QUESTION 1

1.1 GAAP PRINCIPLES

1.1.1	F ✓
1.1.2	E ✓
1.1.3	D ✓
1.1.4	A ✓
1.1.5	C ✓

5

1.2 ACCOUNTING EQUATION

	GENERAL LEDGER		AMOUNT R	EQUATION		
	Account Debited	**Account Credited**		**A**	**O**	**L**
E.g.	**Drawings**	**Trading stock**	**500**	**–**	**–**	**0**
1.2.1	Creditors' Control✓	Bank✓	**3 000**	- ✓	0	- ✓
1.2.2	Debtors' allowance✓	Debtors' Control✓	1 050✓✓	– ✓	– ✓	0
	Trading Stock✓	Cost of Sales ✓	700✓	+ ✓	+ ✓	0
1.2.3	Trading Stock ✓	Bank ✓	19 995 ✓✓	+✓ -✓	0	0
1.2.4	Debtors' Control ✓	Interest on overdue account ✓ or Interest Income or Interest Received	**25**	0	– ✓	+ ✓

25

TOTAL MARKS
30

QUESTION 2

RAV DISTRIBUTORS

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019

Sales (875 000✓ – 13 000✓)	one part correct	862 000☑*
Cost of Sales		(400 000) ✓
Gross profit 5	calculation	462 000☑*
Other operating income	calculation	49 280☑
Commission income (8 400✓ + 4 000✓)		12 400☑*
Rent income (37 100 ✓– 3 100✓✓✓)		34 000☑*
Discount received		880✓
Bad debts recovered✓		2 000✓✓
Gross operating income 14	calculation	511 280☑
Operating expenses	calculation	(183 223) ☑
Wages		**20 300**
Salaries		**95 250**
Water and electricity		**11 700**
Sundry Expenses		**3 570**
Discount allowed (800✓– 40✓)		760☑*
Insurance (9 800 ✓– 720✓)		9 080☑*
Bank charges (1 210✓ + 183✓)		1 393☑*
Bad Debts (2 300✓ + 720✓)		3 020☑*
Telephone (12 560✓+ 1 450✓)		14 010☑*
Stationery (10 800✓– 460✓)		10 340☑*
Donations		800✓✓
Trading Stock Deficit (16 500✓– 800☑–15 500✓)	See donations	200☑*
Depreciation (11 600✓ + 1 200✓) or (5 800 + 7 000)		12 800☑*
Operating profit 29	calculation	328 057☑
Interest income		480✓
Profit before interest expense	calculation	328 537☑
Interest expense (235 000 ✓+ 85 000✓ - 270 000✓)		(50 000)☑*
Net profit for the year 7	calculation	278 537☑

☑* calculation one part correct

TOTAL MARKS
55

QUESTION 3

3.1 CONCEPTS: State TRUE or FALSE

3.1.1	3.1.2	3.1.3
True✓	False✓	False ✓

3

3.2 NOTES TO THE BALANCE SHEET:

3.2.1 INVENTORIES

Trading Stock (105 000✓ – 2 000✓)	103 000✓
Consumables Stores on hand	900✓
	103 900

4

3.2.2 TRADE AND OTHER RECEIVABLES

Debtors' Control (80 500 ✓+ 500✓)	81 000✓
Prepaid expenses	950✓
Accrued income	8 700✓
	90 650

5

3.2.3 OWNER'S EQUITY

Balance at the beginning of the year	1 036 470☑
Net profit for the year	774 300✓
Additions to capital	100 000✓
Drawings (33 870✓ + 2 000✓)	(35 870) ✓
	1 874 900✓

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3.2.4 TRADE AND OTHER PAYABLES

Creditors' Control	55 000✓
Income in advance	20 400✓
Accrued expense	5 500✓
SARS (PAYE)	4 600✓
	85 500☑

5

3.2.5 **BALANCE SHEET ON 30 SEPTEMBER 2019**

ASSETS	**Note**	**R**
NON CURRENT ASSETS		**2 582 350**
Fixed Assets		**1 933 000**
Fixed Deposit		**649 350**
CURRENT ASSETS		208 050☑
Trade and other receivables		90 650☑
Inventories		103 900☑
Cash and Cash equivalents (8 500✓ + 5 000✓)		13 500☑
TOTAL ASSETS		2 790 400☑
EQUITY AND LIABILITY		
OWNER'S EQUITY		1 874 900
Capital		1 874 900☑
NON CURRENT LIABILITY		100 000
Loan (120 000✓ - 20 000✓)		100 000☑
CURRENT LIABILITY		815 500☑
Trade and other payables		85 500☑
Current portion of loan		20 000✓
Bank overdraft		710 000✓
TOTAL EQUITY AND LIABILITY		2 790 400☑

16

TOTAL MARKS
40

QUESTION 4

4.1 **Calculate sales if the firm uses a mark-up of 50% on cost.**

$600\,000 \times \frac{100}{150} = 900\,000$✓✓

2

4.2 **Calculate the return on average owner's equity.**

$\dfrac{130\,000 ✓}{½ ✓ (271\,430✓ + 180\,000✓)} \times \dfrac{100}{1}$

=57.6%✓

Should the owner be satisfied with this return? Give a reason for your answer.

Yes, it is more than any other investment like Fixed Deposit 10%. ✓

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4.3 **Calculate the current ratio for 2019.**

54 070✓ + 34 700✓ + 1650✓ : 26 654✓
90 420 : 26 654
3.4 : 1☑

5

4.4 **Calculate the acid-test ratio for 2019.**

(90 420 – 54 070)
34 700✓ + 1 650 ✓ : 26 654✓
36 350 : 26 654
1.4 : 1 ☑

4

4.5 **Calculate the degree of solvency on 30 June 2019.**

222 664✓ + 45 000✓ + 54 070 ✓+ 34 700 ✓+ 1 650✓ : 60 000 ✓ + 26 654✓
358 084 : 86 654
4.1 : 1 ☑

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☑ One part correct

TOTAL MARKS
25

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