTION 3**

3.1

3.1.1	Explain the difference between the terms <i>gross salary</i> and <i>nett salary</i> .	(2)																								
3.1.2	Why do the security guards not appear in this journal?	(2)																								
3.1.3	<p>Complete Gary Mashego's payslip by filling in the missing figures and details:</p> <table border="1" data-bbox="370 730 1110 1079"> <tr> <td colspan="2"><b>PAYSLIP: GARY MASHEGO</b></td> <td>Date: Sept 2006</td> </tr> <tr> <td>Gross salary</td> <td></td> <td>12 500,00</td> </tr> <tr> <td>PAYE deduction</td> <td></td> <td>- 3 125,00</td> </tr> <tr> <td>Medical aid deduction</td> <td></td> <td>- 1 100,00</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td><b>NET SALARY</b></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>	<b>PAYSLIP: GARY MASHEGO</b>		Date: Sept 2006	Gross salary		12 500,00	PAYE deduction		- 3 125,00	Medical aid deduction		- 1 100,00							<b>NET SALARY</b>						(8)
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<b>NET SALARY</b>																										
3.1.4	Calculate the amount contributed by the employer in respect of the medical aid for Gary Mashego, for the entire year.	(4)																								
3.1.5																										
3.1.5.1	What is the minimum monthly salary on this scale?	(3)																								
3.1.5.2	How long will it take Sarah to advance to the next notch?	(2)																								
3.1.5.3	Calculate the % annual salary increase that she will receive in 2016 when she reaches her maximum salary.	(4)																								

3.2.1	Explain what is meant by: <ul style="list-style-type: none"><li>• Financial accounting</li>          <li>• Managerial accounting</li></ul>	(4)
3.2.2	Why is it important for Jack to prepare a cash budget for each financial year?	(3)
3.2.3	Jack also wants to prepare a Code of Business Ethics to be displayed in the office. Briefly explain why this is a good idea, and list THREE points that he should include in the code of ethics for this business.	(8)

3.2.4	Was it necessary for this business to take out a loan in 2006 and to budget for an increase in the loan in 2007? Explain briefly. Provide TWO reasons for your answer.	(5)
3.2.5	Gary is very happy that the salaries, wages and employer's contributions for 2006 have been well controlled. Identify THREE other operating expenses that were well controlled in the 2006 financial year, and quote figures to support your opinion.	(9)
3.2.6	Calculate the number of hours worked by each security guard in 2006:  Calculate the wages earned per hour.	(8)



**3.2.7 REPORT FOR JACK MASHEGO REGARDING WAGE INCREASES**

Points that would support Jack's opinion:

Points that the guards are likely to raise:

Points Jack should consider in redrafting the budget:

(18)

**Marks**

**80**

**QUESTION 4**

4.1	Explain what is meant by <i>GAAP</i> .	(2)																
4.2	There is an amount for Sundry Expenses, which contains 10 different items such as refreshments and newspapers, in the Trial Balance. Which GAAP principle is applied here? Name and explain the application of this principle.	(3)																
4.3	<p>Calculate the correct net profit taking into account the additional information.</p> <table border="1" data-bbox="410 993 1255 1493"> <tr> <td><b>Net profit per draft Income Statement</b></td> <td><b>112 604</b></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td><b>Correct net profit</b></td> <td></td> </tr> </table>	<b>Net profit per draft Income Statement</b>	<b>112 604</b>													<b>Correct net profit</b>		(10)
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<b>Correct net profit</b>																		

4.4

**CHRISTY CHETTY TRADING AS TRENDY SHOES  
NOTES TO THE BALANCE SHEET AT 30 SEPTEMBER 2006**

<b>Owner's equity (Capital)</b>	

(8)

<b>Trade and other payables (creditors)</b>	

(9)

4.5 See Balance Sheet on the next page.

4.6	Do you agree that land & buildings, vehicles and equipment should be shown at cost price in the financial statements? Explain.	
		(4)

