

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2018
GRADE 10**

**ACCOUNTING
PAPER 1
MARKING GUIDELINES**

7 pages

QUESTION 1: ANALYSIS OF TRANSACTIONS

	General Ledger		Amount	Equation		
	A/c Dr	A/c Cr		A	O	L
E.g.	Stationery	Bank	R800	-	-	0
1.1	Trading Stock✓	Creditors' Control✓	✓✓R31 500	+✓	0	+✓
1.2	Bank✓	Sales✓	✓R14 355	+✓	+✓	0
	Cost of Sales✓	Trading Stock✓	✓✓R8 700	-✓	-✓	0
1.3	Debtors' Control✓	Fee Income✓	✓R350	+✓	+✓	0

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QUESTION 2: CONCEPTS AND DEBTORS' LEDGER

2.1 CONCEPTS

2.1.1	C	✓	2.1.3	B	✓
2.1.2	D	✓	2.1.4	A	✓

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2.2 DEBTORS' LEDGER

M. Smart					DL 1
Date	Details	Debit	Credit	Balance	
01	Balance			✓7 000	
05	Invoice No. 101	5 000✓		12 000	
10	Receipt No. 4002		✓6 800	5 200	
	Receipt No. 4002 (Discount Allowed)		✓200	5 000	
15	Credit Note No. 12		✓900	4 100	
20	Dishonoured Cheque / Bank debit note	6 800✓		10 900	
	Discount cancelled / Journal voucher	200✓		11 100	
25	Interest income / Journal voucher	140✓✓		✓✓11 240	

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QUESTION 3: INCOME STATEMENT

ROMEO TRADERS		
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018		
Sales (625 850 – 17 850✓ + 4 500✓ – 15 000✓✓)	5	<input checked="" type="checkbox"/> 597 500
Cost of Sales (309 000 ✓ + 2 250✓✓ – 7 500✓)	5	<input checked="" type="checkbox"/> (303 750)
GROSS PROFIT	1	<input checked="" type="checkbox"/> 293 750
OPERATING INCOME	1	<input checked="" type="checkbox"/> 28 660
Discount received		9 000
Rent Income (22 200✓ – 3 300 ✓✓)	4	<input checked="" type="checkbox"/> 18 900
Bad Debts Recovered	1	✓ 760
GROSS OPERATING INCOME	1	<input checked="" type="checkbox"/> 322 410
OPERATING EXPENSES	1	<input checked="" type="checkbox"/> (214 090)
Discount Allowed		1 800
Salaries and wages		120 900
Advertising	2	✓✓ 2 800
Bad Debts	2	✓✓ 5 935
Bank Charges	2	✓✓ 2 680
Insurance (16 000✓ – 1 050✓✓)	4	<input checked="" type="checkbox"/> 14 950
Telephone	1	✓ 4 425
Stationery (1 800 ✓ + 300✓ – 800✓)	4	<input checked="" type="checkbox"/> 1 300
Sundry Expenses	1	✓ 3 400
Water and Electricity	2	✓✓ 25 300
Trading Stock Deficit (38 000 ✓ – 2 250✓ + 7 500 ✓ – 5 200✓ – 29 000✓)	6	<input checked="" type="checkbox"/> 9 050
Donations	1	✓ 5 200
Depreciation	1	✓ 16 350
OPERATING PROFIT	1	<input checked="" type="checkbox"/> 108 320
Interest Income (5 000✓ + 1 300✓)	3	<input checked="" type="checkbox"/> 6 300
PROFIT BEFORE INTEREST EXPENSE	1	<input checked="" type="checkbox"/> 114 620
Interest Expense	1	✓ (11 000)
NET PROFIT	1	<input checked="" type="checkbox"/> 103 620

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QUESTION 4: CONCEPTS, NOTES AND BALANCE SHEET

4.1 CONCEPTS

4.1.1	False ✓	Accept abbreviations for T or F
4.1.2	True ✓	
4.1.3	True ✓	
4.1.4	False ✓	

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4.2 NOTES AND BALANCE SHEET

4.2.1

(a) OWNERS' EQUITY		
Balance @ the beginning of the year	1	<input checked="" type="checkbox"/> 195 630
Net profit for the year	1	✓ 397 695
Additional capital contributed	1	✓ 70 000
Drawings	1	✓ (25 000)
Balance @ the end of the year		638 325

