



GRADE 10
ACCOUNTING P1
FINAL EXAMINATION: 2023

MARKS: 150

DURATION: 2 hours

INSTRUCTIONS TO CANDIDATES

Read the following instructions carefully and follow them precisely.

1. This paper consists of FOUR questions.
2. Answer ALL the questions in the special ANSWER BOOK provided.
3. Show ALL workings to earn 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. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC / SECTION	MAXIMUM MARKS	SUGGESTED TIME
1	Transaction analysis, salaries and wages	35	30
2	Statement of Comprehensive Income	45	35
3	Statement of Financial Position	30	25
4	Interpretation of financial information	40	30
TOTAL			

QUESTION 1: TRANSACTION ANALYSIS, SALARIES AND WAGES (35 marks: 30 minutes)

1.1 ANALYSING TRANSACTIONS

The transactions appeared in the books of Universal Stores for September 2023.

REQUIRED:

Analyse the transactions according to the headings provided on the table in the Answer Book. Be guided by the example provided. (24)

NOTE: Assume that bank balance is **favourable** at all times.

Example: The owner took goods for personal use, R500.

TRANSACTIONS:

- 1.1.1 Made an EFT payment to SARS for PAYE due, R6 280.
- 1.1.2 Bank statement reflected a direct deposit of R9 800 from the tenant.
- 1.1.3 Total employer’s contributions in respect of Medical Aid as reflected in the Salaries Journal amounted to R3 800.
- 1.1.4 Issued EFT to creditor JP Traders in settlement of account, after receiving a 5% discount amounting to R280.

1.2 SALARIES AND WAGES

The information was extracted from the records of Myburg Stores for August 2023.

REQUIRED:

- 1.2.1 Calculate Grant’s annual gross salary for 2023.
- 1.2.2 Calculate the total amount that must be paid to the NN Pension Fund based on Grant’s monthly salary.
- 1.2.3 Calculate the total cost of Grant’s salary (including benefits) to the business.
- 1.2.4 Grant is entitled to a bonus in September 2023. He has requested that this bonus be paid to him in cash and not be reflected on his salary advice. Explain ONE point why the manager would not consider this request.

INFORMATION

A. Grant started work on 1 January 2020 on the following salary scale.

268 800 x 13 440 – 295 680 x 14 640 – 324 960

B. Details of Grant’s salary for August 2023:

Basic monthly salary	?
Deductions	
PAYE	R3 220
Medical aid	R1 475
Pension fund (8% of basic)	?
Employer’s contributions:	
Pension (10% of basic)	R 2 460
Medical aid (1,2 times employees deductions)	?

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

(45 marks; 35 minutes)

2.1 GAAP PRINCIPLES

Match the example in column B to the GAAP principle in column A. Write only the letter (A–E) next to the question number (2.1.1. – 2.1.4) in the ANSWER BOOK. (4)

COLUMN A		COLUMN B	
2.1.1	Historical cost	A	Account of debtor is written off although efforts will still be made to recover amount.
2.1.2	Business entity	B	Decisions are taken on the assumption that the business will be in existence for a long time.
2.1.3	Going concern	C	Income and expenses are accounted for in the relevant financial year.
2.1.4	Prudence	D	The insurance on owner's personal vehicle is recorded as drawings.
		E	Buildings are recorded at the original invoice price although the market price may be higher.

2.2 WILD COAST TRADERS

The information relates to the financial year ended 28 February 2023.

REQUIRED:

Complete the Statement of Comprehensive Income for the year ended 28 February 2023. (41)

INFORMATION:

A. Extract from the Pre-Adjustment Trial Balance on 28 February 2023:

Loan: Alpha Bank	R 483 600
Trading stock	416 400
Sales	?
Cost of sales	2 936 500
Salaries and wages	315 000
Depreciation	91 200
Rent income	36 300
Interest income	4 700
Bad debts recovered	5 400
Packing materials	27 300
Advertising	4 800
Insurance	36 100
Sundry expenses	?

B. ADJUSTMENTS AND ADDITIONAL INFORMATION:

- (i) The business maintains a profit mark-up of 50% on cost of all goods sold.
- (ii) Goods sold on credit on 28 February 2023 was not yet recorded. The cost of the goods sold was R14 500.

