



PROVINCIAL EXAMINATION

NOVEMBER 2023

GRADE 10

Stanmorephysics.com

ACCOUNTING
(PAPER 1)

TIME: 2 hours

MARKS: 150

9 pages, a formula sheet and a 6-page answer book

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Answer all questions in the ANSWER BOOK provided.
3. Show ALL calculations to earn part-marks.
4. Non-programmable calculators may be used.
5. You may use blue or black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. Write neatly and legibly.
8. A FORMULA SHEET is attached at the end of this question paper.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPICS	MARKS	TIME
1	GAAP Concepts and Analysis of Transactions	33	25 minutes
2	Statement of Comprehensive Income	44	35 minutes
3	Notes and Statement of Financial Position	38	32 minutes
4	Concepts and Analysis and Interpretation of Financial Statements	35	28 minutes
Total		150	120 minutes

QUESTION 1: GAAP CONCEPTS AND ANALYSIS OF TRANSACTIONS

(33 marks: 25 minutes)

1.1 GAAP CONCEPTS

Match the principle in COLUMN A with the example that best describes it in COLUMN B. Write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.4) in your ANSWER BOOK.

COLUMN A	COLUMN B
1.1.1 Business entity	A Land and buildings are reflected in the Balance Sheet at the original price of R350 000, despite their market value of R500 000.
1.1.2 Going concern	B When a debtor settles his account, the discount allowed is recorded at the same time.
1.1.3 Historical cost	C Trading stock is valued at R20 000 even though it could be sold at R15 000.
1.1.4 Matching	D Stock taken by the owner is recorded as drawings in the financial statements.

(4)

1.2 ANALYSIS OF TRANSACTIONS

Analyse the following transactions according to the headings provided in the ANSWER BOOK. The business uses a mark-up of 50% on cost.

(29)

Assume that the Bank balance is favourable for all the transactions.

Example: Bought stationery for cash, R 2 000.

TRANSACTIONS:

1.2.1 Bought equipment on credit for R10 000 from Tshwane Furnishers.

1.2.2 A debtor, N Mothusi paid R4 750 via EFT in settlement of her account of R5 000.

1.2.3 Sold goods for cash, the cost price was R3 000.

1.2.4 The owner took trading stock at the cost of R850 for personal use.

1.2.5 The owner of the business returned damaged goods to the supplier, they were discounted by 5%, the original cost price was R1 800.

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

(44 marks; 35 minutes)

SEBENZA TRADERS

The following information was taken from the records of Sebenza Traders on 28 February 2023, the last day of the financial year. The business uses a mark-up of 40% on cost.

REQUIRED:

2.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ending 28 February 2023.

(44)

INFORMATION:

A. Extract from the Trial Balance for the year ended 28 February 2023

Balance Sheet Accounts	Debit	Credit
Capital (1 March 2022)		600 000
Drawings	34 000	
Vehicles	280 000	
Accumulated depreciation on vehicles (1 March 2022)		56 000
Equipment	130 000	
Accumulated depreciation on equipment (1 March 2022)		44 600
Fixed Deposit: Al Raji Bank @ 9% p.a.	24 000	
Trading stock	44 000	
Debtors' control	42 300	
Bank (favourable)	4 600	
Mortgage Loan: SAAB Bank		103 800
Nominal Accounts		
Sales		588 000
Cost of sales	420 000	
Debtors' allowances	6 800	
Rent income		36 200
Commission income		10 150
Salaries	43 500	
Insurance	12 500	
Bad debts	4 800	
Stationery	3 320	
Water and electricity	19 100	
Bank charges	4 200	
Packing material	7 100	
Advertising	2 300	
Interest on fixed deposit		1 620

B. ADJUSTMENTS AND ADDITIONAL INFORMATION

- (i) The water and electricity account for February 2023 has not yet been paid, R1 830.
- (ii) Stock with a selling price of R2 520 was donated to a local orphanage. No entry was made.
- (iii) According to a physical stock count on 28 February 2023, the following items were on hand:
- Trading stock R 41 000
 - Packing material R 1 950
- (iv) Insurance includes an annual premium of R3 960 paid for the period 1 September 2022 to 31 August 2023.
- (v) Rent for February 2023 has not yet been received. The rent was increased by R300 per month with effect from 1 July 2022.
- (vi) R. Adam, a debtor, who owed R1 200 to Sebenza Traders was declared insolvent. His estate was able to settle half of the amount owing. Write off the outstanding amount.
- (vii) The loan statement received from SAAB Bank on 28 February 2023 reflected the following:

