

**education**

Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

**GREENBURY SECONDARY SCHOOL**

**ACCOUNTING**

**GRADE: 10**

**FINAL EXAMINATION: 2016**

EXAMINER : C. MAHARAJ
DURATION : 3 HOURS
MARKS: 300

This question paper consist of 15 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. Show workings in order to achieve part marks.
4. You may use a non – programme calculator.
5. You may use a blue/black ink to answer the questions.
6. Where applicable show all calculations to ONE decimal place.
7. Write neatly and legibly.
8. Use the information and table below as a guide when answering the questions.  
Try NOT to deviate from it.

Question 1 : 50 marks; 30 minutes	
<b>Topic of this question</b>	<b>This question integrates:</b>
Concepts and Accounting equation	<b>Financial Accounting</b>
	Concepts
	Accounting equation

Question 2 : 85 marks; 51 minutes	
<b>Topic of this question</b>	<b>This question integrates:</b>
Financial Statements and notes	<b>Financial Accounting</b>
	Prepare an Income statement and notes to Financial Statements
	<b>Managing Resources</b>
	Internal control

Question 3 : 45 marks; 27 minutes	
<b>Topic of this question</b>	<b>This question integrates:</b>
Concepts and Balance Sheet	<b>Financial Accounting</b>
	Prepare a Balance sheet

Question 4: 40 marks; 24 minutes	
<b>Topic of this question</b>	<b>This question integrates:</b>
Concepts Analysis and interpretation	<b>Financial Accounting</b>
	Calculations and financial indicators
	Analysis and interpretation

Question 5 : 50 marks; 30 minutes	
<b>Topic of this question</b>	<b>This question integrates:</b>
Manufacturing and VAT	<b>Managerial Accounting</b>
	Direct materials cost, direct labour and factory overheads
	Cost calculations
	VAT concepts and calculations
	<b>Managing Resources</b>
	Internal control

Question 6 : 30 marks; 18 minutes	
<b>Topic of this question</b>	<b>This question integrates:</b>
Cash budget	<b>Managerial Accounting</b>
	Cash budget calculations
	<b>Managing Resources</b>
	Internal control and internal audit

## QUESTION ONE: CONCEPTS AND ACCOUNTING EQUATION

[50 MARKS; 30 MINUTES]

## Required:

- 1.1 Match the concepts in Column A with the description / explanations in Column B.  
Write down only the letter corresponding to the correct concept. E.g. 1.1.7 D (5)

COLUMN A	COLUMN B
1.1.1. Equity	A. A recording book where double entry principle is applied, accounts have a debit and credit side
1.1.2. Ledger	B. Consist of income statement and balance sheet.
1.1.3. Subsidiary journal	C. Documents that the business uses to capture data of transactions and proof that a transaction occurred.
1.1.4. Financial statements	D. Referred to the book of first entry where all financial statements are recorded.
1.1.5. Source documents	E. Also known as the accounting cycle
	F. Consist of Trading account and Profit and Loss account
	G. Assets plus liability
	H. Assets minus liability

- 1.2. Accounting Equation [45]

Analyse the following transactions according to the columns provided on the special answer booklet.

(36)

Assume the Bank balance is favourable.

- 1.2.1. A debtor who owes R 9 200 was declared insolvent. His estate paid 30 cents in the rand. The balance is to be written off. (2 entries)
- 1.2.2. Paid Blitz Transport by cheque, R 1 250 for delivery of merchandise.
- 1.2.3. Issued a cheque to SA Suppliers for R 2 280 in full settlement of account R 2 400.
- 1.2.4. Service fees R 60, cash deposit fees R 50.
- 1.2.5. A debtor's cheque for R3 400 was dishonoured by the bank marked refer to drawer.

- 1.3.1. Refer to transaction 1.2.1.

Name and explain the GAAP principle applied to the transaction.

(3)

- 1.3.2. Refer to transaction 1.2.3.

Calculate the percentage discount the business received.

(2)

**1.3.3.** Provide the source document that would be used for transaction:

- 1.2.4.
- 1.2.5.

**(2)**

**1.3.4.** List **TWO** reasons why the bank may dishonour a debtor's cheque.

**(2)**

**QUESTION TWO: INCOME STATEMENT AND NOTES TO FINANCIAL STATEMENTS [85 MARKS; 51 MINUTES]**

You are provided with information relating SUV Traders a business owned by S. Sun for the year ended 28 February 2016.