- (iii) No entries were made for a donation of slightly damaged stock costing R6 900 to a Childrens Home.
- (iv) Annual stock-take on 28 February 2023 revealed the following on hand:
 - Trading stock, R392 400
 - Packing materials, R3 800
- (v) Debtor V Mashe was declared insolvent. Received R3 480 from his estate. This was 30% of his account. The balance must be written off as bad.
- (vi) A six-month advertising contract was entered into on 1 January 2022. The amount of R4 800 for six equal monthly instalments was paid in full.
- (vii) The tenant pays a fixed monthly amount for rent. He however did not pay the February 2023 rent, stating that he paid R3 500 for repairs to windows. This must be offset against the rent due by him, as repairs is the responsibility of the business.
- (viii) The monthly insurance premiums were increased by R175 per month with effect from 1 December 2022. The insurance premium for February 2023 was not yet paid.
- (ix) Interest on loan is capitalised and has not been recorded yet. The loan statement from Bet Bank on 28 February 2023 reflected the following:

Balance on 1 March 2022	R 642 000
Total repayments (including interest capitalised)	158 400
Interest capitalised	?
Balance on 28 February 2023	553 800

- (ix) After all adjustments were made, the net profit for the year was accurately calculated at R875 000.



QUESTION 3: STATEMENT OF FINANCIAL POSITION

(30 marks; 25 minutes)

The information relates to Merlin Traders for the financial year ended 28 February 2023.

REQUIRED:

- 3.1 Prepare the ‘Owner’s equity’ note for the Statement of Financial Position. (6)
- 3.2 Complete the Statement of Financial Position on 28 February 2023. (24)
Show all workings in brackets (where relevant)

INFORMATION:

A. Balance extracted from the Post-Adjustment Trial Balance on 28 February 2023:

Capital	R 1 880 300
Drawings	?
Loan: Omega Bank	?
Fixed/Tangible assets	?
Fixed deposit: Lite Bank	250 000
Trading stock	633 300
Debtors control	473 500
Bank (overdraft)	122 000
Petty cash	8 000
Cash float	12 000
Creditors control	518 240
Accrued expense	?
Accrued income	?
Consumable stores on hand	4 700
Net profit (after all adjustments)	673 200

B. Capital:

Merlin increased his capital contribution by R480 000 on 1 December 2022 by making an EFT into the business account. This was properly recorded.

C. Drawings:

Merlin draws R4 200 cash and takes trading stock valued at R1 750 every month, over the financial year. This was duly recorded.

D. Fixed deposit: Lite Bank

One of the fixed deposits at Lite Bank, R80 000, will mature on 31 July 2023. The balance matures in July 2025.

E. Loan: Omega Bank:

The loan balance on 1 March 2022 was R976 000.

Fixed monthly instalments of R18 500 were made and recorded over the financial year. Total interest capitalised amounted to R96 000.

F. Accruals (taken into account to calculate the net profit):

- The telephone account for February 2023, R2 160 was paid on 5 March 2023.
- Interest on fixed deposit at 8% p.a. was still outstanding for the last quarter of the financial year ended 28 February 2023.

QUESTION 4: INTERPRETATION OF FINANCIAL INFORMATION (40 marks; 30 minutes)

The information was extracted from the records of Classic Traders. The business is owned by Glen Ashton.

REQUIRED:

- 4.1 Calculate the following financial indicators for the year ended 28 February 2023. Show all calculations to ONE decimal point.
- 4.1.1 Mark-up percentage achieved (3)
- 4.1.2 % net profit on sales (2)
- 4.1.3 Solvency ratio (4)
- 4.1.4 Acid test ratio (4)
- 4.1.5 % Return on average owner's equity (5)
- 4.2 Glen is concerned about the liquidity position of the business. Explain whether he is justified or not. Quote TWO financial indicators, with figures, to support your explanation. (6)
- 4.3 The accountant expressed concern that the business did not perform well over the current financial year. Quote and explain TWO profitability financial indicators that may be of concern to him. Also mention ONE strategy that the business can use to address this concern in the next financial year. (6)
- 4.4 Glen's wife, Lizzie, feels that Glen has made a poor decision by investing his money in this business. Glen wants to keep the business in operation.
- Quote and explain ONE financial indicator that supports Lizzie's concern. (4)
 - Explain TWO other points that Glen can use (except the ones mentioned in Question 3.2 and Question 3.3) to convince Lizzie that the business can succeed in the future. (4)



INFORMATION:

A. Extract from the Income Statement for the year ended 28 February 2023:

Sales	R 2 883 000
Cost of sales	1 860 000
Gross profit	1 023 000
Operating expenses	691 920
Net profit	247 500