Balance on 1 March 2022	R150 000
Repayments during the year (including interest)	R 46 200
Interest on loan (capitalised)	?
Balance on 28 February 2023	R117 300

- (viii) Provide for the outstanding interest on fixed deposit, interest is not capitalised.
- (ix) The bank statement for February 2023 reflected the following:
- EFT fees – R 170
 - Credit card levies – R 90
 - Interest on the current account – R220
- (x) Depreciation is calculated as follows:
- On vehicles at 10% p.a. on cost
 - On equipment at 15% p.a. on the diminishing balance method

NOTE: Additional equipment with a cost price of R12 400 was purchased on 1 December 2022. This transaction has not yet been recorded.

QUESTION 3: NOTES AND STATEMENT OF FINANCIAL POSITION

(38 marks; 32 minutes)

SAVAGE TRADERS

Jasper Savage is the owner of Savage Traders a supplier of catering equipment. The business also services equipment at a fee for various clients. The business uses a mark-up of 100% on cost.

REQUIRED:

- 3.1 Prepare the following notes to the Statement of Financial Position;
- 3.1.1 Owner's Equity (6)
- 3.1.2 Trade and Other Payables (20)
- 3.2 Complete the Equity and Liabilities section of the Statement of Financial Position for the year ended 31 July 2023. (12)

INFORMATION:

Extract from the Pre-adjustment Trial Balance on 31 July 2023

Capital	3 000 000
Drawings	200 000
Mortgage Loan: SWYS Bank (see adjustment (v))	?
Debtors' Control	680 000
Creditors' Control	530 000
SARS: PAYE	51 000
Pension Fund	19 000
Medical Aid	17 000
Bank overdraft	105 000

ADDITIONAL INFORMATION AND ADJUSTMENTS NOT RECORDED

- (i) Jasper Savage invested another R100 000 cash in the business on 30 June 2023. This transaction has not been recorded.
- (ii) Net profit for the year amounted to R170 000 and it has not been entered in the books.
- (iii) Jasper Savage took additional merchandise with a cost price of R40 000 for personal use.

- (iv) A debtor returned three industrial ovens with a selling price of R75 000 each. Upon inspection Savage Traders found that all three ovens were not working and subsequently returned them to the supplier.
- (v) Baking trays costing a total of R3 000 were purchased on credit from the supplier, however they were posted as indicated in the table below: Correct the error.

Details	Debit	Credit
Trading stock	R3 000	
Bank		R3 000

- (vi) The statement from SWYS Bank received on 31 July 2023 was as follows:

Balance on 01 June 2022	290 000
Repayments including interest	(80 000)
Interest charged	30 000
Balance on 31 July 2023	240 000

25% of the outstanding balance on loan will be repaid in the next financial year.

- (vii) The statement for the telephone account was only received a few days after 31 July 2023. The amount of R6 000 will be paid in August 2023.
- (viii) One of the debtors had paid R12 000 for servicing electrical stoves. Due to loadshedding, the service will only be done in August 2023.
- (ix) Savage Traders employed a new sales assistant at the beginning of July 2023. Human Resource (Labour) Department had not processed the assistant's information and he was not paid for July 2023.

His salary details are as follows:

Gross salary	PAYE	Pension Fund Deductions	Medical Aid Deductions	Nett Salary
15 000	2 100	1 500	1 300	?

Business contributions are:

Pension fund	R2,00 for every R1,00 deducted.
Medical Aid	On a rand for rand basis.

QUESTION 4: CONCEPTS AND INTERPRETATION OF FINANCIAL STATEMENTS
(35 marks; 28 minutes)

4.1 CONCEPTS

Indicate whether the following statements are TRUE or FALSE. Write only 'True' or 'False' next to the numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

- 4.1.1 Fixed deposit maturing in the next financial year is recorded under non-current liabilities.
- 4.1.2 The financial institution will be interested in the financial statements of a business if they apply for a loan.
- 4.1.3 Solvency is the ability of a company to meet its long-term debts and financial obligations. (3)

4.2 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

Milan Dealers is owned by James Milan. He sells ladies bags locally. The financial year end is 28 February 2023.

Calculate the financial indicators as at 28 February 2023.

