



HILLCREST HIGH SCHOOL

**ACCOUNTING EXAM
PAPER 1
NOVEMBER 2022
GRADE 10**

MARKS: 150

TIME: 2 HOURS

INSTRUCTIONS AND INFORMATION:

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions
3. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
4. Show ALL workings 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	MINUTES
1	Statement of Comprehensive Income	70	55
2	Notes to the Balance Sheet and Balance Sheet	60	45
3	Ratio calculations and interpretations	20	20
TOTAL		150	120

INCOME STATEMENT AND ACCOUNTING CONCEPTS (70 marks; 55 minutes)

1.1 CONCEPTS : MULTIPLE CHOICE

For each of the following statements, you are required to choose the correct answer by choosing the appropriate letter (A-D). There is only one correct answer to each question.

1.1.1 If trading inventory is purchased at R5 800 and the suppliers allow 20% trade discount and 10% cash discount, the cost price of the trading inventory is...

- A R5 800
- B R4 640
- C R4 176
- D R 4 060

1.1.2 The discount allowed to a debtor for early payment is ...

- A an asset
- B a liability
- C an income
- D an expense

1.1.3 The source document used when goods are returned from a debtor to the business is ...

- A an invoice
- B a debit note
- C a credit note
- D a duplicate credit invoice

1.1.4 An example of a non-cash expense...

- A current liability
- B petty cash
- C depreciation
- D fuel

1.1.5 When stationery is returned to the supplier, the following entries are made in the General Ledger:

- A Dr Discount Received and Cr Creditors Control
- B Dr Bank and Cr Stationery
- C Dr Creditors Control and Cr Stationery
- D Dr Stationery and Cr Creditors Control.

[10]

1.2 CONCEPTS : TRUE or FALSE

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (1.2.1 – 1.2.5)

- 1.2.1 Trading stock, bank and debtors are examples of non-current assets.
- 1.2.2 A bank overdraft is a facility that allows the business to use money that they have in their current banking account.
- 1.2.3 Non-current liabilities are payable within a period of one year.
- 1.2.4 A creditor is a person or business that is owed money for goods or services they supplied on credit.
- 1.2.5 Equipment such as a cash register and printers are used to generate income for the business.

[10]

1.3 FLORENCE TRADERS

The information set out below was taken from the books of the business. The financial year ends 28 February 2022.

REQUIRED

Prepare the Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2022. (50)

INFORMATION:

Extract of the Pre-adjustment Trial Balance on 28 February 2022.

	Debit	Credit
Balance Sheet Accounts Section		
Loan: NFB Bank		?
Trading Stock	73 600	
Fixed Deposit: BB Bank (7% per annum)	120 000	
Nominal Accounts Section		
Sales		2 400 000
Cost of Sales	1 596 000	
Debtors' Allowances	69 500	
Salaries and Wages	169 700	
Commission Income		104 000
Rent Income		148 600
Discount Allowed	1 975	
Discount Received		3 890
Insurance	25 900	
Bank Charges	11 350	
Interest on fixed deposit		9 100
Bad Debts	9 500	
Telephone	31 780	
Water and Electricity	41 250	
Stationery	14 800	
Sundry Expenses	33 800	

ADJUSTMENTS AND ADDITIONAL INFORMATION:

- A. The telephone account for February 2022, R2 550, was still outstanding.
- B. Depreciation for the year amounts to R58 700.
- C. Commission was received for 13 months.

