

**KZN-DEPARTMENT OF EDUCATION  
GREENBURY SECONDARY SCHOOL  
SEPTEMBER CONTROLLED TEST  
ACCOUNTING-GRADE 10**

**DURATION: 1 HOURS  
MARKS: 100**

**EXAMINER: A.RAJOO  
MODERATOR: C.MAHARAJ**

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**INSTRUCTIONS AND INFORMATION:**

1. This question paper consists of 5 pages.
2. You are provided with a question paper and an answer booklet.
3. This question paper consists of THREE compulsory questions. Answer ALL questions.
4. Use the format provided to answer the questions.
5. Workings must be shown in order to earn part-marks.
6. You must attempt to comply with the suggested time allocation.
7. Non-programmable calculators may be used.
8. You may use black/blue ink to answer the questions.
9. Use the information given in the table below as a guide when answering the questions.

<b>QUESTION</b>	<b>TOPIC</b>	<b>MARKS</b>	<b>SUGGESTED TIME</b>
1.	Income Statement	55	30
2.	Balance Sheet	20	12
3.	Ratio Analysis	25	18
	<b>TOTAL</b>	<b>100</b>	<b>60</b>

**QUESTION ONE: INCOME STATEMENT****(55 MARKS, 30MINUTES)**

Silo Traders is a sole trader business owned by S. Shezi.  
The financial year ends on the 28 February 2016.

**Required:**

- 1.1 Prepare the **Income Statement** for the year ended 28 February 2016. (52)  
1.2 Refer to **adjustment 3** . Identify and explain the GAAP principle. (3)

**Information:**

Extract of the Pre-Adjustment Trial Balance of Silo Traders as at 28 February 2016.

<b>Balance Sheet Account Section</b>	<b>Debit</b>	<b>Credit</b>
Vehicles	480 000	
Equipment	190 000	
Accumulated depreciation on vehicles		120 000
Accumulated depreciation on equipment		40 000
Fixed Deposit: KZN Bank (8% p.a)	45 000	
Trading stock	30 550	
Loan: BBC Bank		24 000
<b>Nominal Account Section</b>		
Sales		620 000
Cost of Sales	416 450	
Debtors allowance	13 100	
Rent income		84 500
Packing material	2 620	
Interest on fixed deposit		2 000
Telephone	1 670	
Water and electricity	3 780	
Insurance	5 450	
Interest on loan	1 800	
Discount received		220
Bank charges	90	
Bad debts	210	
Advertising	650	
Salaries and wages	89 600	
Discount allowed	170	

**Additional information and adjustments:**

1. A debtor F. Ford returned goods with a selling price of R 900. Cost price R 450.  
This transaction was not recorded.
2. Write off the debt of a debtor A. Fall , R 350 as irrecoverable.
3. The business has already received the rent for March 2016.
4. Physical stock on hand on 28 February 2016:
  - Trading stock R 29 000
  - Packing material **USED** R 2 000
5. Provide for outstanding interest on fixed deposit.
6. The following amounts have not yet been paid:
  - Telephone R 240
  - Water and electricity R 5 200
7. Insurance includes an annual premium of R 1 800 that was paid on 1 December 2015.
8. Interest on loan amounts to 10% p.a and interest for 3 months is outstanding.
9. Charged debtor S. Sam interest on his overdue account, R 210.
10. Provide for depreciation as follows:
  - On equipment at 10% p.a on cost
  - On vehicles at 20% p.a on carrying value.

**QUESTION TWO: Balance Sheet:****(20 Marks, 12 minutes)****Required:**

2.1 Study the Balance Sheet and answer the questions.

**Max Traders**  
**Balance Sheet as at 30 June 2016**

<b>Assets</b>	
<b>A</b>	1 000 000
<b>Tangible Assets</b>	<b>D</b>
Fixed deposit : NFB Bank	280 000
<b>Current Assets</b>	440 000
<b>B</b>	140 000
Trade and other receivables	<b>E</b>
Cash and cash equivalents	180 000
<b>Total Assets</b>	<b>1 440 000</b>
<b>Equity and Liabilities</b>	
Owner's Equity	<b>F</b>
<b>C</b>	<b>G</b>
Loan: AB Bank	400 000
<b>Current Liabilities</b>	240 000
Trade and other payables	240 000
<b>Total Equity and Liabilities</b>	<b>H</b>