- 4.2.1 Calculate the mark-up percentage. (3)
- 4.2.2 Calculate the net profit on sales. (3)
- 4.2.3 Calculate the current ratio. (3)
- 4.2.4 Calculate the acid test ratio. (4)
- 4.2.5 Calculate the return on owner's equity. (5)
- 4.2.6 James Milan is not happy with the control of expenses in the business. Quote ONE financial indicator with figures to support his concern. (3)
- 4.2.7 Comment on the liquidity of the business. Quote TWO financial indicators and provide figures to support your answer. (4)
- 4.2.8 Milan Dealers has a mark-up policy of 40% on all merchandise. The owner is concerned that the business is not achieving the mark-up. Provide TWO reasons why the business is not achieving its intended mark-up. (2)
- 4.2.9 State whether Milan Dealers will be happy with the % return on equity. Give TWO reasons for your answer. Quote the financial indicators and relevant figures. (5)

INFORMATION:

A. **EXTRACT FROM STATEMENT OF COMPREHENSIVE INCOME**

	2023	2022
Sales	676 000	600 000
Cost of sales	520 000	480 000
Gross profit	156 000	120 000
Operating expenses	74 880	54 000
Net profit	81 120	66 000

B. **EXTRACT FROM STATEMENT OF FINANCIAL POSITION**

	2023	2022
Owner's equity	550 000	500 000
Non-current assets	680 000	440 000
Current assets	490 000	570 000
Non-current liabilities	620 000	840 000
Current liabilities	220 200	200 200
Inventories	200 000	261 000
Cash and cash equivalents	165 000	124 000
Trade and other receivables	125 000	185 000

C. **FINANCIAL INDICATORS**

	2023	2022
% Mark up on cost	?	25%
% Operating expenses on sales	14.2%	9%
% Net profit on sales	?	11%
Current ratio	?	2,8 : 1
Acid test ratio	?	1,5: 1
% Return on average equity	?	12,8%
Interest rate on fixed deposit	9%	9%
Interest rates on loan	18%	18%

GRADE 10 ACCOUNTING FINANCIAL INDICATORS 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	



GAUTENG PROVINCE

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PROVINCIAL EXAMINATION

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GRADE 10

**ACCOUNTING
(PAPER 1)**

ANSWER BOOK

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NAME OF SCHOOL: _____

NAME OF LEARNER: _____

QUESTION	MARKS	MARK OBTAINED	MODERATED MARK
1	33		
2	44		
3	38		
4	35		
TOTAL	150		

QUESTION 1: GAAP CONCEPTS AND TRANSACTION ANALYSIS

1.1 GAAP CONCEPTS

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 ANALYSIS OF TRANSACTIONS

	GENERAL LEDGER		AMOUNT R	EQUATION		
	Account debited	Account credited		A	O	L
E.g.	Stationery	Bank	2 000	-	-	0
1.2.1	Equipment					
1.2.2		Debtors' Control				
1.2.3	Bank					
	Cost of sales		3 000			
1.2.4		Trading stock	850			
1.2.5		Trading Stock				

29

TOTAL
33

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

2.1 STATEMENT OF COMPREHENSIVE INCOME OF SEBENZA TRADERS FOR THE YEAR ENDED 28 FEBRUARY 2023

Sales			
Cost of sales			
Gross profit			
Other operating income			
Commission income		10 150	
Gross operating income			
Other operating expenses			
Salaries		43 500	
Stationery		3 320	
Advertising		2 300	
Operating profit			
Profit before interest expense			
Net profit for the year			44

TOTAL
44

QUESTION 3: NOTES AND STATEMENT OF FINANCIAL POSITION

3.1 3.1.1	OWNER'S EQUITY	AMOUNT
	Capital balance on 01 June 2022	
	Capital balance on 31 July 2023	

6

3.1.2	TRADE AND OTHER PAYABLES	AMOUNT
	Trade creditors	
	Pension Fund (19 000)	
	Medical Aid (17 000)	

20

3.2 STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2023

EQUITY AND LIABILITIES	
EQUITY	
Owner's equity	
NON-CURRENT LIABILITIES	
Loan: SWYS Bank	
CURRENT LIABILITIES	
Trade and other payables	
TOTAL EQUITY AND LIABILITIES	

12

TOTAL
38

QUESTION 4: CONCEPTS AND INTERPRETATION OF FINANCIAL STATEMENTS

4.1 CONCEPTS

4.1.1	
4.1.2	
4.1.3	

3

4.2 Calculate the financial indicators as at 28 February 2023.

4.2.1 **Calculate the mark-up percentage.**

--

3

4.2.2 **Calculate the net profit on sales.**

--

3

4.2.3 **Calculate the current ratio.**

--

3

4.2.4 **Calculate the acid test ratio.**

--

4

4.2.5 **Calculate the return on owner's equity.**

--

5

4.2.6 James Milan is not happy with the control of expenses in the business. Quote ONE financial indicator with figures to support his concern.