B. Extract from the Balance Sheet as at 28 February:

	2023	2022
Current assets	748 800	627 000
Inventories	374 400	320 000
Trade and other receivables	198 000	218 000
Cash and cash equivalents	176 400	89 000
Total assets	4 116 000	3 762 000
Owner's equity	2 900 000	2 600 000
Non-current liabilities	800 000	720 000
Current liabilities	416 000	442 000

C. Financial indicators for the year ended 28 February:

	2023	2022
Mark-up % achieved	?	60%
% Operating expenses on sales	24,0%	21,0%
% Operating profit on sales	11,5%	16,5%
Solvency ratio	?	3,2 : 1
Current ratio	1,8 : 1	1,4 : 1
Acid test ratio	?	0,7 : 1
Return on average owner's equity	?	14,0%
Interest rate on fixed deposit	8,5%	8,5%
Interest rate on loans	12,0%	12,0%

40

TOTAL: 150

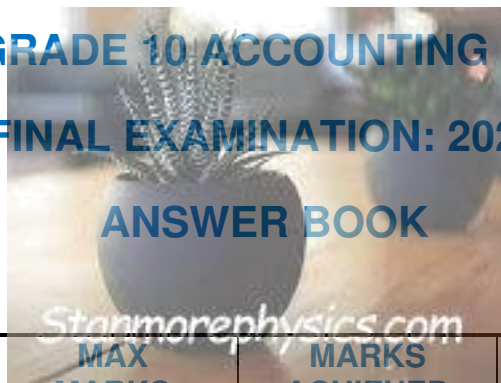
GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
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	





Name of Learner:

GRADE 10 ACCOUNTING P1
FINAL EXAMINATION: 2023
ANSWER BOOK



QUESTION	MAX MARKS	MARKS ACHIEVED	MODERATED MARKS
1	35		
2	45		
3	30		
4	40		
TOTAL	150		



QUESTION 1:

1.1 ANALYSING TRANSACTIONS

No	GENERAL LEDGER		AMOUNT	EFFECT ON:		
	ACCOUNT DEBITED	ACCOUNT CREDITED		A	O	L
Eg	<i>Drawings</i>	<i>Trading stock</i>	<i>R500</i>	-	-	0
1.1.1						

20

1.2 SALARIES AND WAGES

1.2.1 Calculate Grant’s annual gross salary for 2023.

3

1.2.2 Calculate the total amount that must be paid to the NN Pension Fund based on Grant’s monthly salary.

4

1.2.3 Calculate the total cost to the business with reference to Grant’s salary and benefits.

6

1.2.4 Explain ONE point why the manager would not consider Grant’s request.

2

TOTAL MARKS	35	
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QUESTION 2:

2.1.1	
2.1.2	
2.1.3	
2.1.4	

4

2.2

Statement of Comprehensive Income for the year ended 28 February 2023	
Sales	
Cost of sales	
Gross profit	
Other income	
Gross operating income	
Operating expenses	
Sundry expenses	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	
Net profit for the year	875 000

41

TOTAL MARKS	45	
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QUESTION 3:

3.1 Owner's equity

6

3.2 Statement of Financial Position on 28 February 2023.

Assets	
Non-current assets	
Current assets	
Inventories	
Trade and other receivables	
Cash and cash equivalents	
Total assets	
Equity and Liabilities	
Non-current Liabilities	
Current liabilities	
Total equity and liabilities	

24

TOTAL MARKS	30	
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QUESTION 4:

4.1.1 Calculate: Mark-up percentage

3

4.1.2 Calculate: % net profit on sales

2

4.1.3 Calculate: Solvency ratio

4

4.1.4 Calculate: Acid test ratio

4

4.1.5 Calculate: Return on average owner's equity

5

4.2 Glen is concerned about the liquidity position of the business. Explain whether he is justified or not. Quote TWO financial indicators, with figures, to support your explanation.

6

4.3

The accountant expressed concern that the business did not perform well over the current financial year. Quote and explain TWO profitability financial indicators that may be of concern to him. Also mention ONE strategy that the business can use to address this concern in the next financial year.

STRATEGY FOR NEXT YEAR

8

4.4

Glen's wife, Lizzie, feels that Glen has made a poor decision by investing his money in this business. Glen wants to keep the business in operation. Quote and explain ONE financial indicator that supports Lizzie's concern.

Explain TWO other points that Glen can use (except the ones mentioned in Question 3.2 and Question 3.3) to convince Lizzie that the business can succeed in the future.