2.1.1 Provide the missing details /amounts for A/B/C/D/E/F/G/H. (16)

2.1.2 List two items found in cash and cash equivalents. (2)

2.1.3 Where will you show/disclose current portion of the loan. (2)

**QUESTION THREE: Analysis and interpretation (25 MARKS, 18 MINUTES)**

Use the information given below to answer the questions relating to Bad Boy Clothing for the year ending 30 September 2016.

**Information:**

**1. Extract from income statement:**

Net Profit	120 000
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**2. Extract from Balance Sheet:**

	2016	2015
Capital	300 000	200 000
Non-current Liabilities	120 000	150 000
Tangible Assets	248 000	166 000
Current Assets	229 600	233 200
Current Liabilities	51 600	26 200

**3. Financial indicators:**

	2016	2015
Solvency ratio	?	1,5 : 1
Current ratio	?	4,1 : 1
Acid test ratio	1,17 : 1	1,3 : 1
Debtors collection	28 days	36 days
% return earned by the business	?	39,2%

3.1 Provide one reason why trade unions and workers are interested in analyzing the financial statements of a business? (2)

3.2 Calculate the following:

3.2.1 Current ratio (3)

3.2.2 Solvency ratio (4)

3.2.3 Rate of return earned by the owner (4)

3.3 Comment on the liquidity position of the business. Quote figures, ratio's, and percentages to support your answer. (10)

3.4 Explain why the owner should be satisfied with the return earned by the business. (2)



**GREENBURY SECONDARY SCHOOL  
SEPTEMBER CONTROL-2016  
ACCOUNTING - GRADE: 10  
ANSWER BOOKLET**

100

**NAME:** \_\_\_\_\_ **GRADE : 10** \_\_\_\_\_

<b>QUESTION</b>	<b>MAX</b>	<b>PUPILS MARK</b>
1.	55	
2.	20	
3.	25	
	100	

**This answer book consists of 5 pages.**

**For educators use:**

<b>Moderator</b>	
<b>Date</b>	
<b>Checker</b>	

1.1 Income Statement for the year ended 28 February 2016

Sales( 620 000	
Cost of sales (416 450	
<b>Gross profit</b>	
Other operating incomes	
Rent income	
<b>Gross income</b>	
<b>Operating expenses</b>	
Bad debts(210	
Telephone(1 670	
Packing material(2 620	
Water and electricity (3 780	
<b>Operation profit</b>	
Interest income	
Profit before interest expense	
Interest expense	
<b>Net profit for the year</b>	



