

DEPARTMENT OF BUSINESS, COMMERCE & MANAGEMENT
ACCOUNTING
PAPER 1
GRADE: 10
NOVEMBER EXAMINATION 2018

INSTRUCTIONS AND INFORMATION

1. This question paper consists of 9 pages.
2. Answer ALL the questions.
3. A special ANSWER BOOK is provided, in which to answer ALL the questions.
4. Non – programmable calculators may be used.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Calculate to TWO decimal points, unless otherwise instructed.
7. Use the information below as a guide when answering the question paper.

QUESTION	TOPIC	LEARNERS MARK	TIME
1	AOL AND GAAP	30	25 MINUTES
2	INCOME STATEMENT	55	44 MINUTES
3	BALANCE SHEET AND NOTES	48	38 MINUTES
4	RATIOS	17	13 MINUTES
TOTAL		150	120

QUESTION ONE

(30 MARKS, 25 MINUTES)

ACCOUNTING EQUATION

The following transactions appeared in the books of Nemo Stores for the month of October 2018.

REQUIRED

Use the information below to complete the table provided in your answer book. (25)

NOTE: Bank has a favourable balance at all times.

EXAMPLE: Cashed a cheque for R2000 to pay for repairs.

NO.	ACCOUNT DEBIT	ACCOUNT CREDIT	AMOUNT	A=	OE +	L
Eg:	Repairs	Bank	R2000	-	-	0

INFORMATION

- 1.1.1 Paid from petty cash for carriage on goods purchased R100.
- 1.1.2 The business has a fixed deposit at Africa Bank of R150 000. Make provision for interest at 8% for 4months. Note: Interest in capitalized.
- 1.1.3 Issued a cheque to Star Traders in full settlement if our account of R15 000, a 5 % discount was received.
- 1.1.4 Received a loan from AB Bank of R250 000.

GAAP PRINCIPLES

Choose the correct GAAP principle from the list given for each of the following statements.

**Historical Cost; Prudence; Materiality; Business Entity;
Going Concern; Matching**

- 1.2.1 The financial statements is expected to report income and expenses in the most conservative or pessimistic manner.
- 1.2.2 The income earned and expenses incurred must be accounted for in the financial year to which they relate.
- 1.2.3 The assets should be recorded at the price at which they were bought and not at any future expected value.
- 1.2.4 The financial statements must be drawn up with the view that it will continue to operate for some time in the future.
- 1.2.5 Information that is important should be disclosed separately while less important transactions can be added together as sundry items.

(5)

QUESTION 2**(55 MARKS; 44 MINUTES)****INCOME STATEMENT**

You are provided with the Pre-adjustments Trial Balance of Woodview Traders for the year ended 28 February 2018. The business sells electrical appliances and uses a mark-up of 50% on cost.

REQUIRED

After taking into account the adjustments and additional information, you are to prepare the Income Statement in the books of Woodview Traders.

INFORMATION:**WOODVIEW TRADERS****PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2018**

BALANCE SHEET ACCOUNTS SECTION	DR	CR
Capital		380 000
Drawings	33 500	
Land and Buildings	300 000	
Equipment	24 000	
Vehicles	170 000	
Accumulated depreciation on equipment		18 000
Accumulated depreciation on vehicles		30 000
Fixed deposit: ABSA (6% p.a)	50 000	
Loan: FNB (1 March 2017)		40 000
Trading stock	21 000	
Debtors Control	48 750	
Petty Cash	400	
Cash Float	250	
Deposit on water and electricity	500	
Bank		11 450
Creditors Control		25 750
SARS – PAYE		5 050
Medical Aid Fund		3 000

NOMINAL ACCOUNTS SECTION		
Sales		246 000
Cost of sales	100 400	
Debtors Allowances	6 000	
Rent income		67 000
Commission income		2 300
Interest on fixed deposit		1 750
Discount received		630
Salaries	22 000	
Bad Debts	1 350	
Packing material	6 000	
Insurance	5 000	
Bank charges	3 000	
Water & electricity	13 400	
Advertising	2 800	
Stationery	980	
Interest on overdraft	1 500	
Motor vehicle expenses	20 100	
	830 930	830 930

ADDITIONAL INFORMATION AND ADJUSTMENTS

- A. The water & electricity account of R2 000 for February 2018 is still outstanding.
- B. An amount of R1 250 in respect of interest on fixed deposit was not yet received.
- C. A debtor, J Mabuso, cannot be traced. His account of R750 must be written off.
- D. No entries were made for damaged goods returned by a debtor for R600. Note: Goods were marked at 50% on cost.
- E. The physical stock taking at the end of the financial year revealed the following:
- Trading Stock R20 300
 - Packing Material R 900
- F. The following entries appeared on the February Bank Statement but had not yet been recorded in the books of Woodview Traders:
- Service Fees R180
 - Cash deposit fees R220
 - Interest on overdraft R200
- G. Insurance included an annual premium of R2 400 paid for the period 1 July 2017 to 30 June 2018.
- H. The rent income was increased by R5 00 per month from 1 December 2017. The tenant has paid the rent for March 2018.
- I. Make provision for interest on loan of R8 000 for the year.

