



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

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**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION  
NOVEMBER 2020**

**GRADE 10**

**ACCOUNTING  
PAPER 1**

**MEMORANDUM**

**8 pages**

**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. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
9. 'One part correct' means 'operation and one part correct'. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.
10. In calculations, do not award marks for workings if numerator and 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.

**Codes:** f = foreign item; p = placement/presentation.

## QUESTION 1 : GAAP CONCEPTS AND ANALYSIS OF TRANSACTIONS

## 1.1 CONCEPTS

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓
1.1.4	True	✓

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## 1.2 ANALYSIS OF TRANSACTIONS

	SOURCE DOCUMENT	GENERAL LEDGER		EQUATION								
		Account DR	Account CR	A	O	L						
1.2.1	✓Cheque Counterfoil	✓Equipment	✓Bank	0	✓-1 000	✓+ 1 000						
1.2.2	✓Duplicate Receipt	✓Bank Control	✓ Debtors' Control	✓- 4 950	0	✓- 4 950						
		✓Discount Allowed	✓ Debtors' Control	✓- 50	✓- 50	0						
1.2.3	✓ Cash register roll	✓Bank	✓Sales	0	✓✓+3 200	Check Equity ☑- 3 200						
		✓Cost of sales	✓Trading stock	✓-2 000	✓- 2 000	0						
1.2.4	✓ Cheque Counterfoil	✓Drawings	✓Bank	0	✓ - 650	✓ + 650						
	✓ Journal Voucher	✓ Drawings	✓Trading Stock	✓ - 950	✓ - 950	0						
1.2.5	*✓ Duplicate debit note	✓Creditors' control	✓Trading Stock	✓ - 460	0	✓ - 460						
Alternative allocation of marks for the transactions allocated method marks				<table border="1"> <thead> <tr> <th>A</th> <th>OE</th> <th>L</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>☑+3 200</td> <td>✓✓- 3 200</td> </tr> </tbody> </table>	A	OE	L	0	☑+3 200	✓✓- 3 200		
A	OE	L										
0	☑+3 200	✓✓- 3 200										

(39)

\*Or: Original Credit note

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## QUESTION 2: INCOME STATEMENT

INCOME STATEMENT OF VEELEE COLLECTIONS FOR THE YEAR ENDED  
31 DECEMBER 2020

Sales (400 380– 1 980)			✓✓398 400
Cost of Sales			✓ (240 000)
<b>Gross Profit</b>	Check operations	4	☑158 400
<b>Other Operating Income:</b>	Check operations		☑39 200
Rent income (20 800 – 1 600)			✓✓19 200
Commission income (19 000 + 1 000)			✓✓20 000
<b>Gross Operating income</b>			☑197 600
<b>Operating Expenses</b>	Check operations	7	☑ (140 790)
Wages & salaries			65 000
Telephone			4 050
Donations			4 000
Water & electricity (4 950 + 450)			✓✓5 400
Advertising (5 900✓ – 700✓✓)	One part correct		☑5 200
Insurance (3 890 – 800)			✓✓3 090
Vehicle repairs (3 300 + 11 800)			✓✓15 100
Stationery (4 520 – 950)			✓✓3 570
Packing material (2 110 – 340)			✓✓1 770
Trading Stock deficit (6 580✓ – 670✓✓ – 4 300✓)			☑1 610
Depreciation (20 000✓✓ + 12 000✓✓)	One part correct		☑ 32 000
<b>Operating Profit</b>	Check operations	25	☑56 810
Interest Income (2 000 + 2 000)			✓✓4 000
<b>Profit before interest expense</b>	Check operations		☑60 810
Interest Expense			✓✓ (15 000)
<b>Net Profit/loss for the year</b>	Check operations	6	☑ 45 810

**QUESTION 3: BALANCE SHEET AND ETHICS****3.1 NOTE: TRADE AND OTHER PAYABLES**

<b>Creditors' control</b> ( 38 500 + 650 )	39 150 ✓✓
Accrued expenses	4 200 ✓
Income received in advance	3 600 ✓
Creditors for salaries	12 300 ✓
SARS: PAYE	5 300 ✓
Unemployment Insurance Fund (UIF)	4 800 ✓
	69 350 ☑