1.2 Refer to adjustment 3. Identify and explain the GAAP principle.


3

**Question Two: Balance Sheet**

2.1.1

A	
B	
C	
D	
E	
F	
G	
H	

55

16

2.1.2 List two items found in Cash and Cash Equivalents.


2

2.1.3 Where will you show/disclose current portion of the loan.

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2

20

**Question Three: Analysis and Interpretation**

3.1 Explain ONE reason why trade unions and workers are interested in analyzing the financial statements of a business?


2

3.2.1 Current ratio

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3

3.2.2 Solvency ratio

--

4

3.2.3 Rate of return earned by the owner.

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4

3.3 Comment on the liquidity position of the business. Quote figures, ratio's and percentages to support your answer.


10

3.4 Explain why the owner should be satisfied with the return earned by the business?

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3

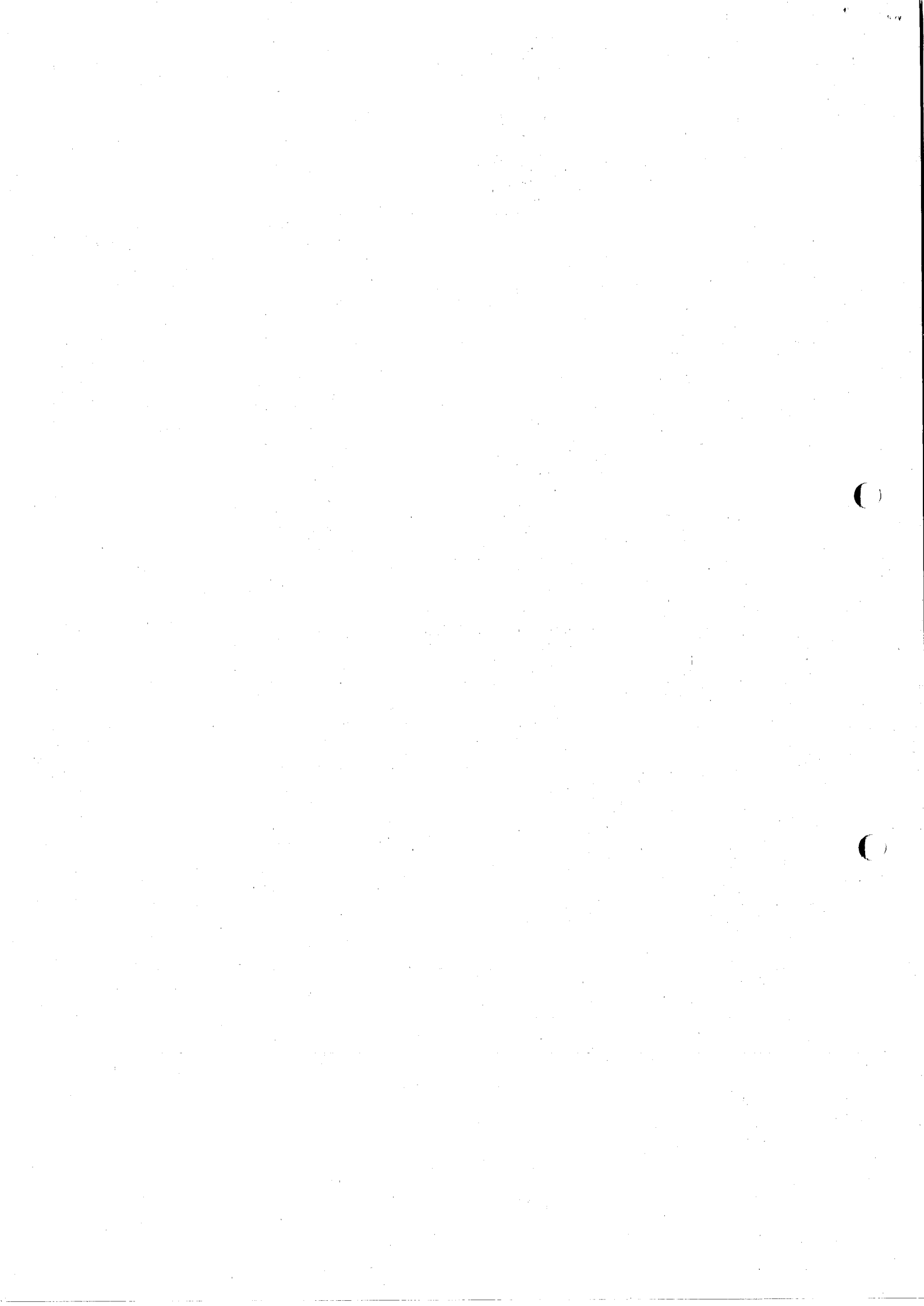
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**GREENBURY SECONDARY SCHOOL**