J. TANGIBLE ASSETS

Provide for depreciation as follows:

- On equipment at 10% p.a. on the diminishing balance method.
- On vehicles at 20% p.a. on cost. NOTE: a new vehicle costing R100 000 was purchased on 1 September 2017. The purchase of the new vehicle was properly recorded.

QUESTION 3

(48 MARKS; 38 MINUTES)

BALANCE SHEET AND NOTES

You are provided with information relating to Truwear Traders. The business sells clothing and is owned by T. Naidoo. The financial year ends on 30 June 2018.

REQUIRED

3.1 Prepare the following notes to the financial statements:

3.1.1 Cash and cash equivalents (12)

3.1.2 Owners equity (15)

3.2 Prepare the Balance Sheet as at 30 June 2018. Show workings in brackets where notes are not required. (21)

INFORMATION**POST-ADJUSTMENT TRIAL BALANCE OF TRUWEAR TRADERS ON
30 JUNE 2018**

BALANCE SHEET ACCOUNTS SECTION	DEBIT	CREDIT
Capital		450 000
Drawings	120 000	
Tangible Assets (Carrying value)	428 050	
Fixed deposit: PTA Bank	300 000	
Debtors Control	42 000	
Creditors Control		55 200
Trading Stock	48 760	
Bank	36 400	
Petty Cash	3 000	
Cash Float	1 500	
Mortgage Loan: Africa Bank		85 000
Accrued Expense		11 000
Prepaid Expense	4 000	
Accrued income	7 500	
Deferred income		5 800
Consumable stores on hand	2 800	
SARS – PAYE		4 320
Medical aid fund		1 250
Creditors for salaries		120 300

ADDITIONAL INFORMATION

- A. The net profit was correctly calculated at R259 140, after taking into account all the adjustments below.
- B. 40% of the Fixed Deposit with PTA Bank matures on 31 August 2018.
- C. The loan agreement with Africa Bank stipulates that the loan must be repaid monthly instalments of R2 000. All repayments for the year have been recorded.
- D. The owner took three shirts on 25 June 2018, costing R120 each and R500 from petty cash for himself. This has not been recorded.

E. The owner contributed trading stock with a selling price of R100 000 as additional capital. A mark-up of 100% is used at all times. This has already been recorded.

F. R3 000 was received from the estate of debtor R. Moodley as 60% of his Outstanding account. This has been recorded. As he has been declared Insolvent, the remainder of the debt is to be written off as irrecoverable.

QUESTION 4

(17 MARKS; 13 MINUTES)

INTERPRETATION OF FINANCIAL INFORMATION

REQUIRED

4.1 Choose the term from column B that matches the description in column A. Write down only the letter next to the question number.

COLUMN A	COLUMN B
4.1.1 Indicates the extent to which a business can pay of its immediate debts.	A Return on equity
4.1.2 Indicates whether a business will be able to pay off all its debts.	B Liquidity
4.1.3 Indicates the benefit that the owners receive from their investment in the business.	C Solvency

(3)

4.2 Use the information provided below to calculate the following indicators for the year ended 28 February 2018. All calculations must be shown to 2 decimal place.

INFORMATION

EXTRACT FROM THE BALANCE SHEET ON 28 FEBRUARY 2018

	28 FEBRUARY 2018
Sales	1 700 000
Cost of sales	900 000
Current assets including inventories	310 000
Inventories	140 000
Current Liabilities	150 000
Non-Current Liabilities	370 000
Net Profit for the year	580 000
Non-Current Assets	1 200 000
Owners equity beginning of year	1 400 000
Owners equity end of year	1 550 000

- 4.2.1 Mark-up achieved (5)
- 4.2.2 Current Ratio (3)
- 4.2.3 Acid Test Ratio (3)
- 4.2.4 Solvency Ratio (3)

TOTAL: 150 MARKS

GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
<p align="center">Current assets : Current liabilities</p>	<p align="center">(Current assets – Inventories) : Current liabilities</p>	
<p align="center">(Trade and other receivables + Cash and cash equivalents) : Current liabilities</p>		
$\frac{\text{Net profit}}{\text{Owner's equity}} \times \frac{100}{1}$	<p align="center">Total assets : Total liabilities</p>	