

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2017
GRADE 10**

**ACCOUNTING
MEMORANDUM**

11 pages

QUESTION 1
TRANSACTION ANALYSIS

44 MARKS

No.	Source document	General Ledger		Accounting equation		
		Account debited	Account credited	A	OE	L
1	Cheque counterfoil✓	Wages✓	Bank✓	-2 400✓	-2 400✓	0
2	Petty cash voucher✓	Trading stock✓	Petty cash✓	+380✓ -380✓	0	0
3	Duplicate invoice✓	Debtors' control✓	Sales✓	+2 700✓	+2 700✓	0
		Cost of sales✓	Trading stock✓	-1 500✓☑	-1 500✓☑	0
4	Original invoice✓	Equipment✓	Creditors' control✓	+9 180✓☑	0	+9 180✓☑
5	Journal voucher✓	Debtors' control✓	Interest income*✓	+70✓☑	+70✓☑	0
6	Duplicate receipt✓	Bank✓	Debtors' control✓	+1 800✓ -1 800✓	0	0
		Discount allowed✓	Debtors' control✓	-30✓	-30✓	0

*or Interest on overdue debtors

☑ Any amount, but the sign must be correct

QUESTION 2

40 MARKS

DEBTORS' RECONCILIATION

GENERAL LEDGER OF SOHO TRADERS

BALANCE SHEET ACCOUNTS SECTION

Dr						DEBTORS' CONTROL						Cr	
Sep	1	Balance [21 370✓ – 530✓]	b/d	20 840	00☑	Sep	30	Bank and discount allowed	CRJ	24 380	00✓		
	30	Sales	DJ	31 920	00✓			Debtors' allowances ✓ [980✓ + 160✓]	DAJ	1 140	00☑		
		Bank (R/D) ✓	CPJ	600	00✓			Journal credits	GJ	580	00✓		
		Journal debits (820✓ + 800✓✓)	GJ	1 620	00☑			Balance	c/d	29 000	00		
		Petty cash ✓	PCJ	120	00✓								
				55 100	00					55 100	00		
Oct	1	Balance	b/d	29 000	00☑								

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List of debtors at 30 September 2017

DEBTOR	Debit	
S Cronje	6 500	00
P Diane [7480✓ – 200✓✓✓]	7 280	00☑
G Tloubatla [5 340✓ + 120✓]	5 460	00☑
M Shumi [1 890✓ – 90✓✓]	1 800	00☑
R Coetzee	6 760	00✓
P Moila [-800✓ + 800✓]	0	00☑
T Kgaka [*1800✓ – 300✓ – 300✓]	1 200	00☑
	29 000	00☑

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OR [*1800✓ – 600✓✓]

QUESTION 3

88 MARKS

INCOME STATEMENT AND NOTES

SAMANTHA DISTRIBUTORS			
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017			
Sales (875 000✓ – 12 600✓ – 1 500✓)	one part must be correct	4	860 900☑
Cost of Sales (500 000✓ – 1 200✓)	one part must be correct	3	(498 800)☑
GROSS PROFIT	check operation	1	362 100☑
OPERATING INCOME	check operation	1	44 810☑
Discount Received			9 280
Rent Income (37 570✓ – 2 890✓✓)	one part must be correct	4	34 680☑
Bad Debts Recovered✓		2	850✓
GROSS OPERATING INCOME		1	406 910☑
OPERATING EXPENSES	check operation	1	(175 950)☑
Discount Allowed (800✓ – 80✓✓)	one part must be correct	4	720☑
Salaries and wages (96 750✓ + 10 000✓)	one part must be correct	3	106 750☑
Bad Debts (5 200✓ + 720✓✓)	one part must be correct	4	5 920☑
Bank Charges (1 210✓ + 240✓✓)	one part must be correct	4	1 450☑
Insurance (9 800✓ – 750✓✓)	one part must be correct	4	9 050☑
Telephone (12 560✓ + 1 000✓)	one part must be correct	3	13 560☑
Stationery✓ (10 800✓ – 800✓)	one part must be correct	4	10 000☑
Water and Electricity✓		2	14 200✓
Sundry expenses✓		2	5 400✓
<u>Trading Stock</u> Deficit ✓ (16 300✓ + 1 200✓ – 3 000✓ – 12 000✓)	one part must be correct	6	2 500☑
Donation✓		2	3 000✓
Depreciation✓		2	3 400✓
OPERATING PROFIT	check operation	1	230 960☑
Interest Income✓ (2 000✓✓ + 150✓)	one part must be correct	5	2 150☑
PROFIT BEFORE INTEREST EXPENSE	check operation	1	233 110☑
Interest Expense			(13 500)
NET PROFIT	check operation	1	219 610☑