4

4

TOTAL MARKS	40	
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TOTAL: 150



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EDUCATION

GRADE 10

ACCOUNTING P1
OCTOBER / NOVEMBER 2023
MARKING GUIDELINES

Stanmorephysics.com

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 8 pages.

QUESTION 1:

1.1 ANALYSING TRANSACTIONS

No	GENERAL LEDGER		AMOUNT	EFFECT ON:		
	ACCOUNT DEBITED	ACCOUNT CREDITED		A	O	L
Eg	<i>Drawings</i>	<i>Trading stock</i>	<i>R500</i>	-	-	0
1.1.1	SARS: PAYE ✓	Bank ✓	R6 280	- ✓	0	- ✓
1.1.2	Bank ✓	Rent income ✓	R9 800	+ ✓	+ ✓	0
1.1.3	Medical Aid Contribution ✓	Medical Aid Fund ✓	R3 800	0	- ✓	+ ✓
1.1.4	Creditors control ✓	Bank	R5 320 ✓✓	- ✓	0	- ✓
	Creditors control	Discount received ✓	R280	0	+ ✓	- ✓

20

1.2 SALARIES AND WAGES

1.2.1 Calculate Grant's annual gross salary for 2023.

Year 2021 Year 2022 Year 2023
 268 800 ✓ ; (268 800 + 13 440) ✓ ; (282 240 + 13 440) = 295 680 ✓

3

1.2.2 Calculate the total amount that must be paid to the NN Pension Fund based on Grant's monthly salary.

$2\,460 \times 8/10$
 1 968 ✓✓ + 2 460 ✓ = 4 428 ✓

4

1.2.3 Calculate the total cost to the business with reference to Grant's salary and benefits.

$2\,460 \times 100/10$ $1\,475 \times 1,2$
 24 600 ✓✓ + 2 460 ✓ + 1 770 ✓✓ = 28 830 ✓

6

1.2.4 Explain ONE point why the manager would not consider Grant's request.

Any suitable reason ✓✓

- It is unethical not to show the full remuneration of the employee.
- This may be an attempt to not pay tax (PAYE) which is fraud (illegal)
- The business reputation can be dented / no transparency in management.

2

TOTAL MARKS	35	
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QUESTION 2:

2.1.1	E ✓
2.1.2	D ✓
2.1.3	B ✓
2.1.4	A ✓

4

2.2

Statement of Comprehensive Income for the year ended 28 February 2023		
Sales	2 951 000 <input checked="" type="checkbox"/> x 150% ✓ OR 4 404 750 + 21 750 <small>one mark one mark</small>	4 426 500 <input checked="" type="checkbox"/>
Cost of sales	2 936 500 + 14 500	(2 951 000) <input checked="" type="checkbox"/>
Gross profit	6	1 475 500 <input checked="" type="checkbox"/>
Other income		45 000 <input checked="" type="checkbox"/>
Rent income	36 300 ✓ + 3 300 ✓✓ OR 3 300 x 12	39 600 <input checked="" type="checkbox"/>
Bad debts recovered		5 400 ✓
Gross operating income	8	1 520 500 <input checked="" type="checkbox"/>
Operating expenses	GOI – OP	(580 000) <input checked="" type="checkbox"/>
Salaries and wages		315 000 ✓
Depreciation		91 200 ✓
Donation		6 900 ✓
Repairs		3 500 ✓
Packing material	27 300 – 3 800	23 500 <input checked="" type="checkbox"/>
Advertising	4 800 ✓ – 3 200 ✓✓ OR 4 800 x 2/6	1 600 <input checked="" type="checkbox"/>
Insurance	36 100 ✓ + 3 425 ✓✓	39 525 <input checked="" type="checkbox"/>
Bad debts	11 600 ✓ – 3 480 ✓ OR 3 480 x 70/30	8 120 <input checked="" type="checkbox"/>
Trading stock deficit	416 400 – 14 500 ✓ – 6 900 ✓ – 392 400	2 600 <input checked="" type="checkbox"/>
Sundry expenses	22	88 055 <input checked="" type="checkbox"/>
Operating profit	NPbIE – Int inc	940 500 <input checked="" type="checkbox"/>
Interest income		4 700 ✓
Profit before interest expense	NP + IE	945 200 <input checked="" type="checkbox"/>
Interest expense	553 800 + 158 400 – 642 000	(70 200) <input checked="" type="checkbox"/>
Net profit for the year	5	875 000

41

TOTAL MARKS	45	
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QUESTION 3:**3.1 Owner's equity**