**Required :**

- 2.1.1. Prepare the **Income Statement** for the year ended 28 February 2016. (50)
- 2.1.2. List **two** items that will be included in **Trade and other Receivables**. (2)
- 2.1.3. Complete the following notes to the financial statements: (13)
- **Trade and other Payables**

**Information :****Pre –Adjustment Trial Balance on 28 February 2016**

Vehicles	180 000
Equipment	58 000
Accumulated depreciation on vehicles	74 000
Accumulated depreciation on equipment	26 800
Loan : Africa Bank	?
Fixed deposit: New Bank (9%)	50 000
Trading stock	330 000
Debtors control	37 000
Bank (debit)	30 200
Creditors control	52 800
Sales	3 800 000
Cost of sales	2 100 000
Debtors allowances	26 100
Salaries and wages	970 000
Rent income	132 750
Insurance	16 200
Packing material	5 800
Pension contributions	5 100
UIF contributions	2 710
Bank charges	470
Discount received	230
Interest on fixed deposit	3 000
Telephone	10 500
Bad debts	1 100

**Adjustments and Additional Information:**

1. A debtor returned unsatisfactory goods. The selling price was R6 400 and mark –up 60 % on cost. This was returned to the supplier.
2. Telephone still due, R500.
3. Write off the account of a debtor as irrecoverable, R 900.
4. Insurance includes an **annual** premium of R2 700 that was paid on 1 October 2015.
5. Rent has been received for 14 months.  
According to the lease agreement rent was increased by 15% with effect from 1 December 2015.
6. Provide for outstanding interest on fixed deposit.
7. The bank statement was received after the Trial Balance was drawn up. The following items have not been entered.
  - Bank charges R 330
  - Interest on overdraft R 200
8. The physical stock count at the end of the year revealed the following:
  - Trading stock R 331 600
  - Packing materials R 1 400
9. The loan statement received from Africa Bank reflected the following:

Balance on 1 March 2015	400 000
Interest on loan	?
Repayments during the year	90 000
Balance on 28 February 2016	340 000

- Interest is to be capitalised. No entry was made for the interest on loan.

10. An employee was left out of the salaries journal for February 2016. The details on his pay slip were as follows:

Gross salary	?
<b>Deductions:</b>	
PAYE	1 600
UIF	90
Pension Fund	630
Net salary	6 680

**The employer contributes :**

- 10 % of gross salary to pension fund
  - 1 % to UIF
11. Provide for depreciation as follows:
    - On equipment at 10% p.a. on cost
    - On vehicles at 20 % p.a. using diminishing balances method.

- 2.2. You are provided with the following information which was extracted from the records of Minka Traders, their accounting period ends on 30 September 2016 [20]

**Required :**

- 2.2.1. Provide the missing amounts for A/B/C/D/E/F/G/H/I (14)
- 2.2.2. List **THREE** control measures to be implemented by the business to properly manage their tangible assets. (6)

**Information:**

Tangible asset	Land and buildings	Vehicles	Equipment
Cost	1 050 000	880 000	470 000
Accumulated depreciation	-	(760 000)	C
Carrying value(beg. of year)	1 050 000	B	346 600
<b>Movements:</b>			
Additions at cost	A	0	86 000
Disposals at carrying value	0	0	0
Depreciation	-	D	G
Carrying value(end of year)	1 300 000	F	I
Cost	1 300 000	880 000	H
Accumulated depreciation	-	E	(162 360)

**Additional information:**

- The following relates to **Equipment**:
  - Equipment was purchased for cash on 1 April 2016.
  - Equipment is depreciated at 10 % p.a. on diminishing balance method.
- Vehicles are depreciated at 15 % p.a. on cost
- Land and buildings were purchased during the year.



**QUESTION THREE: BALANCE SHEET AND NOTES****[45 MARKS; 27 MINUTES]**

You are provided with information relating to Pac Man Stores. This is a sole trader business owned by P. Pac. The financial year ends on 30 June 2016

**Required :**

- 3.1. Prepare the **Balance Sheet** on 30 June 2016 (40)
- 3.2. Complete the note for **Owner's Equity** (5)
- All other notes must be shown within brackets**

**Information:**

- The business has **two** Fixed Deposits at Easy Bank , R 480 000 :  
R 180 000 of the Fixed Deposit matures on 1 December 2016.
- The net profit for the year amounts to **R 225 000** after taking the following into account however these were not processed onto the Balance Sheet:
  - Rent of R 15 000 was received in advance.
  - Packing material on hand, amounts to R 4 000.
  - Water and electricity still due, R 5 500
- The following relates to the Loan at ABC Bank:

Balance on 1 July 2015	190 000
Interest on loan (capitalised)	20 000
Repayments during the year	30 000

A capital repayment of 20 % of the closing balance is made on 31 December each year.

- The owner increased his capital by depositing R30 000 into the business current account. No entry was made.