--

3

4.2.7 Comment on the liquidity of the business. Quote TWO financial indicators and provide figures to support your answer.

--

4

4.2.8 Milan Dealers has a mark-up policy of 40% on all merchandise. The owner is concerned that the business is not achieving the mark-up. Provide TWO reasons why the business is not achieving its intended mark-up.

--

2

4.2.9 State whether Milan Dealers will be happy with the % return on equity. Give TWO reasons for your answer. Quote the financial indicators and relevant figures.

Yes or No (Circle your choice)

5

TOTAL
35

TOTAL: 150



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NOVEMBER 2023

GRADE 10

MARKING GUIDELINES

ACCOUNTING
(PAPER 1)

6 pages

MARKING PRINCIPLES:

1. 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 items). No double-penalty is 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 the answer is 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).
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. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per memo.
9. 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.
10. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
11. Be aware of candidates who provide valid alternatives beyond the marking guidelines.
12. Codes: F = foreign item; P = placement/presentation.

QUESTION 1: GAAP CONCEPTS AND TRANSACTION ANALYSIS

1.1 GAAP CONCEPTS

1.1.1	D	✓
1.1.2	C	✓
1.1.3	A	✓
1.1.4	B	✓

4

1.2 ANALYSIS OF TRANSACTIONS

	GENERAL LEDGER		AMOUNT	EQUATION		
	Account debited	Account credited	R	A	O	L
E.g.	Stationery	Bank	2 000	-	-	0
1.2.1	Equipment	Creditors' control ✓	✓ 10 000	+✓	0	+✓
1.2.2	Bank ✓	Debtors' Control	✓ 4 750	+✓	0	0
	Discount allowed ✓	Debtors' Control ✓	✓ 250	-✓	+✓	0
1.2.3	Bank	Sales ✓	✓✓ 4 500	+✓	+✓	0
	Cost of sales	Trading stock ✓	3 000	-✓	-✓	0
1.2.4	Drawings ✓	Trading stock	850	-✓	-✓	0
1.2.5	Creditors' Control ✓	Trading Stock	✓✓ 1 710	-✓	0	-✓

29

TOTAL
33

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

2.1 STATEMENT OF COMPREHENSIVE INCOME OF SEBENZA TRADERS FOR THE YEAR ENDED 28 FEBRUARY 2023

Sales (588 000 – 6 800)		✓✓	581 200
Cost of Sales		✓	(420 000)
Gross profit	4	☑	161 200
Other operating income		☑	49 750
Commission income			10 150
Rent income (36 200 ✓ + 3 400 ✓✓)		☑	39 600
Gross operating income	6	☑	210 950
Other operating expenses		☑	(139 855)
Salaries			43 500
Stationery			3 320
Advertising			2 300
Water and electricity (19 100 + 1 830)		✓✓	20 930
Insurance (12 500 – 1 980 ✓✓)		☑	10 520
Packing materials (7 100 – 1 950)		✓✓	5 150
Bad debts (4 800 + 600)		☑ ✓	5 400
Donations		✓✓	1 800
Bank charges (4 200 + 260)		☑ ✓	4 460
Trading stock deficit (44 000 ✓ – 1 800 ✓ – 41 000 ✓)		☑	1 200
Depreciation (28 000 ✓ + 12 810 ✓✓ + 465 ✓✓)		☑	41 275
Operating profit	25	☑	71 095
Interest income (1 620 ✓ + 540 ✓✓ + 220 ✓)		☑	2 380
Profit before interest expense		☑	73 475
Interest expense (117 300 + 46 200 - 150 000)		✓✓	(13 500)
Net profit for the year	9	☑	59 975

44

TOTAL
44

QUESTION 3: NOTES AND STATEMENT OF FINANCIAL POSITION

3.1 3.1.1

OWNER'S EQUITY	AMOUNT
Capital balance on 01 June 2022	✓ 3 000 000
Additional capital contributed	✓ 100 000
Net profit	✓ 170 000
Drawings (200 000 + 40 000)	✓✓ (240 000)
Capital balance on 31 July 2023 Operation	<input checked="" type="checkbox"/> 3 030 000