- D.** Water and Electricity, R3 790 for February 2022 was not recorded.
- E.** A debtor who owed R1 580 was declared insolvent. Write off the account as irrecoverable.
- F.** The owner took stock, cost price of R3 100 for his personal use. No entry was made of this transaction.
- G.** A physical stock count on 28 February 2022 revealed the following on hand:
- Trading Stock R64 900
 - Stationery R 3 500
- H.** The interest on fixed deposit was received in advance. There were no changes on the fixed deposit during the financial year.
- I.** The February Bank Statement was received after the pre-adjustment trial balance was drawn up. The following must be adjusted:
- Bank charges, R1 580.
 - Interest income, R285.
- J.** An amount of R5 600 received from a debtor whose debt was written off as irrecoverable the previous year. This transaction was not recorded.
- K.** The rent increased by R1 400 per month from 1 October 2021. The rent for February 2022 was not received.
- L.** The insurance amount includes an annual premium of R3 240 paid on 1 July 2021.
- M.** The loan statement received reflected the following:

Balance on 1 March 2021	R210 000
Repayments during the year (including interest)	(48 000)
Interest capitalised	34 000
Balance on 28 February 2022	196 000

QUESTION 2: NOTES TO THE BALANCE SHEET**(60 marks, 45 minutes)**

2.1 The information below was taken from the books of Mahape Stores. Their financial year ends 28 February 2022.

REQUIRED:

- 2.1.1 Note for Trade and Other Receivables (7)
2.1.2 Note for Cash and Cash Equivalent (6)
2.1.3 Note for Trade and Other Payables (7)
2.1.2 Owner's Equity (10)

2.2 Statement of Financial Position of 28 February 2022. (30)

INFORMATION:**EXTRACT FROM THE TRIAL BALANCE OF MAHAPE STORES February 2022**

Balance sheet section	R
Capital (01 March 2021)	1 780 000
Drawings	154 000
Land and Buildings	950 000
Vehicles at Carrying Value (28/2/2022)	382 200
Equipment at Carrying Value (28/2/2022)	108 000
Fixed Deposit: ABC Bank	750 000
Loan: KK Bank	150 000
Trading inventory	225 450
Debtor's control	245 900
Creditor's control	224 100
Bank	23 900
Petty Cash	1 200
Prepaid expenses	3 650
Accrued expenses	7 200
Income received in advance	14 700
Accrued income	9 700

Additional information:

- During the year the owner increased his capital contribution with an additional amount of R186 000. This has not been recorded.
- R150 000 of the fixed deposit matures on 1 November 2022.

- Loan will decrease by 25% during the next financial year.
- The net profit for the year amounted to R492 000.

60

QUESTION 3: RATIOS AND INTERPRETATION

(20 marks; 20 minutes)

The information relates to Patricia Stores for the financial year ended 28 February 2022. Comparative figures for 2021 were also provided.

REQUIRED:

- 3.1 Calculate the following financial indicators for the year ended 28 February 2022.
- 3.1.1 Return on Owner's Equity (6)
- 3.1.2 Current ratio (3)
- 3.1.3 Acid-test ratio (4)
- 3.2 Comment on the liquidity position of the business. Quote TWO financial indicators (with figures) to support your comment. (7)

INFORMATION:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 February 2022:

	2022	2021
Sales/Turnover	1 632 000	1 400 000
Cost of sales	(960 000)	(800 000)
Gross profit	672 000	600 000
Other income	38 000	35 000
Gross operating income	710 000	635 000
Operating expenses	(265 000)	(238 000)
Operating profit	445 000	397 000
Interest income	9 000	8 000
Net profit before interest expense	454 000	405 000
Interest expense	(4 000)	(4 000)
Net profit for the year	450 000	401 000

**EXTRACT FROM THE STATEMENT OF FINANCIAL POSITION ON
28 FEBRUARY 2022:**

	2022	2021
Tangible/Fixed assets (carrying value)	1 900 000	1 450 000
Financial assets	?	?
Current assets (including trading stock)	209 000	187 500
Trading stock	121 000	97 000
Owners' equity	1 730 000	1 580 000
Non-current liabilities	120 000	150 000
Current liabilities	110 000	75 000

Financial indicators	2022	2021
Mark-up % achieved	70%	75%
Percentage net profit on sales	?	33,3%
Percentage operating expenses on sales	16,2%	12,7%
Current ratio	?	2,5 : 1
Acid test ratio	?	1,2 : 1

20

TOTAL: 150

GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
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	