**Post Closing Trial Balance on 30 June 2016.**

Capital (1 July 2015)	169 500
Trading stock	80 000
Tangible assets	160 500
Debtors control	61 500
Drawings	20 000
Deposit on electricity	8 000
Bank (cr)	160 000
Creditors control	55 000
Petty cash	1 500
Cash Float	2 000
Accrued Income	8 500
Prepaid expenses	4 000

**QUESTION FOUR : ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS [40 MARKS; MINUTES]**

4.1. Match the concepts to the statements given below. Write only the correct concept

Concepts :

**Solvency; Liquidity ; Profitability; Return**

Statements :

- 4.1.1. The ability of the business to meet short term debts
- 4.1.2. The ability of the business to control expenses and determine profits.
- 4.1.3. The ability of the business to meet long term debts
- 4.1.4. The extent to which the owners have been rewarded for their investment in a business.

4.2. You are provided with information relating to FIFA Traders for the year ended 31 December 2016.

Required:

4.2.1. Calculate the following for 31 December 2016:

- a) Mark – up
  - Is it acceptable? (6)
  - Provide **TWO** reasons for your answer (3)
- b) Current ratio (3)
- c) Acid test ratio (3)
- d) If the solvency ratio is 2.5 : 1  
Calculate the value of **Non – Current Liabilities** (6)
- e) Return on equity (5)

4.2.2. Does the business have a liquidity problem? Quote **THREE** financial indicators, percentages or ratio's to support your answer. (10)

4.2.3. Should the owner be satisfied with his return on his investment? Explain briefly. (3)

## Information :

## A. EXTRACT FROM INCOME STATEMENT:

Sales	980 000
Cost of sales	700 000
Gross profit	?
Other income	12 000
Operating expenses	72 000

## B. EXTRACT OF BALANCE SHEET:

Tangible assets	530 000
Debtors control	50 000
Trading stock	210 000
Cash	10 000
Creditors control	120 000
Non – Current Liabilities	?
Capital (1 January 2016)	400 000
Capital ( 31 December 2016)	900 000

## C. FINANCIAL INDICATORS:

	2016	2015
Mark –up	?	45 %
Operating expenses on sales	?	16 %
Current ratio	?	2 : 1
Acid test ratio	?	0.8 : 1
Solvency	2.5 : 1	1 : 1
Return on Equity	?	20 %
Debtors collection period	29 days	36 days
Credits paymen period	52 days	47 days

## QUESTION FIVE: MANUFACTURING AND VAT

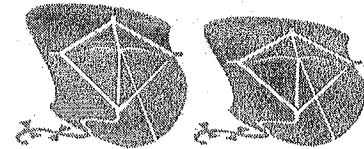
[50 MARKS; 30 MINUTES]

5.1. State whether the following statements are True or False (5)

- 5.1.1. Advertising will be classified as administration cost.  
 5.1.2. Prime cost = direct material cost + direct labour cost + factory overhead cost  
 5.1.3. Unit cost = total cost of finished goods ÷ no of units produced  
 5.1.4. Interest on loan can be classified as factory overhead cost.  
 5.1.5. The wages of the factory cleaner will be classified as a factory overhead cost.

5.2. **HI FLY KITE MANUFACTURERS**

Hi Fly Kites is a manufacturing business that makes standard kites for children.



Provided below is a summary of all costs for October 2016.

<b>Cost per kite :</b>	
Materials per kite	R 30
Wood per kite	R 5
Line per kite	R 5
Wage per completed kite	R 40
<b>Cost for the month:</b>	
Salary of factory foreman	5 000
Rent – factory occupies 80% of the floor space	11 250
Water and electricity -shared between factory and office in the ratio 2 : 1	3 450
Indirect materials for factory	450
Selling price per kite	R 146
Number of kites produced	2 160

Required :

- 5.2.1. Calculate the Direct Material Cost. (4)  
 5.2.2. Calculate the Prime Cost. (3)  
 5.2.3. Calculate Factory Overhead Cost (7)  
 5.2.4. Calculate the unit cost. (3)  
 5.2.5. Explain the difference between a fixed cost and a variable cost. Provide an example of each. (4)  
 5.2.6. The owner is considering increasing the wage per completed kite to R44. (4)  
 List **TWO** consequences of an increase in wages to the business.

## 5.3. VAT :

[20]

5.3.1. Match the terms in Column A with the descriptions in Column B. Write only the letter corresponding to the correct term. (7)

Column A	Column B
i. Compulsory registration	A The normal rate at which VAT when goods are sold or services rendered by a registered VAT vendor.
ii. Voluntary registration	B Goods and services on which VAT is charged at 0%.
iii. Standard rate	C VAT registration by a business whose annual turnover exceeds R 1 million
iv. Zero rate	D The VAT charged to or paid by a vendor in acquiring goods or services from another VAT vendor.
v. Exempt items	E The VAT charged by a vendor when it sells goods or renders a service.
vi. Output tax	F Goods and services on which no VAT is charged.
vii. Input tax	G VAT registration by a business whose annual turnover is less than R 1 million but more than R50 000

5.3.2. Dell Computers is a registered VAT vendor. The business buys computer parts for R 2 280 inclusive of VAT. A computer is assembled from the parts and are sold at R 5 000 excluding VAT.