DEPARTMENT OF COMMERCE  
H.O.D. MRS C MAHARAJ

*[Signature]*



**GREENBURY SECONDARY SCHOOL  
SEPTEMBER CONTROL-2016  
ACCOUNTING - GRADE: 10  
ANSWER BOOKLET**

100

NAME: MEMORANDUM GRADE : 10

QUESTION	MAX	PUPILS MARK
1.	55	
2.	20	
3.	25	
	100	

**This answer book consists of 5 pages.**

**For educators use:**

<b>Moderator</b>	
<b>Date</b>	
<b>Checker</b>	

**GREENBURY SECONDARY SCHOOL**



DEPARTMENT OF COMMERCE  
H.O.D. MRS C MAHARAJ

*[Handwritten signature]*

1.1 Income Statement for the year ended 28 February 2016

Sales (620 000 - 13 100 - 900)	606 000	
Cost of sales (416 450 - 450)	(416 000)	
<b>Gross profit</b>	190 000	
Other operating incomes	78 220	
Rent income (84 500 - 6 500)	78 000	
DISCOUNT RECEIVED	220	
<b>Gross income</b>	268 220	
<b>Operating expenses</b>	(205 110)	201 960
Bad debts (210 + 350)	560	
Telephone (1 670 + 240)	1910	16 940
Packing material (2 620 - 620)	2 000	
Water and electricity (3 780 + 5 200)	8 980	
TRADING STOCK DEFICIT (30 550 + 450 - 29 000)	2 000	
INSURANCE (5 450 - 1 350)	4 100	
DEPRECIATION (19 000 + 72 000)	91 000	
BANK CHARGES	90	
ADVERTISING	650	
SALARIES AND WAGES	89 600	
DISCOUNT ALLOWED	170	
<b>Operation profit</b>	63 110	67 160
Interest income (2 000 + 1 600 + 210)	3 810	52
Profit before interest expense	70 970	66 920
Interest expense (1 800 + 600)	(2 400)	52
<b>Net profit for the year</b>	68 570	64 520

1.2 Refer to adjustment 3. Identify and explain the GAAP principle.

MATCHING PRINCIPLE ✓
ALL INCOMES AND EXPENSES MUST BE ✓✓
MATCHED TO THE CORRECT FINANCIAL YEAR

3
3

55
55

**Question Two: Balance Sheet**

2.1.1

A	NON-CURRENT ASSETS ✓✓
B	INVENTORIES ✓✓
C	NON-CURRENT LIABILITIES ✓✓
D	720 000 ✓✓
E	120 000 ✓✓
F	800 000 ✓✓
G	400 000 ✓✓
H	1440 000 ✓✓

16
16

2.1.2 List two items found in Cash and Cash Equivalents.

BANK (DR) ✓, PETTY CASH, CASH FLOAT,
SAVINGS A/C, CURRENT PORTION OF F/D

ANY 2

2
2

2.1.3 Where will you show/disclose current portion of the loan.

TRADE AND OTHER PAYABLES ✓✓
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2
2

20
20

**Question Three: Analysis and Interpretation**

3.1 Explain ONE reason why trade unions and workers are interested in analyzing the financial statements of a business?

✓ NEGOTIATING SALARY INCREASES ✓  
 ✓ JOB SECURITY ✓

ANY 1

2
2

3.2.1 Current ratio

CA: CL ✓ ✓  
 229 600: 51 600  
 4,45:1 ⊙

3
3

3.2.2 Solvency ratio

TA: TL ✓  
 477 600: 171 600  
 2,78:1 ✓ ⊙

4
4

3.2.3 Rate of return earned by the owner.

$$ROE = \frac{NP}{AV OE} \times \frac{100}{1}$$

$$= 48\% \circledast = \frac{120\ 000}{\frac{1}{2}(200\ 000 + 300\ 000)} \times \frac{100}{1}$$

4
4



3.3 Comment on the liquidity position of the business. Quote figures, ratio's and percentages to support your answer.

✓ CURRENT RATIO IMPROVED FROM 4,1 : 1 TO 4,45 : 1
✓ ACID TEST RATIO IMPROVED FROM 1,3 : 1 TO 1,77 : 1
✓ DEBTORS COLLECTION IMPROVED FROM 36 DAYS
TO 28 DAYS
✓ THE BUSINESS IS IN A SATISFACTORY
LIQUIDITY POSITION.

10
10

3.4 Explain why the owner should be satisfied with the return earned by the business?

IT IS HIGHER THAN ALTERNATE INVESTMENTS
EG. FIXED DEPOSIT WHICH IS ± 6% $\checkmark$

3
3

25
25