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(b) TRADE AND OTHER PAYABLES		
Trade Creditors (23 400✓ + 900✓)	3	<input checked="" type="checkbox"/> 24 300
Accrued Expenses	1	✓ 2 300
Income Received in Advance	1	✓ 4 700
PAYE	1	✓ 3 500
Pension Fund (1 500✓ + 1 125✓)	4	<input checked="" type="checkbox"/> 2 625
Medical Aid (2 000✓ + 3 000✓✓)	4	<input checked="" type="checkbox"/> 5 000
Unemployment Insurance Fund (150✓ + 150✓)	3	<input checked="" type="checkbox"/> 300
Creditors for Salaries	1	✓ 7 850
	1	<input checked="" type="checkbox"/> 50 575

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4.2.2

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BALANCE SHEET		
BABA DEALERS		
EQUITY AND LIABILITIES SECTION: FEBRUARY 2018		
Owner's Equity	check 4.2.1	1 <input checked="" type="checkbox"/> 638 325
NON-CURRENT LIABILITIES		32 000
Loan : BNB (46 000✓✓ – 14 000✓)		4 <input checked="" type="checkbox"/> 32 000
CURRENT LIABILITIES		1 <input checked="" type="checkbox"/> 93 575
Trade and Other Payables	check 4.2.2	1 <input checked="" type="checkbox"/> 50 575
Bank Overdraft		1 ✓29 000
Short Term / Current Portion of Loan	Check non – current liabilities	1 <input checked="" type="checkbox"/> 14 000
TOTAL EQUITY AND LIABILITIES	Check operation	1 <input checked="" type="checkbox"/> 763 900

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QUESTION 5: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

5.1 Calculate the Current Ratio for 2018.

$$35\,200\checkmark + 47\,000\checkmark + 13\,000\checkmark : 21\,000\checkmark$$

$$95\,200^* : 21\,000$$

$$= 4,5 : 1 \quad \checkmark \quad \text{One part must be correct}$$

*If R95 200, award 3 marks

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5.2 Calculate the Acid-Test Ratio for 2018.

$$47\,000\checkmark + 13\,000\checkmark : 21\,000\checkmark$$

$$60\,000^* : 21\,000$$

$$= 2,9 : 1 \quad \checkmark \quad \text{One part must be correct}$$

*If R60 000, award 2 marks

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5.3 Comment on whether the business is able to meet its short term debts.
Quote figures.

Financial indicator ✓ Trend and figures ✓ (x2)

- The current ratio improved from 2,9 : 1 in 2017 to 4,5 : 1 in 2018.
- The acid-test ratio improved from 1,2 : 1 in 2017 to 2,9 : 1 in 2018

Allocate one mark for the response below:

- Liquidity has improved. The business is able to meet its short-term debts.

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5.4 Calculate the percentage on operating expenses for 2018. Comment on the control of expenses. Use figures to support your answer.

$$\frac{146\,260 \checkmark}{760\,000 \checkmark} \times 100$$

= 19,2% *One part must be correct*

Operating expenses on sales improved from 27, 2% in 2017 to 19, 2% in 2018. ✓✓

OR

Although there is an improvement, expenses are still too high at 19.2%

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5.5 Use the figures provided to calculate the return on average Owners Equity for 2018. Should Simona be satisfied with the rate of return?

$$\frac{61\,900}{\frac{1}{2}(390\,000 + 420\,000)} \times 100$$

$$\frac{61\,900 \checkmark}{405\,000 \checkmark \checkmark} \times 100$$

= 15,3% *One part must be correct*

No. ✓ The return has dropped significantly from 25,5% in 2017 to 15,3% in 2018. ✓✓

OR

Yes. ✓ The return is still higher than other investments that earn 9% ✓✓

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TOTAL

150

150