- Determine Input Vat and Output Vat (6)
- Calculate the VAT payable to or refundable by SARS. (4)

5.3.3. M. Mo the owner of Mo's Woodworks is a registered VAT vendor. He charges his customers VAT but fails to pay over to SARS. List **THREE** consequences of VAT fraud. (3)

**QUESTION SIX: CASH BUDGET****[30 MARKS; 18 MINUTES]**

6.1. Sky Traders is a business owned by S. Skye.

The inexperienced bookkeeper presented the following cash budget for the period January and February 2017.

Information:

**CASH BUDGET FOR THE PERIOD JANUARY AND FEBRUARY 2017**

	January	February
<b>Cash Receipts</b>		
Cash sales	230 000	150 000
Credit sales	180 000	210 000
Rent income	15 000	17 250
<b>Total Receipts</b>		
<b>Cash Payments</b>		
Cash purchases	90 000	100 000
Salaries	62 000	68 000
Depreciation	1 200	1 400
Vehicle purchased	35 000	10 000
Drawings of stock	900	800
Interest on loans (15%)	400	300
Repayment of loan	15 000	
Advertising	8 000	8 000
Sundry expenses	1 500	1 200
Bad debts	500	700
<b>Total Payments</b>		

Required :

- 6.1.1. The purpose of preparing a Cash Budget is to determine future profit or loss. State whether this statement is True or False (2)
- 6.1.2. Refer to the Cash Budget. Identify the items that have been incorrectly entered in the Cash Budget (8)
- 6.1.3. Calculate the percentage increase in rent income. (3)
- 6.1.4. On 1 January 2017 the business will purchase a new vehicle. A deposit of R35 000 will be paid in January 2017 and the balance is to be paid in 10 equal monthly instalments of R10 000 commencing on 1 February 2017. (5)
- Calculate the total purchase price of the vehicle.

6.1.5. Provide a reason why the interest on loan has decreased? (2)

6.1.6. After correcting the errors the following surplus / deficit was identified. (4)

Calculate the missing amounts:

Surplus / deficit	33 100	(20 250)
Bank opening balance	5 300	B
Bank closing balance	A	C

6.2. Problem – Solving: Management of stock (6)

Barney is the owner of two school tuck shops. Betty is the manager of Shop A and Benny is the manager of Shop B.

- Each manager earns R 1 000 per week.
- Each tuck shop sells only chips and juice.
- The chips cost R5 per packet and are sold at a mark – up of 50 % on cost.
- The juice is marked – up by 25 % and is sold at R 10 each.

**Required :**

Identify ONE problem in each tuck-shop and provide ONE solution or advice in each case. For each problem, relevant figures must be quoted.

**Information :**

For October 2016	SHOP A		SHOP B	
	CHIPS	JUICE	CHIPS	JUICE
Opening stock(units)	300	200	150	90
Stock supplied by Barney (units)	400	400	400	400
Closing stock (units)	200	150	330	120
Units sold	420	450	220	370
Cash deposited	3 150	4 500	1 650	3 200







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**GREENUBRY SECONDARY SCHOOL**  
**ACCOUNTING: GRADE 10**  
**FINAL EXAMINATION: 2016**  
**ANSWER BOOK**

NAME OF LEARNER: \_\_\_\_\_ GRADE: 10 \_\_\_\_\_

QUESTION	MAX.	LEARNERS MARK	MODERATORS MARK
1			
2			
3			
4			
5			
6			
	300		

This answer book consists of 13 pages.

For educators use:

Moderator	
Date	
Checker	

QUESTION ONE:

1.1.

1.1.1.	
1.1.2.	
1.1.3.	
1.1.4.	
1.1.5.	

5

1.2.

No.	Account debit	Account credit	Amount	A	O	L
1.2.1.a						
1.2.1.b						
1.2.2.						
1.2.3.a						
1.2.3.b						
1.2.4.						
1.2.5.						

36

1.3.1. Refer to transaction 1.2.1.

Name and explain the GAAP principle applied to the transaction.


3

**1.3.2. Refer to transaction 1.2.3.**

Calculate the percentage discount the business received.

--

2

**1.3.3. Provide the source document that would be used for transaction:**

• 1.2.4.
• 1.2.5.