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TRADE AND OTHER RECEIVABLES		
Trade Debtors (20 720✓ – 1 500✓✓ – 480✓ – 720✓ + 1 200✓ + 80✓) one part must be correct OR -1 200✓✓	8	19 300✓
Prepaid Expenses	1	750✓
Accrued Income	1	2 000✓
One part correct	1	22 050✓

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TRADE AND OTHER PAYABLES		
Trade Creditors		45 000
Income Received in Advance / Deferred Income	1	2 890✓
Accrued Expenses	1	1 000✓
SARS - PAYE	1	1 800✓
Pension Fund	2	750✓✓
Medical Aid	1	720✓
Unemployment Insurance Fund	2	100✓✓
Creditors for Salaries [✓ Any figure less than R10 000]	3	6 630✓✓✓
One part correct	1	58 890✓

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QUESTION 4

38 MARKS

TANGIBLE ASSETS

4.1 Total Depreciation on Vehicles	Answer
OLD $190\,000 \times 15\% \times 12/12 = 28\,500$ ✓✓	
NEW $160\,000 \times 15\% \times 9/12 = 18\,000$ ✓✓	one part must be correct 46 500☑

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4.2 Total Depreciation on Equipment	Answer
OLD $56\,000 - 5\,600 \times 10\% \times 12/12 = 5\,040$ ✓✓	
NEW $30\,000 \times 10\% \times 4/12 = 1\,000$ ✓✓	one part must be correct 6 040☑

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4.3 NOTE 3 : FIXED / TANGIBLE ASSETS			
	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value @ the beginning of the year	240 000	161 500	50 400
Cost	240 000✓	190 000✓	56 000✓
Accumulated Depreciation		(28 500) ✓	(5 600) ✓
MOVEMENTS			
Additions at cost	50 000✓	160 000✓	30 000✓
Depreciation		See 4.1. (46 500) ☑	See 4.2 (6 040) ☑
Carrying value @ the end of the year	290 000☑	275 000☑	74 360☑
Cost	290 000✓	350 000✓✓	86 000✓✓
Accumulated Depreciation		(75 000) ☑	(11 640) ☑

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4.4.1	Indicate the amount that will be recorded in the financial statements on 30 June 2017	(2)
R290 000✓✓		

4.4.2	Name the GAAP principle that is applicable to Question 4.4.1	(2)
Historical Cost Principle✓✓		

4.5	State TWO internal control measures that the owner can put in place to reduce the misuse of the delivery vehicle by the driver.	(4)
Any two valid points ✓✓ ✓✓ (any 2 x 2 = 4)		
<ul style="list-style-type: none">• Install a tracking device.• Explain the code of conduct to employee(s) and the procedures applicable if the vehicles are misused.• The driver must complete a logbook of all kilometres travelled.		

QUESTION 5
BALANCE SHEET

30 MARKS

LIVINGSTONE SUPPLIERS		
BALANCE SHEET AT 28 FEBRUARY 2017		
ASSETS		
Non-Current Assets	check the operation	1
Fixed / Tangible Asset		982 180☑
Financial Assets (60 000✓ – 25 000✓)		947 180
		35 000☑
Current Assets	check the operation	1
Inventories (72 400✓ + 2 820✓)	one part must be correct	3
Trade and other receivables (14 800✓ + 3 400✓ + 3 900✓)	one part must be correct	4
Cash and Cash equivalents (34 100✓ + 2 500✓ + 1 000✓ + 25 000✓✓)	one part must be correct	6
		159 920☑
		75 220☑
		22 100☑
		62 600☑
TOTAL ASSETS	check the operation	1
		*1 142 100☑
EQUITY AND LIABILITIES		630 800
Non-Current Liabilities		339 200
Loan: SA Bank (440 000✓ – 100 800✓)		3
		339 200☑
Current Liabilities	check the operation	1
Trade and other payables (48 900✓ + 4 100✓ + 6000✓ + 12 300✓)	one part must be correct	5
Current portion of loan		1
		172 100☑
		71 300☑
		100 800☑
TOTAL EQUITY AND LIABILITIES	check the operation	1
		1 142 100☑

