

**PROVINCIAL EXAMINATION**  
**NOVEMBER 2022**  
**GRADE 10**

**ACCOUNTING**  
**(PAPER 1)**

**TIME: 2 hours**

**MARKS: 150**

**9 pages + 1 formula sheet and an answer book of 9 pages**

**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 it if necessary.
4. Show ALL workings in order 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	TOPIC	MARKS	TIME ALLOCATED
1	Statement of Comprehensive Income	60	48
2	Concepts and Statement of Financial Position	45	36
3	Concepts, Analysis and Interpretation of Financial Statements	45	36
	<b>TOTAL</b>	<b>150</b>	<b>120 minutes</b>

**QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME****(60 marks; 48 minutes)****GB FASHION HOUSE**

The following information was taken from the records of GB Fashion House on 28 February 2022, the last day of the financial year. The company uses a mark-up of 60% on cost price.

**REQUIRED:**

- 1.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ending 28 February 2022. (56)
- 1.2 Complete the following note to the Financial Statements: Inventory (4)

**INFORMATION:****1. Extract from Pre- adjustment Trial Balance on 28 February 2022**

<b>Balance Sheet Accounts</b>	
Capital (1 March 2021)	590 572
Drawings	45 000
Trading stock	57 000
Fixed Deposit : Finbank @ 12% p.a.	40 000
Debtors' control	33 160
Bank (favourable)	4 600
Cash float	600
Loan: Finbank (18% p.a.)	100 000
<b>Nominal Accounts</b>	
Sales	947 360
Cost of sales	520 000
Debtors' allowance	1 250
Rent income	32 760
Water and electricity	5 990
Telephone	7 848
Discount allowed	500
Bad debts	5 288
Advertising	23 600
Discount received	1 690
Insurance	9 600
Stationery	4 680
Interest on fixed deposit	3 600
Packing material	5 112
Salaries	96 000
Interest on loan	6 600

**2. ADJUSTMENTS AND ADDITIONAL INFORMATION**

- (a) Rent was received and recorded till March 2022.
- (b) A debtor, N. Valodia, returned stock with a cost price of R1 150. No entry has been made.
- (c) F. Whittington, a debtor, whose account had previously been written-off as irrecoverable, paid R640 by EFT. The bookkeeper recorded the entry as follows:

**Debit    Bank    R640                    Credit    Debtors' control    R640**

- (d) The owner took stock with a selling price of R880 for personal use, but this was omitted from the accounting records.
- (e) A physical stock count on 28 February 2022 revealed the following on hand:
  - Trading stock, R54 300
  - Stationery, R342
- (f) Advertising includes an amount for a six-month advertising contract. The advert runs from the 1 January 2022 until 30 June 2022 and is fixed at a monthly fee of R4 175.
- (g) The telephone account for February 2022 has not yet been paid, R710.
- (h) A debtor, D. Gracie, who owed R1 355 was declared insolvent. A dividend of 60 cents to the rand was received and recorded. Write-off the remaining debt as irrecoverable.
- (i) N. Ehrke, a debtor who owes R900 for the last four months, must be charged 8% p.a. interest on his overdue account.
- (j) The loan is repaid in annual instalments of R10 000 on 1 July and all payments have been made and recorded. Calculate the outstanding interest.

**NOTE:** Interest on loan is not capitalised.

- (k) Depreciation of R111 520 must still be provided for.
- (l) The following details of a new employee, D. Phiri, were omitted from the Salaries Journal for February 2022.

<b>GROSS SALARY</b>	<b>R20 000</b>
Deductions	
• P.A.Y.E.	15% of gross salary
• U.I.F.	1% of gross salary
• Pension fund	R2 650

**NOTE:**

- The company contributes 4% of employees' gross salary to the pension fund and to U.I.F. on a rand for rand basis.
- Employer's contribution is included in the Salaries Account.

**QUESTION 2: CONCEPTS AND STATEMENT OF FINANCIAL POSITION**

**(45 marks; 36 minutes)**

**2.1 CONCEPTS**

Match COLUMN A with COLUMN B. Write only the letters (A – F) next to the question numbers (2.1.1 – 2.1.5) in your ANSWER BOOK.

