



HILLCREST HIGH SCHOOL
ACCOUNTING EXAM
PAPER 1
NOVEMBER 2018

GRADE 10

MARKS: 150

TIME: 2 HOURS

INSTRUCTIONS AND INFORMATION:

1. You are provided with a question paper with **ANNEXURE A** and an **ANSWER BOOK**.
2. This question paper comprises of **FOUR** compulsory questions. Answer ALL the questions.
3. **Calculations must be shown in order to achieve part-marks.**
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 50 marks; 45 minutes	
Topic of the question:	This question integrates:
<i>Sole Trader</i> <i>Financial Statements</i>	Financial Accounting Income Statement
QUESTION 2: 40 marks; 30 minutes	
Topic of the question:	This question integrates:
<i>Sole Trader</i> <i>Financial Statements</i>	Financial Accounting ➤ Balance Sheet * Trade and other receivables * Trade and other payables
QUESTION 3: 20 marks; 12 minutes	
Topic of the question:	This question integrates:
<i>Analysis and Interpretation of Financial Statements</i>	Financial Accounting * Ratio Calculations
QUESTION 4: 24 marks; 18 minutes	
Topic of the question:	This question integrates:
<i>Analysis and Interpretation of Financial Statements</i>	Financial Accounting Comments
QUESTION 5: 16 marks; 15 minutes	
Topic of the question:	This question integrates:
<i>Analysis of transactions</i>	Financial Accounting Analysing transactions in the Accounting Equation

QUESTION 1: FINANCIAL STATEMENTS (50 marks; 45 minutes)

You are provided of information related to Ninini Traders for the financial year ended 30 June 2018.

Required:

- 1.1. After taking all the adjustments into account, prepare the Income Statement for the financial year.

(Remember to show workings in brackets in order to obtain part-marks). (50)

NININI TRADERS		
TRIAL BALANCE FOR THE YEAR ENDED 30 JUNE 2018		
	Debit	Credit
BALANCE SHEET SECTION		
Capital		989 000
Drawings	53 860	
Land and buildings	750 000	
Vehicles	345 000	
Equipment	50 000	
Accumulated depreciation on vehicles		96 500
Accumulated depreciation on equipment		9 000
Fixed Deposit: ASA Bank (8 % p.a.)	80 000	
Trading inventory	99 320	
Debtors control	23 500	
Bank	7 500	
Creditors control		34 590
Loan: BFN Bank (14% p.a.)		60 000
NOMINAL ACCOUNT SECTION		
Sales		987 500
Cost of sales	543 600	
Debtors allowances	14 635	
Rent income		54 000
Interest on fixed deposit		3 200
Discount received		1 560
Salaries	144 000	
Telephone	13 490	
Bad debts	4 678	
Water and electricity	13 350	
Advertising	11 346	
Stationery	16 210	
Insurance	26 250	
Interest on loan	9 450	
Discount allowed	1 480	
Sundry Expenses	5 700	

Adjustments and additional information:

1. The telephone account for June 2018 has been received but not yet paid, R575.
2. The account of a debtor, D. Dames, amounting to R465 must be written off as irrecoverable since he cannot be traced.
3. The business donated goods, R900, to the local nursery school. No entry for this transaction has been made.
4. On the last day of the financial year, a physical stock taking revealed the following:
 - Inventory on hand R96 590
 - Stationery on hand R 1 340
5. The Fixed deposit was invested on 1 October 2017 at ASA Bank. Provide for outstanding interest.
6. An annual insurance premium of R1 140 was paid on 1 May 2018.
7. A debtor S. Salomon settled her account of R750 on 18 June 2018 with a cheque of R725, and this was recorded correctly. The bank notified the business that the cheque has been dishonoured due to insufficient funds.
8. Rent has been received for thirteen months. Take into account that the rent was increased by R400 per month from 1 March 2018.
9. R30 000 of the long-term loan is repaid annually on 1 April. All necessary entries regarding the transaction were made during the financial year. Provide for any outstanding interest.
10. The business's policy on depreciation states the following:
 - Depreciation on vehicles is calculated at 15% p.a. on the cost price method. Take into account that a new vehicle, with a cost of R120 000, was purchased on 1 May 2018 and entered into the books.
 - Depreciation on equipment must be provided for at 10% p.a. according to the diminishing balance method.

QUESTION 2: FINANCIAL STATEMENTS (40 marks; 30 minutes)

2.2 JORDAAN TRADERS

You are provided with the Post-closing Trial Balance and additional information regarding Jordaan Traders for the financial year ended 28 February 2018.

REQUIRED:

Prepare the Balance Sheet of Jordaan Traders at 28 February 2018. Use the information to prepare the following notes to the financial statements on 28 February 2018. Show all workings in brackets so that part marks can be awarded.