2

**1.3.4. List TWO reasons why the bank may dishonour a debtor's cheque.**


2

<b>Total Marks</b>
50

**QUESTION TWO:**

**2.1.1. Income Statement for the year ended 28 February 2016**

Sales (3 800 000	
Cost of sales(2 100 000	
<b>Gross profit</b>	
<b>Other operating income:</b>	
Rent income( 132 750	
<b>Gross operating income</b>	
<b>Operating expenses:</b>	
Bad debts(1 100	
Telephone (10 500	
Insurance (16 200	
<b>Operating profit</b>	
Interest income	
<b>Profit before interest expense</b>	
Interest expense	
<b>Net profit / loss for the year</b>	

50

**2.1.2. List two items that will be included in Trade and other Receivables.**

- |   |
|---|
| • |
| • |

2

2.1.3.

Trade and other Payables:	

13

2.2.1.

	WORKINGS	ANSWER
A		
B		
C		
D		
E		
F		
G		
H		
I		

14

2.2.2.

List three control measures to be implemented by the business to properly manage their tangible assets.


6

<b>Total Marks</b>
85

**QUESTION THREE: BALANCE SHEET AND NOTES**

<b>ASSETS</b>	
<b>NON – CURRENT ASSETS</b>	
Tangible Assets	
Financial assets	
<b>CURRENT ASSETS</b>	
Inventories	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>OWNER’S EQUITY</b>	
<b>NON- CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
<b>TOTAL EQUITY AND LIABILITIES</b>	

<b>OWNER'S EQUITY:</b>	
Balance beginning of year	
Add : Net profit	
Additional capital contributed	
Less : Drawings	
Balance end of year	

5

<b>Total Marks</b>
50

QUESTION FOUR:

4.1.

4.1.1.	
4.1.2.	
4.1.3.	
4.1.4.	

5

4.2.1. Calculate the following for 31 December 2016:

Mark – up:
<ul style="list-style-type: none"><li>• Is it acceptable?</li><li>• Provide <b>TWO</b> reasons for your answer</li></ul>

6

Current ratio

--

3

Acid test ratio

--

3



If the solvency ratio is 2.5 : 1  
Calculate the value of Non – Current Liabilities

--

6

Return on equity

--

5

4.2.2. Does the business have a liquidity problem? Quote THREE financial indicators, percentages or ratio's to support your answer.

--

10

4.2.3. Should the owner be satisfied with his return on his investment? Explain briefly.

--

3

<b>Total Marks</b>
40

QUESTION FIVE:

5.1.

5.1.1.	
5.1.2.	
5.1.3.	
5.1.4.	
5.1.5.	

5

5.2.1. Calculate the Direct Material Cost.

--

4

5.2.2. Calculate the Prime Cost.

--

3

5.2.3. Calculate Factory Overhead Cost

--

3

5.2.4. Calculate the unit cost.

--

3

5.2.5. Explain the difference between a fixed cost and a variable cost. Provide an example of each.


4

5.2.6. The owner is considering increasing the wage per completed kite to R44.  
List **TWO** consequences of an increase in wages to the business.

•
•

4

5.3.

i.	
ii.	
iii.	
iv.	
v.	
vi.	
vii.	

7

5.3.2.

- Determine Input Vat and Output Vat

Input Vat	Output Vat

6

- Calculate the VAT payable to or refundable by SARS.

--

3

5.3.

List **THREE** consequences of VAT fraud.


3

<b>Total Marks</b>
40

**QUESTION SIX:**

The purpose of preparing a Cash Budget is to determine future profit or loss.  
State whether this statement is True or False

--

2

**6.1.2.** Refer to the Cash Budget. Identify the items that have been incorrectly entered in the Cash Budget


3

**6.1.3.** Calculate the percentage increase in rent income.

--

3

**6.1.4.** On 1 January 2017 the business will purchase a new vehicle. A deposit of R35 000 will be paid in January 2017 and the balance is to be paid in 10 equal monthly instalments of R10 000 commencing on 1 February 2017.

Calculate the total purchase price of the vehicle.

--

5

**6.1.5.** Provide a reason why the interest on loan has decreased?

--

2

**6.1.6.**

A	
B	
C	

4

6.2.1. Identify ONE problem in each tuck-shop and provide ONE solution or advice in each case. For each problem, relevant figures must be quoted.

	PROBLEM WITH FIGURES	SOLUTION/ ADVICE
Shop A		
SHOP B		

6

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





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**GREENUBRY SECONDARY SCHOOL**  
**ACCOUNTING: GRADE 10**  
**FINAL EXAMINATION: 2016**  
**ANSWER BOOK**

MEMO

NAME OF LEARNER: \_\_\_\_\_ GRADE: 10 \_\_\_\_\_

QUESTION	MAX.	LEARNERS MARK	MODERATORS MARK
1			
2			
3			
4			
5			
6			
	300		

This answer book consists of 1<sup>13</sup> pages.

For educators use:

Moderator	
Date	
Checker	

QUESTION ONE:

1.1.

1.1.1.	H	✓
1.1.2.	A	✓
1.1.3.	D	✓
1.1.4.	B	✓
1.1.5.	C	✓

5
5

1.2.