4.5 **CHRISTY CHETTY TRADING AS TRENDY SHOES  
BALANCE SHEET AT 30 SEPTEMBER 2006**

<b>ASSETS</b>	
<b>Non-current assets</b>	
<b>Current assets</b>	
<b>TOTAL ASSETS</b>	
<b>EQUITY &amp; LIABILITIES</b>	
<b>Owner's equity</b>	
<b>Non-current liabilities</b>	
<b>Current liabilities</b>	
<b>TOTAL EQUITY &amp; LIABILITIES</b>	

(34)

4.6 See previous page.

<b>Marks</b>
<b>70</b>

**ANSWER EITHER QUESTION 5 OR QUESTION 6.  
DO NOT ANSWER BOTH QUESTIONS.**

**QUESTION 5**

5.1

	ANSWERS	COMPARISON
	2006	2005
<b>5.1.1 Gross profit on sales</b> Calculation:		37,5%
<b>Gross profit on cost of sales</b>	80%	60%
<b>Operating expenses on sales</b>	12,9%	20,8%
<b>5.1.2 Operating profit on sales</b> Calculation:		16,7%
<b>Net profit on sales</b>	33,3%	19,4
<b>5.1.3 Return on equity</b> Calculation:		11,2%
<b>Current ratio</b>	1,5:1	4:1
<b>5.1.4 Acid-test ratio</b> Calculation:		2,5:1
<b>5.1.5 Solvency ratio</b> Calculation:		11 : 1

(26)

5.2.1	Should she be satisfied with the operating profit and the control of the operating expenses? Explain.	(7)
5.2.2	Is the business able to pay off short-term debts without a problem?	(8)
5.2.3	Compare the mark-up in 2005 with the mark-up in 2006. How has the change in the mark-up affected the trading results of Malopo Curios? Has the change in the mark-up been a wise decision? Explain.	(7)

5.2.4	Is Cynthia earning a reasonable return on her investment? Explain.	(6)
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5.3	List THREE factors she should take into account when deciding how much stock to keep on hand.	(6)
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<b>Marks</b>
<b>60</b>

**QUESTION 6**

6.1

**LEDGER OF UMGABA FURNISHERS  
DEBTORS CONTROL**

2006 Jun					2006 Jun				

6.2

6.2.1	Name the document which supports the entry of R34 500 on the credit side.	(2)
6.2.2	Give ONE possible explanation for the entry of R500 on the credit side.	(2)
6.2.3	Creditors granted Umgaba Furnishers cash discount of R420 for early payment. How much was paid to them?	(2)
6.2.4	The creditors list on 30 June reflects a total of R12 200. What action should the bookkeeper take? Explain briefly.	(2)



6.2.5	Umgaba Furnishers is not happy with the quality of furniture it is getting from its suppliers. Provide a figure with an explanation to support this opinion.	(3)
6.2.6	The creditors are being paid too quickly. Explain briefly, quoting figures to support this opinion.	(3)

## 6.3

6.3.1	<p>Apart from Edgars, which company had the best results in the group?</p> <p>Which company reflected the most disappointing results in the group?</p>	(2)
6.3.2	According to this article, why did Edgars have disappointing trading results in the winter season last year?	(2)
6.3.3	Why does Edgars continue to sell cellphones if this product is low-margin?	(2)

6.3.4	Edcon appears to be happy with the fact that 84% of their debtors is current and able to buy. In your opinion, why does Edcon have good debtors when other businesses might battle to get their debtors to pay on time? Explain briefly.	(4)
6.3.5	According to the article, 80 000 judgments were issued in respect of bad debts nationwide. Assuming that 25% of these bad debts are Edcon customers, would this be a major concern for Edcon? Explain briefly quoting figures to support your opinion.	(7)

<b>Marks</b>
<b>60</b>

**TOTAL:**

<b>300</b>