6

3.1.2

TRADE AND OTHER PAYABLES	AMOUNT
Trade creditors (530 000 ✓ – 112 500 ✓✓ + 3 000 ✓)	<input checked="" type="checkbox"/> 420 500
Pension Fund (19 000 + 1 500 ✓ + 3 000 ✓✓)	<input checked="" type="checkbox"/> 23 500
Medical Aid (17 000 ✓ + 1 300 ✓ + 1 300 ✓)	<input checked="" type="checkbox"/> 19 600
Accrued expenses	✓ 6 000
Income received in advance	✓ 12 000
SARS - PAYE (51 000 + 2 100)	<input checked="" type="checkbox"/> ✓ 53 100
Creditors for salaries	<input checked="" type="checkbox"/> # ✓ 10 100
Operation	<input checked="" type="checkbox"/> 544 800

20

Amount must not exceed R15 000.

3.2 STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2023

EQUITY AND LIABILITIES	
EQUITY	3 030 000
Owner's equity	<input checked="" type="checkbox"/> 3 030 000
NON-CURRENT LIABILITIES	180 000
Loan: SWYS Bank (240 000 ✓ – 60 000 ✓)	<input checked="" type="checkbox"/> 180 000
CURRENT LIABILITIES	<input checked="" type="checkbox"/> 606 800
Trade and other payables	<input checked="" type="checkbox"/> 544 800
Short-term loan	<input checked="" type="checkbox"/> 60 000
Bank Overdraft (105 000 ✓ – 100 000 ✓ – 3 000 ✓)	<input checked="" type="checkbox"/> 2 000
TOTAL EQUITY AND LIABILITIES OE + NCL + CL	<input checked="" type="checkbox"/> 3 816 800

12

TOTAL
38

QUESTION 4: CONCEPTS AND INTERPRETATION OF FINANCIAL STATEMENTS

4.1 CONCEPTS

4.1.1	False	✓
4.1.2	True	✓
4.1.3	True	✓

3

4.2 Calculate the financial indicators as at 28 February 2023:

4.2.1 Calculate the mark-up percentage.

$$\frac{156\ 000}{520\ 000} \times \frac{100}{1}$$

30% ✓ One part correct

3

4.2.2 Calculate the net profit on sales.

$$\frac{81\ 000}{676\ 000} \times \frac{100}{1}$$

12% ✓ One part correct

3

4.2.3 Calculate the current ratio.

$$490\ 000 : 220\ 200$$

2,2:1 ✓ One part correct

3

4.2.4 Calculate the acid-test ratio.

$$490\ 000 - 200\ 000 : 220\ 200$$

OR

$$165\ 000 + 125\ 000 : 220\ 200$$

290 000 two marks

1,3: 1 ✓ One part correct

4

4.2.5 Calculate the return on owner's equity.

$$\frac{81\ 120}{\frac{1}{2}(550\ 000 + 500\ 000)} \times \frac{100}{1}$$

1 050 000 2 marks
525 000 3 marks

= 15,5% or 15,45% or 15% ✓ One part correct (Do not accept 16%)

5

4.2.6 James Milan is not happy with the control of expenses in the business. Quote ONE financial indicator with figures to support his concern.

Financial indicator and comment ✓✓ trend and figures ✓
 Operating expenses are poorly controlled and have increased from 9% to 14,2% or by 5,2 basis points or by 57,8% (Accept 58% and 57,77%)

3

4.2.7 Comment on liquidity of the business. Quote TWO financial indicators and provide figures to support your answer.

Quote indicators ✓✓ trend and figures ✓✓

- The current ratio has slightly dropped from 2,8:1 to 2,2:1. **Check 4.2.3**
- Acid test ratio has dropped from 1,5:1 to 1,3:1. **Check 4.2.4**

4

4.2.8 Millan Dealers has a mark-up policy of 40% on all merchandise. The owner is concerned that the business is not achieving the mark-up. Provide TWO reasons why the business is not achieving its intended mark-up.

Two valid reasons ✓✓

- Too much discount was allowed to customers.
- The incorrect mark-up was applied.
- The business was forced to sell goods at a reduced price to remain competitive.
- There was a lower demand for goods sold by a business.

2

4.2.9 State whether Milan Dealers will be happy with the % return on equity. Explain TWO reasons for your answer. Quote the financial indicators and relevant figures.

Answer:
 Yes ✓

Reasons or financial indicators ✓✓ trend and figures ✓✓

- % return on average equity increased from 12,8% to 15,5%.
- % return on average equity is higher than interest rate on fixed deposit of 9%. **Check 4.2.5**

5



TOTAL
35

TOTAL: 150