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**3.2 EGOLI SUPPLIERS  
EQUITY AND LIABILITIES ON 30 JUNE 2020**

<b>EQUITY AND LIABILITIES</b>	
<b>Owners' Equity</b>	one part correct ☑ 594 000
(409 000 + 80 000 + 245 000✓ – 140 000✓)	
<b>NON-CURRENT LIABILITIES</b>	340 000
Mortgage loan: Bank of South Africa 400 000 ✓ – 60 000✓✓	one part correct ☑ 340 000
<b>CURRENT LIABILITIES</b>	Operation ☑ 130 850
Trade and other payables	see 3.1 one part correct 69 350 ☑
Bank overdraft (3 200 – 1 700)	✓✓ 1 500
Current portion of loan/Short term loan	☑ 60 000
<b>TOTAL EQUITY AND LIABILITIES</b>	Operation ☑ 1 064 850

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## 3.3 ETHICS

**3.3.1 What advice would you give to Wendy? Provide TWO points.**

Any two valid points ✓✓ ✓✓ Part-marks for incomplete responses

- Approach Human Resource (HR) Department to sort out the problem.
- Refer the matter to the nearest Department of Labour – they will conduct an investigation of the business.
- Refer the matter to the nearest SARS branch, the payslips reflecting the UIF deductions will have to be produced.

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**3.3.2 Explain the action that will be taken against the employer for failing to pay UIF on behalf of the employee. Provide ONE point.**

Any one valid point ✓✓ Part-marks for incomplete response

- The employer will be expected to pay the money that was not paid over to SARS for UIF.
- The penalty and the interest will be charged against the employer by SARS
- Fraud – deduction from employees but not paying over to the fund.

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## QUESTION 4: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

## 4.1.1 Gross profit on turnover

$$\frac{55\,000 \checkmark}{124\,000 \checkmark} \times \frac{100}{1} = 44.4\% \checkmark \text{ One part correct}$$

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## 4.1.2 Gross profit on cost of sales

$$\frac{55\,000 \checkmark}{69\,000 \checkmark \checkmark} \times \frac{100}{1} = 79.7\% \checkmark \text{ One part correct}$$

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## 4.1.3 Return on owners' equity

$$\frac{20\,000 \checkmark \times 100}{\frac{1}{2} \checkmark (206\,000 \checkmark + 200\,000 \checkmark)} = 9.9\% \checkmark \text{ One part correct}$$

203 000

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## 4.1.4 Current ratio

$$40\,000 \checkmark \checkmark : 10\,000 \checkmark$$

$$(18\,000 + 19\,000 + 3\,000) : 10\,000$$

$$= 4 : 1 \checkmark \text{ One part correct}$$

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4.1.5	<b>Acid test ratio</b>
<p>22 000✓✓ : 10 000✓</p> <p>(19 000 + 3 000) : 10 000</p> <p>= 2,2: 1 ✓ <b>One part must be correct</b></p>	

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4.1.6	<b>Respond to the following questions:</b>
<b>A</b>	<b>Comment on the liquidity position of Mabena Shop in 2019. Quote TWO financial indicators.</b>
<ul style="list-style-type: none"> <li>• <b>Current ratio</b> ✓ increased from 3,6 : 1 in 2018 to 4 : 1 in 2019 ✓ <small>Check 4.1.5</small></li> <li>• <b>Acid test ratio</b> ✓ slightly improved from 2,1 : 1 to 2,2 : 1 in 2019 ✓ <b>Check 4.1.5</b></li> <li>• The business is in a good financial position and is able to meet its short-term obligations ✓✓</li> </ul>	
<b>B</b>	<b>The business did not maintain its intended mark-up of 100% on the cost price of goods sold. Explain in TWO points why the intended results were not achieved.</b>
<p><b>Any two valid points</b> ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>• Goods could have been marked up incorrectly</li> <li>• The business could have allowed too much discount</li> <li>• Stock shortages might have affected the sales figures</li> <li>• Shrinkage in stock resulting from poor controls</li> </ul>	
<b>C</b>	<b>Give TWO reasons and explain why trading stock is subtracted to calculate the Acid test ratio.</b>
<p><b>Any two valid reasons</b> ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>• Stock is less liquid</li> <li>• It is difficult to convert trading stock into cash within a short period of time</li> </ul>	
<b>D</b>	<b>Should Mabena be happy with the return on her investment? Explain and quote relevant financial indicators.</b>
<p>Yes</p> <p>Return on owner's equity ✓ has improved from 7.8% to 9.9%, or by 2.1%. ✓ <small>Check 4.1.3</small></p> <p>The return on owners' equity is above the 7% interest on alternative investment. ✓✓</p>	

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TOTAL: 150