No.	Account debit	Account credit	Amount	A	O	L
1.2.1.a	BANK ✓	DEBTORS CONTROL ✓	2760 ✓	+ 36 ✓	0	0
1.2.1.b	BAD DEBTS ✓	DEBTORS CONTROL ✓	6440 ✓	- ✓	- ✓	0
1.2.2.	TRADING STOCK ✓	BANK ✓	1250 ✓	+ 36 ✓	0	0
1.2.3.a	CREDITORS CONTROL ✓	BANK ✓	2400 ✓	- ✓	0	✓
1.2.3.b	CREDITORS CONTROL ✓	DISCOUNT RECEIVED ✓	120 ✓	0	+ ✓	- ✓
1.2.4.	BANK CHARGES ✓	BANK ✓	110 ✓✓	- ✓	✓	0
1.2.5.	DEBTORS CONTROL ✓	BANK ✓	3400 ✓	+ 36 ✓	0	0

36
36

1.3.1. Refer to transaction 1.2.1.

Name and explain the GAAP principle applied to the transaction.

PRUDENCE ✓
RECORDING IS DONE CONSERVATIVELY - TAKES THE EXPECTED LOSS INTO ACCOUNT NOT THE EXPECTED GAINS.

3
3



1.3.2. Refer to transaction 1.2.3.

Calculate the percentage discount the business received.

$\frac{120.}{2400} \times 100$ $= 5\% \checkmark$
---

2
2

1.3.3. Provide the source document that would be used for transaction:

• 1.2.4. BANK STATEMENT ✓
• 1.2.5. BANK DEBIT NOTE ✓

2
2

1.3.4. List TWO reasons why the bank may dishonour a debtor's cheque.

◦ CHEQUE IS STALE ✓
◦ CHEQUE IS POST DATED ✓
◦ CHEQUE IS DAMAGED ✓
◦ THE AMOUNT IN WORDS + FIGURES DIFFER. ✓

2
2

Any two

Total Marks
50
50

QUESTION TWO:

2.1.1. Income Statement for the year ended 28 February 2016

Sales (3 800 000 - 6400 - 26100)	3 767 500 ✓
Cost of sales (2 100 000 - 4000)	(2 096 000) ✓
Gross profit	1 671 500 ✓
Other operating income:	113 880 ✓
Rent income (132 750 - 20700)	112 050 ✓
TRADING STOCK SURPLUS (331 600 + 4000 - 4000 - 330 000)	1 600 ✓ ✓
DISCOUNT RECEIVED	230 ✓
Gross operating income	1 785 380 ✓
Operating expenses:	(1 050 425) ✓
Bad debts (1 100 + 900)	2 000 ✓
Telephone (10 500 + 500)	11 000 ✓
Insurance (16 200 - 1575)	14 625 ✓
BANK CHARGES (170 + 330)	500 ✓
PACKING MATERIALS (5800 + 1400)	7 200 ✓
SALARIES + WAGES (970 000 + 900)	9 79 000 ✓
PENSION CONTRIBUTIONS (5100 + 900)	6 000 ✓
UIF CONTRIBUTIONS (2710 + 90)	2 800 ✓
DEPRECIATION (5800 + 21 200)	27 000 ✓
Operating profit	734 955 ✓
Interest income (3000 + 1500)	4 500 ✓
Profit before interest expense	739 455
Interest expense (200 + 30 000)	(30 200) ✓
Net profit / loss for the year	709 255 ✓

50
50

2.1.2. List two items that will be included in Trade and other Receivables.

• DEBTORS CONTROL ✓	• PREPAID EXPENSE ✓
• ACCRUED INCOME ✓	• DEPOSIT ON ELECTRICITY ✓

2
2

Any two

2.1.3.

Trade and other Payables:	
TRADE CREDITORS (52 800 - 4000)	48 800 ✓
Accrued EXPENSES (500)	500 ✓
DEFERRED INCOME	20 700 ✓
CREDITORS FOR SALARIES ✓	6 680 ✓
PENSION FUND (630 + 400) ✓	1 530 ✓
UIF (90 + 90)	180 ✓
	78 390 ✓

13
13

2.2.1.

	WORKINGS	ANSWER
A	1 300 000 - 1 050 000	250 000 ✓
B	880 000 - 760 000	120 000 ✓
C	470 000 - 346 600	123 400 ✓
D	880 000 x 15/100	132 000 ✓
E		879 999 ✓
F		1 ✓
G	$86000 \times \frac{10}{100} \times \frac{4300}{6/12} + 346600 \times \frac{10}{100}$	38 960 ✓
H	470 000 + 86 000	556 000 ✓
I	556 000 - 162 360	393 640 ✓

14
14

2.2.2.

List three control measures to be implemented by the business to properly manage their tangible assets.