<b>COLUMN A</b>		<b>COLUMN B</b>	
2.1.1	Historical cost principle	<b>A</b>	Owner's net investment in the business
2.1.2	Owner's equity	<b>B</b>	Fixed assets purchased are recorded at their cost price
2.1.3	Prudence principle	<b>C</b>	A payment made to the South African Revenue Service
2.1.4	Bank overdraft	<b>D</b>	Financial statements are prepared in a conservative manner
2.1.5	PAYE	<b>E</b>	When more money is withdrawn than is available
		<b>F</b>	Classified as a non-current liability

(5)

## 2.2 ACE STORES

You are provided with information relating to Ace Stores for the financial year ending 30 June 2022. The business is owned by Ace Nkosi.

### REQUIRED:

2.2.1 Prepare the Trade and Other Payables Note (6)

2.2.2 Prepare the Statement of Financial Position as at 30 June 2022 (34)

### INFORMATION:

#### Extract from the Trial Balance on 30 June 2022

Capital	525 000
Drawings	32 000
Fixed Assets at carrying value	?
Fixed Deposit: <b>Allied Bank (See information C)</b>	?
Loan: Gwede Bank ( <b>See information E</b> )	?
Trading stock	99 500
Debtors' control	68 000
Creditors' control	23 000
Bank overdraft	30 000
Petty cash	5 000
Cash float	1 500
Consumable stores on hand	550
Accrued expenses	3 200
Income received in advance	10 000
Prepaid expenses	6 800

**Additional information and adjustments**

- A** Net profit for the year of R172 000 has not been taken into account.
- B** Transfer a credit balance of R5 500 in the Debtors' Ledger to the Creditors' Ledger.
- C** The financial assets of R23 250 at Allied Bank consist of the following:
- A fixed deposit of R8 000 that will mature on 31 August 2022.
- D** Goods to the value of R1 500 was donated to a local orphanage. The entry was correctly reflected in the Income Statement. No other entries were made.
- E** The loan statement received from Gwede Bank was as follows:

Balance on 1 July 2021	350 000
Repayments for the year (including interest)	18 000
Interest capitalised	12 000
Balance on 30 June 2022	?

The repayments of the capital portion of the loan will remain constant in the next financial year.

**QUESTION 3: CONCEPTS, ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS**  
**(45 marks; 36 minutes)**

**3.1** Indicate whether the following statements are TRUE or FALSE. Write only the words 'true' or 'false' next to the question numbers (3.1.1 – 3.1.6) in the ANSWER BOOK.

- 3.1.1 When the total assets of a business exceed its total liabilities, the business is considered insolvent.
- 3.1.2 Businesses should always aim to keep their operating expenses as a percentage of turnover as high as possible.
- 3.1.3 The percentage return on owner's equity indicates the owner's return on his investment.
- 3.1.4 The profitability indicates how efficient a business is.
- 3.1.5 The main reason why operating profit decreases is interest income.
- 3.1.6 Gross profit on cost of sales is calculated to verify mark-up. (6)

**NAIDOO SUPPLIERS**

Naidoo Suppliers is a business that provides cleaning supplies to various customers. The business is owned by Valen Naidoo. The financial year ends on 28 February.

**INFORMATION:****Extract from the Trial Balance on 28 February 2022**

Fixed assets	600 000
Fixed Deposit	180 000
Inventory	120 000
Trade and other receivables	215 000
Cash and cash equivalents	53 000
Current liabilities	150 000
Long term loan	160 000
Interest rate on Fixed Deposit	8% p.a.
Owner's equity (28/02/2021)	538 000
Owner's equity (28/02/2022)	622 000
Sales	1 334 000
Cost of sales	804 000
Operating expenses	295 000
Net profit	230 000

## REQUIRED

- 3.2** Answer the following questions based on the financial indicators for the year ended 28 February 2022:
- 3.2.1 Calculate the current ratio (5)
- 3.2.2 Calculate the acid-test ratio (4)
- 3.2.3 Comment on the liquidity of the business. Quote TWO financial indicators with figures. (4)
- 3.3** Mr Naidoo is concerned that the business is not achieving the targeted 80% mark-up. The business only achieved 66% mark-up.
- 3.3.1 Provide THREE reasons why the business is not achieving its intended mark-up. (6)
- 3.2.2 Calculate the operating expenses on sales percentage. (3)
- 3.2.3 Calculate the net profit on sales percentage. (3)
- 3.4** Calculate the return on average owner's equity. (6)
- 3.5** Should the owner be satisfied with his return on equity? Give a reason for your answer. (4)
- 3.6** Naidoo Suppliers only operates in Gauteng. The owner is concerned about the increasing price of fuel. He believes that if fuel price continues to rise, he may have to close down the business.
- Provide TWO alternatives that the owner can consider instead of closing the business. (4)

<b>45</b>
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**TOTAL: 150**

**END**

GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$$

$$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$$

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