

Phoenix Circuit Accounting Society**Grade 10****Accounting Paper 1****MEMO****Final Examination****1 November 2019****Marks: 150****Time: 2 Hours****Grade 10*****This booklet consists of 8 pages.***

QUESTION	TOPIC
1	Ratio calculations and analysis of financial statements
2	Ethics, analysis of transactions and salaries
3	Income Statement Notes – Inventory and Payables
4	Balance Sheet

QUESTION ONE

(35 MARKS – 28 MINUTES)

1.1.1. Operating expenses on sales

$$\frac{73500 \checkmark}{450250 \checkmark} \times 100$$

$$= 16.0\% \checkmark$$

3

1.1.2. Acid test ratio

$$420\ 000 \checkmark - 75\ 000 \checkmark : 300\ 000 \checkmark$$

$$= 1,2 : 1 \checkmark$$

1,25 : 1

4

1.1.3. The solvency ratio

$$(960\ 000 \checkmark + 420\ 000 \checkmark) : (80\ 000 \checkmark + 300\ 000 \checkmark)$$

$$= 3,6 : 1 \checkmark$$

1 380 000 : 380 000

5

1.1.4. Return on average owners equity

$$\frac{149\ 750 \checkmark}{(1\ 000\ 000 \checkmark + 600\ 000 \checkmark) / 2} \times 100$$

$$= 18,7\% \checkmark$$

5

1.2. List TWO possible users of information in financial statements.

Banks , *Creditors* , SARS , Trade Unions , Employees
Accept other alternatives

2

1.3. The business did not achieve its intended mark-up of 100 %. Provide TWO possible reasons for this.

too many seasonal sales ✓✓, goods sold at discount ✓✓, errors on pricing, trading stock deficits

4

1.4. The owner is satisfied with the improvement in the liquidity position of his business. Quote TWO financial indicators, including figures, to support his opinion.

Indicator 1:

Current ratio increased from 0,8 : 1 to 1,4 : 1 ✓✓

Indicator 2:

Acid test ratio increased from 0,6 : 1 to 1,2 : 1 ✓✓ (see 4.1.3.)

6

1.5. You are of the opinion that the owner, Mr Tom should be happy with the return in the business. Provide TWO reasons quoting the relevant financial indicators and figures to support your opinion.

Reason/Indicator 1:

Return on average owners equity increased from 5,2 % to 18,7 % (by 13,5 %) ✓✓ (see 4.1.5.)

Reason/Indicator 2:

Return on average owners equity is higher than alternative investments example fixed deposit which give a return of 8 %. ✓✓

6

31

QUESTION 2

(31 MARKS – 25 MINUTES)

2.1 GAAP PRINCIPLES

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

4

2.2 ACCOUNTING EQUATION

	GENERAL LEDGER		AMOUNT R	EQUATION		
	Account Debited	Account Credited		A =	O +	L
E.g.	Drawings	Trading stock	300	–	–	0
2.2.1	Trading stock	CREDITORS CONTROL ✓	11875 ✓	+	0	+
2.2.2	DEBTORS ALLOWANCE ✓	Debtors Control	1200	- ✓	- ✓	0
	TRADING STOCK ✓	Cost of sales	800 ✓	+ ✓	+ ✓	0
2.2.3	INTEREST EXPS/INTEREST ON OVERDUE ACCOUNT ✓	Creditors Control	85	0	- ✓	+ ✓

12

2.3 SALARIES

2.3.1

Gross Salary	R 6 700 ✓
Less: Deductions	R 1 958 ☒
PAYE	R 1 005 ✓
MEDICAL AID	R 350
UIF	R 67 ✓
PENSION FUND	R 536 ✓
NET SALARY	R 4 742 ☒

6

2.4	
2.4.1	R 10 400 ✓✓
2.4.2	2013 ✓
2.4.3	$(137100-124800)/124800 * 100 = 9.8\%$ OR 10% ✓✓
2.4.4	7 YEARS ✓✓
2.4.5	<p>Any one ✓✓</p> <ul style="list-style-type: none"> - It is unethical not to reflect the bonus as the employee has to pay tax on it. - It is the responsibility of the owner to deduct the PAYE and pay it to SARS. - The owner could be charged for fraud by SARS - The owner has to account for all monies received and paid. <p>(Accept any other relevant answer)</p>

9

31

QUESTION THREE:**(49 MARKS – 39 MINUTES)**

CSI Security Systems
INCOME STATEMENT FOR YEAR ENDED 28 February 2019

Sales (780 000 – 3 900✓ – 12 100✓)	764 000✓
Cost of Sales (520 000 – 2 600✓)	(517 400)✓
Gross profit	246 600☒
Other operating income	194 700☒
Rent income (80 400 – 6 600✓)	73 800✓
Installation fee (118 000 + 1 800✓)	119 800✓
Trading stock surplus	1 100✓✓
Gross operating income	441 300☒
Operating expenses	(271 430)☒
Salaries	176 000
Pension fund contributions	8 800
Sundry Expenses	11 400
Depreciation	11 200
Telephone (16 400 + 1 200✓)	17 600✓
Bad debts (4 400 + 800✓✓)	5 200✓
Insurance (5 920 – 1 290✓✓)	4 630✓
Loss on obsolete stock	3 600✓
Water and electricity (21 800 – 800✓)	21 000✓
Consumable stores (12 300 – 300✓)	12 000✓
Operating profit	169 870☒
Interest Income	3 760
Profit before interest expense	173 630☒
Interest expense (11 000 + 1 000✓)	(12 000)✓
Net profit for the year	161 630☒

4. INVENTORY	
Trading Stock (97 000✓ – 3600 ✓+ 2600✓ – 2600✓ + 1100✓)	94 500☑
Consumable stores on hand	300✓
	94 800☑

8

8. TRADE AND OTHER PAYABLES	
Trade Creditors (132 800 – 2 600✓)	130 200✓
Pension fund	17 600
SARS : PAYE	33 030
Accrued expense (1 200✓ + 1 000✓)	2 200✓
Income received in advance	6 600✓
Current portion of loan	25 000✓
	214 630☑

8

QUESTION FOUR

(35 MARKS – 28 MINUTES)

PLAZA TRADERS

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 30 JUNE 2018

	Notes	
ASSETS		
NON-CURRENT ASSETS		395 500☑
Tangible/Fixed Assets(320 000✓ + 150 000✓ + 90 000✓ - 110 000✓ - 60 000✓ - 30 000✓ - 4 500✓)	3	355 500☑
Financial Assets:		
Fixed deposit : at Afrika Bank✓ (60 000✓ - 20 000✓)		40 000☑
CURRENT ASSETS		
Inventories	4	160 946☑
Trade and other receivables (57 500✓ + 2 500✓ + 1 250✓)	5	61 250☑
Cash and cash equivalents (125 550✓ + 1 500✓ + 8 500✓ + 20 000✓)	6	155 550☑
TOTAL ASSETS		
25		
EQUITY AND LIABILITIES		
Owner's Equity (550 000✓ - 180 000✓ + 182 246✓)	7	552 246☑
NON-CURRENT LIABILITIES		135 000☑
Mortgage Loan: SA Bank✓ (160 000✓ - 25 000✓)		135 000
CURRENT LIABILITIES		86 000✓
Trade and other payables (55 000 + 4 300 + 1 700 + 25 000)	8	86 000
TOTAL EQUITY AND LIABILITIES		
10		

35