Capital balance at beginning		1 400 300 ✓
Additional capital contributed		480 000 ✓
Net profit		673 200 ✓
Drawings	(4 200 + 1 750) x 12	(71 400) ✓✓
Capital balance at end		2 482 100 ✓

6

3.2 Statement of Financial Position on 28 February 2023.

Assets		
Non-current assets		2 758 000 ✓
Fixed assets	balancing amount	2 588 000 ✓
Financial assets: Fixed deposit (250 000 – 80 000)	4	170 000 ✓✓
Current assets		1 216 500 ✓
Inventories (633 300 + 4 700) one mark each		638 000 ✓✓
Trade and other receivables (473 500 ✓ + 5 000 ✓✓)		478 500 ✓
Cash and cash equivalents (12 000 + 8 000 + 80 000)		100 000 ✓✓
Total assets	10	3 974 500 ✓
Equity and Liabilities		
Owner's equity		2 482 100 ✓
Non-current Liabilities		850 000
Loan	976 000 – 222 000 ✓✓ + 96 000	850 000 ✓
Current liabilities		642 400 ✓
Trade and other payables (518 240 ✓ + 2 160 ✓)		520 400 ✓
Bank overdraft		122 000 ✓
Total equity and liabilities	6	3 974 500 ✓

24

TOTAL MARKS

30

QUESTION 4:

4.1.1

Calculate: Mark-up percentage

$$\frac{1\,023\,000}{1\,860\,000} \times \frac{100}{1} = 55\%$$

3

4.1.2

Calculate: % net profit on sales

$$\frac{247\,500}{2\,883\,000} \times \frac{100}{1} = 8,6\%$$

2

4.1.3

Calculate: Solvency ratio

$$4\,116\,000 : (800\,000 + 416\,000) = 3,4 : 1$$

4

4.1.4

Calculate: Acid test ratio

$$(748\,800 - 374\,400) : 416\,000 = 0,9 : 1$$

4

4.1.5

Calculate: Return on average owner's equity

$$\frac{247\,500}{\frac{1}{2}(2\,600\,000 + 2\,900\,000)} \times \frac{100}{1} = 9\%$$

2 750 000 three marks

5

4.2

Glen is concerned about the liquidity position of the business. Explain whether he is justified or not. Quote TWO financial indicators, with figures, to support your explanation.

Financial indicator ✓ ✓ Comparison figures ✓ ✓
 Further explanation ✓ ✓

Current ratio: Increased from 1,4 : to 1,8 : 1
 Acid test ratio: Increased from 0,7 : 1 to 0,8 : 1

- The business can pay off current debts without converting inventories to cash
- They have enough cash resources to pay current liabilities.
- Steps were put in place to improve cash resources.

6

4.3

The accountant expressed concern that the business did not perform well over the current financial year. Quote and explain TWO profitability financial indicators that may be of concern to him. Also mention ONE strategy that the business can use to address this concern in the next financial year.

Financial indicator ✓ ✓ Comparison ✓ ✓ Further explanation ✓✓

Operating expenses % on sales: Increased from 21% to 24%
 Operating profit % on sales: Decreased from 16,5% to 11,5%

- Expenses are not being well controlled. This has contributed to lower profits. A decrease in mark-up did not contribute to better profits.

STRATEGY FOE NEXT YEAR ✓✓

- Budget appropriately and stick to the budget / control the budget
- Identify expenses that were not well controlled and monitor.
- Introduce incentive bonus for improved sales
- Devise policy for use of business resources such as telephone, material

8

4.4

Glen’s wife, Lizzie, feels that Glen has made a poor decision by investing his money in this business. Glen wants to keep the business in operation.

Quote and explain ONE financial indicator that supports Lizzie’s concern.

Return on equity ✓ : decreased from 14% to 9% ✓
 Comment ✓✓

Lizzie may be concerned about the negative trend /
 Return is only 0,5% higher than the interest rate on fixed deposits

4

Explain TWO other points that Glen can use (except the ones mentioned in Question 3.2 and Question 3.3) to convince Lizzie that the business can succeed in the future.

TWO points ✓✓ ✓✓

The improvement in the solvency ratio, from 3.2 : 1 to 3.4 : 1 is an indication that the business has enough assets to survive in the long run.
 There is opportunity to decrease the mark-up to improve sales
 The business does not rely on loans – there is opportunity to increase the loan to invest in more modern strategies to attract customers.
 There is a need to do market research to assess needs of customers as the economy is also not in a favourable position.

4

TOTAL MARKS	40	
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TOTAL: 150