*Get method mark if total assets is the same as equity and liabilities

QUESTION 6

40 MARKS

6.1 CONCEPTS

[6]

The information provided below is incorrect, use the table provided to reclassify.		
Liquidity	Profitability	Return
Acid test ratio ✓	Net profit on sales ✓	Return on equity ✓
Current ratio ✓	Operating expenses on sales ✓	
	Gross profit on sales ✓	

6.2 ANALYSIS AND INTERPRETATION

6.2.1	Calculate Mark-up %	(3)
$\frac{585\,000 \checkmark}{900\,000 \checkmark} \times 100$ $= 65\% \checkmark$		

6.2.2	Comment on the change in the Mark-up	(2)
<p>Trend ✓ figures ✓</p> <p>The mark up % dropped from 70.4% in 2016 to 65% in 2017.</p>		

6.2.3	Calculate % Operating Expenses on Sales for 2017.	(3)
$\frac{440\,000 \checkmark}{1\,485\,000 \checkmark} \times 100$ $= 29,6\% \checkmark$ <p>Accept 30%</p>		

6.2.4	Should the owner be satisfied with the % operating expenses on sales?	(3)
<p>Trend ✓ figures ✓</p> <p>Yes ✓</p> <p>The % operating expenses on sales decreased from 36.5 % in 2016 to 29,7% in 2017.</p> <p>OR</p> <p>This implies that expenses were better controlled in 2017. ✓</p> <p>(2 marks if figures are quoted)</p>		

6.2.5	Calculate the Solvency Ratio for 2017.	(4)
$1\ 352\ 600\checkmark : 342\ 000\checkmark\checkmark$ $= 3,95 : 1\ \checkmark$		

6.2.6	Calculate the Current Ratio for 2017.	(3)
$237\ 000\checkmark : 162\ 000\checkmark$ $= 1,46 : 1\ \checkmark$		

6.2.7	Calculate the Acid Test Ratio for 2017.	(4)
$\frac{237\ 000\checkmark - 140\ 000\checkmark}{97\ 000} : 162\ 000\checkmark$ $= 0,6 : 1\ \checkmark$		

6.2.8	Comment on the liquidity of the business.	4
Indicator ✓ Trend and figures ✓ (2x2) <p>The current ratio improved from 1,3 : 1 in 2016 to 1,46 :1 in 2017.</p> <p>The acid test ratio improved from 0.4 :1 in 2016 to 0.6 : 1 in 2017.</p>		

6.2.9	Calculate % Return on Equity for 2017.	5
$\frac{198\ 600\checkmark}{\frac{1}{2}\checkmark(902\ 000\checkmark + 1\ 010\ 600\checkmark)} \times 100$ $\frac{198\ 600\checkmark}{956\ 300}$ $= 20,8\%\checkmark$		

6.2.10	Comment on the return on equity. Should the owner be satisfied with the return?	3
Trend ✓ figures ✓ Yes ✓ The return has improved from 13,2% in 2016 to 20,8% in 2017. OR This return is higher than alternative investments ✓ of 11% ✓		

QUESTION 7**7.1 VAT**

7.1.1	Indirect	✓
7.1.2	14 %	✓
7.1.3	Output	✓
7.1.4	Zero-rated	✓
7.1.5	Exempt	✓
7.1.6	Input	✓
7.1.7	R1 000 000	✓
7.1.8	SARS	✓

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7.2 Manufacturing

7.2.1	E	✓
7.2.2	D	✓
7.2.3	B	✓
7.2.4	A	✓
7.2.5	F	✓
7.2.6	C	✓

[6]

7.3 Budgets

7.3.1	TRUE	✓
7.3.2	FALSE	✓
7.3.3	FALSE	✓
7.3.4	TRUE	✓
7.3.5	FALSE	✓
7.3.6	TRUE	✓

[6]