• FIXED ASSETS TO BE SAFEGUARDED AGAINST THEFT AND LOSS ✓
• DETAILS OF FIXED ASSETS TO BE MAINTAINED ✓
• LOSS OR STOLEN ASSETS MUST BE REPORTED ✓
• PROPER AUTHORIZATION FOR ACQUISITIONS ✓
Any valid answer (3x2)

6
6

Total Marks
85

QUESTION THREE: BALANCE SHEET AND NOTES

<b>ASSETS</b>		
<b>NON - CURRENT ASSETS</b>		460 500 (✓)
Tangible Assets		160 500 ✓
Financial assets		
✓ FIXED DEPOSIT (1480 000 - 180 000)		300 000 ✓
<b>CURRENT ASSETS</b>		344 500 (✓)
Inventories (80 000 + 4 000)		84 000 ✓
✓ TRADE + OTHER Rec (61 500 + 8000 + 8 500 + 4000)		82 000 (✓)
✓ CASH + CASH EQUIVALENTS (1500 + 2000 + 180 000)		183 500 (✓)
<b>TOTAL ASSETS</b>		810 000 (✓)
<b>EQUITY AND LIABILITIES</b>		
<b>OWNER'S EQUITY</b>		420 500 (✓)
<b>NON- CURRENT LIABILITIES</b>		144 000 (✓)
✓ LOAN: ABC BANK (190 000 + 20 000 - 30 000 - 36 000)		144 000 ✓
<b>CURRENT LIABILITIES</b>		241 500 (✓)
Trade and other payables (55 000 + 15 000 + 5 500 + 36 000)		111 500 ✓
✓ BANK OVERDRAFT (160 000 - 30 000) ✓		130 000 (✓)
<b>TOTAL EQUITY AND LIABILITIES</b>		810 000 (✓)

AS
45

OWNER'S EQUITY:	
BALANCE	189 500 ✓
ADD: NET PROFIT	225 000 ✓
ADDITIONAL CAPITAL CONTRIBUTED	30 000 ✓
LESS: DRAWINGS	(20 000) ✓
BALANCE END OF YEAR	
	424 500 ✓

5
5

Total Marks
50
50

QUESTION FOUR:

4.1.

4.1.1.	LIQUIDITY	✓
4.1.2.	PROFITABILITY	✓
4.1.3.	SOLVENCY	✓
4.1.4.	RETURN	✓

4
54

4.2.1. Calculate the following for 31 December 2016:

Mark - up:  $\frac{\text{GROSS PROFIT}}{\text{COST OF SALES}} \times 100$

=  $\frac{280\ 000}{700\ 000} \times 100$

= 40%

- Is it acceptable? NO ✓
- Provide TWO reasons for your answer
  - TOO MANY SEASONAL SALES ✓
  - TOO LIBERAL A POLICY IN GRANTING TRADE DISCOUNT
  - PETTY THEFTING

6
6

Current ratio

CURRENT ASSETS : CURRENT LIABILITIES

50 000 + 210 000 + 10 000 : 120 000

2.25 : 1

3
3

Acid test ratio

CURRENT ASSET - INVENTORIES : CURRENT LIABILITIES

60 000 : 120 000

0.5 : 1

3

If the solvency ratio is 2.5 : 1

Calculate the value of Non – Current Liabilities

$\begin{aligned} \text{TOTAL ASSET} & : \text{TOTAL LIABILITIES} \\ 530\,000 + 270\,00 & : 120\,000 + X \\ 2.5 & : 1 \\ X & = 800\,000 \end{aligned}$
$\text{NCL} = 320\,000 \quad \checkmark \quad 120\,000 \quad \checkmark \quad 200\,000 \quad \checkmark$

6
5

Return on equity

$\text{ROE} = \frac{\text{NET PROFIT}}{\text{AVE. OWNERS EQUITY}} \times 100$
$= \frac{220\,000 \checkmark}{\frac{1}{2}(400\,000 + 900\,000)} \times 100$
$= 33.8\% \quad \checkmark \quad \text{10}$

5
4

4.2.2. Does the business have a liquidity problem? Quote THREE financial indicators, percentages or ratio's to support your answer.

- |   |
|---|
| o CURRENT RATIO - INCREASED FROM 2:1 TO 2.25:1 ✓    |
| o ACID TEST RATIO - DECREASED FROM 0.8:1 TO 0.5:1 ✓ |
| o DEBTORS COLLECTION PERIOD DECREASED BY 7 DAYS //  |
| o CREDITORS PAYMENT PERIOD INCREASED BY 5 DAYS //   |
| No. ✓   |
| Any three   |

10
9

✓ Ratio ✓ trend ✓ figures

4.2.3. Should the owner be satisfied with his return on his investment? Explain briefly.

YES ✓ RETURN ON EQUITY INCREASED FROM 20% TO
33.8%, THIS IS HIGHER THAN ALTERNATIVE
INVESTMENTS OFFERING 5% - 9%. ✓✓

3
3

<b>Total Marks</b>
40
40

QUESTION FIVE:

5.1.