- 2.2.1 Balance Sheet (Show calculations in brackets to earn part marks) (20)
- 2.2.2 Trade and other receivables (7)
- 2.2.3 Trade and other payables (13)

POST ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2018		
BALANCE SHEET ACCOUNTS SECTION:	DEBIT	CREDIT
Capital		630 800
Land and buildings	680 000	
Equipment	78 000	
Vehicles	340 000	
Accumulated depreciation on equipment		14 820
Accumulated depreciation on vehicles		136 000
Fixed deposit: AB Bank	60 000	
Bank	34 100	
Petty Cash	2 500	
Cash Float	1 000	
Loan: SA Loans		440 000
Trading stock	72 400	
Debtors' control	14 800	
Creditors' control		48 900
Consumable stores on hand	2 820	
Accrued Income	3 400	
Accrued expenses		4 100
Income received in advance		6 000
Prepaid expenses	3 900	
Creditors for salaries		12 300

Additional information:

- A. Part of the fixed deposit at AB Bank matures on the 30 June 2018, R25 000.
- B. R100 800 will be paid back on the loan from SA Bank in the next financial year. The loan is capitalised.

QUESTION 3: INTERPRETATION OF FINANCIAL STATEMENTS (20 marks; 12 minutes)

The following information was taken from the records of Mbhele Traders on 30 September 2018. The business is owned by Mandla Khumalo.

REQUIRED

3.1 Calculate the following ratios/indicators for 2018). **(ROUND OFF TO ONE DECIMAL)**

- 3.1.1 Current Ratio (3)
- 3.1.2 Acid Test Ratio (4)
- 3.1.3 Solvency Ratio (5)
- 3.1.4 Operating Expenses on sales (3)
- 3.1.5 Return on Average Owner's Equity (5)

INFORMATION:

A] Extract from the Income Statement for the year ended 30 September 2018:

Sales / Turn over	1 760 000
Cost of sales	930 000
Operating expenses	565 000
Operating Profit	365 000
Interest on loan (12% p.a.)	75 000
Net Profit for the year	2 900

B] Extract from the Balance Sheet on 30 September 2018.

	2018	2017
Non-Current Assets	1 929 500	1 172 000
Current Assets	440 000	420 000
Inventory	171 800	351 200
Trade and other receivables	140 000	60 000
Cash and cash equivalents	128 200	8 800
Owner's Equity	2 037 500	1 150 000
Non-Current Liabilities	172 000	232 000
Current Liabilities	160 000	210 000
Trade and other payables	160 000	167 000
Bank overdraft	NIL	43 000

QUESTION 4: INTERPRETATION OF FINANCIAL STATEMENTS (24 marks; 18 minutes)

You are provided with financial indicators of Mashonisa Traders on 31 August 2018.

The business has a target mark up on cost of 75%.

Use the information to answer the questions that follow:

N.B. In answering the questions quote relevant **indicators**, **figures** and **trends**.

1. INFORMATION

	2018	2017
Gross profit on cost	60%	63%
Gross profit on sales	46%	50%
Operating expenses on sales	21%	18%
Operating profit on sales	16.1%	19.2%
Return on owner's equity	27.9%	23%
Current ratio	2.1:1	1.9:1
Acid test ratio	1:1	0.9:1
Solvency ratio	3.3:1	2.5:1
Interest on fixed deposit	12%	12%

REQUIRED:

- 4.1 The owner of Mashonisa Traders is happy about the liquidity position of the business. Quote **TWO** relevant financial indicators with figures to support her opinion. (6)
- 4.2 The manager is concerned about the mark up % achieved by the business. Quote **ONE** relevant indicator to support her concern. And explain what caused the business not to achieve its targeted mark up. Mention TWO points. (7)
- 4.3 The owner of the business is not satisfied by the operating efficiency of the business. Quote **TWO** relevant financial indicators with figures to support his opinion. (6)
- 4.4 The manager feels that the owner must be satisfied with the returns he is earning in This business. Do you agree with this opinion?
- Explain by quoting **ONE** financial indicator to support your answer. Also quote figures to support your answer. (5)

QUESTION 5 : ANALYSING TRANSACTIONS IN THE ACCOUNTING EQUATION

(16 marks; 15 minutes)

Complete the accounting equation in your answer book.

NOTE:

The bank is favourable for transactions 1 to 3 and unfavourable for transactions 4 to 5.
The business uses a secret price code of WHITESUGAR where W=1.

Example:

Paid the businesses rent of R5 000 by cheque

No.	Journal	Account Debit	Account Credit	Assets	=	OE	+	L
E.g.	CPJ	Rent Expense	Bank	-5000		-5000		0

Transactions 1 to 3 have a favourable bank balance

- 5.1 Sales for the day amounted to R20 000. Cost WEGRR/RR
- 5.2 A debtor was allowed a reduction of R340 on items purchased as they were of poor quality.
- 5.3 Bad Debts of R6 400 need to be written off.

Transactions 4 to 5 have an unfavourable bank balance

- 5.4 According to the Bank Statement received from Standard Bank, bank charges of R65 still need to be recorded.
- 5.5 R280 consumable stores were purchased out of Petty Cash.

ANNEXURE A

FORMULA SHEET FOR GRADE 10

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
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$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$
Current assets : Current liabilities	Current assets – Inventory : Current liabilities
$\frac{\text{Net profit}}{\text{Average equity}} \times \frac{100}{1}$	Total assets : Total liabilities