5.1.1.	FALSE	✓
5.1.2.	FALSE	✓
5.1.3.	TRUE	✓
5.1.4.	FALSE	✓
5.1.5.	TRUE	✓

5
5

5.2.1. Calculate the Direct Material Cost.

$$\begin{aligned}
 \text{DMC} &= (30 + 5 + 5) \times 2160 \\
 &= R86\,400
 \end{aligned}$$

4
4

5.2.2. Calculate the Prime Cost.

$$\begin{aligned}
 \text{PRIME COST} &= \text{DMC} + \text{DLC} \\
 &= 86\,400 + (40 \times 2160) \\
 &= R172\,800
 \end{aligned}$$

3
3

5.2.3. Calculate Factory Overhead Cost

$$\begin{aligned}
 \text{FOC} &= 5000 + (11\,250 \times 80/100) + (3\,450 \times 2/3) + 4500 \\
 &= R16\,750
 \end{aligned}$$

7
37

5.2.4. Calculate the unit cost.

$$\begin{aligned}
 \text{UNIT COST} &= \frac{\text{TOTAL COST OF PRODUCTION}}{\text{NO. OF UNITS PRODUCED}} \\
 &= \frac{172\,800 + 16\,750}{2160} = R89.75
 \end{aligned}$$

3
3

5.2.5. Explain the difference between a fixed cost and a variable cost. Provide an example of each.

FIXED COST REMAINS CONSTANT IRRESPECTIVE OF THE NUMBER OF UNITS PRODUCED	✓ EG RENT, DEPRECIATION
VARIABLE COST CHANGES IN DIRECT PROPORTION TO THE NUMBER OF UNIT PRODUCED	✓ EG RAW MATERIALS

4
4



5.2.6. The owner is considering increasing the wage per completed kite to R44.  
List TWO consequences of an increase in wages to the business.

• THE PRODUCTION COST WOULD INCREASE ✓✓
• PROFIT WOULD DECREASE ✓✓
• BUSINESS WILL HAVE TO INCREASE SELLING PRICE ✓✓

Any two 2x2

4
4

5.3.

i.	C	✓
ii.	G	✓
iii.	A	✓
iv.	B	✓
v.	F	✓
vi.	E	✓✓
vii.	D	✓✓

7
7

5.3.2. Determine Input Vat and Output Vat

<p>Input Vat</p> $2280 \times \frac{14}{114} = 280$	<p>Output Vat</p> $5000 \times \frac{14}{100} = 700$
---	--

6
6

Calculate the VAT payable to or refundable by SARS.

VAT PAYABLE = 700 - 280 = R420
--------------------------------

3
3

5.3. List THREE consequences of VAT fraud.

• FINE / INTEREST CAN BE CHARGED ✓
• BUSINESS LICENCE CAN BE REVOKED ✓
• CRIMINAL CHARGE CAN BE INSTITUTED AGAINST BUSINESS ✓

3
3

Total Marks
40
40

QUESTION SIX:

The purpose of preparing a Cash Budget is to determine future profit or loss. State whether this statement is True or False

FALSE

2

6.1.2. Refer to the Cash Budget. Identify the items that have been incorrectly entered in the Cash Budget

CREDIT SALES  
 DEPRECIATION  
 DRAWINGS OF STOCK  
 BAD DEBTS

3

6.1.3. Calculate the percentage increase in rent income.

$$\frac{2250}{15000} \times 100 = 15\%$$

3

6.1.4. On 1 January 2017 the business will purchase a new vehicle. A deposit of R35 000 will be paid in January 2017 and the balance is to be paid in 10 equal monthly instalments of R10 000 commencing on 1 February 2017.

Calculate the total purchase price of the vehicle.

$$35\ 000 + (10\ 000 \times 10) = R\ 135\ 000$$

5

6.1.5. Provide a reason why the interest on loan has decreased?

REPAYMENT OF LOAN.

2

6.1.6.

A	33 100 + 5300 = R 38 400
B	R 38 400
C	38 400 - 20 250 = R 18 150

4

6.2.1. Identify ONE problem in each tuck-shop and provide ONE solution or advice in each case. For each problem, relevant figures must be quoted.

	PROBLEM WITH FIGURES	SOLUTION/ADVICE
Shop A	THEFT OF 80 UNITS OF CHIPS ✓	IMPROVE SECURITY. ✓
SHOP B	THEFT OF CASH, R500 (3700 - 3200) FOR JUICE ✓✓	INVESTIGATE WHY CASH IS SHORT. ✓

6
6

Total Marks
40
40

