**Grade 10 Nov 2024 Memo**

**QUESTION 1**

## 1.1. CONCEPTS

| | |
|---|---|
| 1.1.1 | D✓ |
| 1.1.2 | C✓ |
| 1.1.3 | E✓ |
| 1.1.4 | A✓ |
| 1.1.5 | B✓ |

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## 1.2. ACCOUNTING EQUATION

| General Ledger | | | | Accounting Equation | | |
|---|---|---|---|---|---|---|
| **No** | **Account debited** | **Account credited** | **Amount** | **A** | **O** | **L** |
| **E.G** | **Wages** | **Bank** | **1000** | **-** | **-** | |
| 1.2.1 | Trading stock✓ | **Bank** | **11 240** | **-**✓ **+**✓ | | |
| | Drawings✓ | **Bank** | **1000** | **-**✓ | **-**✓ | |
| 1.2.2 | Debtors control✓ | sales✓ | 14 000✓✓ | **+**✓ | **+**✓ | |
| | Cost of sales✓ | Trading stock✓ | **8 000** | **-**✓ | **-**✓ | |
| 1.2.3 | bank✓ | capital✓ | **75 000** | **+**✓ | **+**✓ | |

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## QUESTION 2

### 2.1. GAAP PRINCIPLES

| | |
|---|---|
| 2.1.1 | F✓ |
| 2.1.2 | E✓ |
| 2.1.3 | D✓ |
| 2.1.4 | A✓ |
| 2.1.5 | C✓ |

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### 2.2. MDE DISTRIBUTORS

**Income statement for the year ended 28 February 2023**

| | | |
|---|---|---|
| **Sales** (875 000✓ – 13 000✓) | one part correct | 862 000☑* |
| **Cost of Sales** | | (400 000) ✓ |
| **Gross profit** | calculation | 462 000☑* |
| **Other operating income** | calculation | 52 480☑ |
| Commission income (8 400✓ + 4 000✓) | | 12 400☑* |
| Rent income (40 300 ✓– 3 100✓) | | 37 200☑* |
| Discount received | | 880✓ |
| Bad debts recovered | | 2 000✓✓ |
| **Gross operating income** | calculation | 514 480☑ |
| **Operating expenses** | calculation | (183 263) ☑ |
| Salaries and wages | | 115 550 ✓ |
| Water and electricity | | 11 700 ✓ |
| Sundry Expenses | | 3 570 ✓ |
| Discount allowed | | 800☑* |
| 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 (5 800 ✓ + 7 000 ✓) | | 12 800☑* |
| **Operating profit** | calculation | 331 217☑ |
| Interest income | | 480✓ |
| **Profit before interest expense** | calculation | 331 697☑ |

| | |
|---|---|
| Interest expense (235 000 ✓+ 85 000✓ - 270 000✓) | (50 000)☑* |
| **Net profit for the year** calculation | 281 697☑ |

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**QUESTION 3. BALANCE SHEET**

| **LIGHTS UP SUPPLIERS** | | |
|---|---|---|
| **BALANCE SHEET AT 28 FEBRUARY 2024** | | |
| **ASSETS** | | |
| **Non-Current Assets** check the operation | 1 | 982 180☑ |
| Fixed / Tangible Asset | | **947 180** |
| Financial Assets (60 000✓ – 25 000✓) | 3 | 35 000☑ |
| | | |
| **Current Assets** check the operation | 1 | 159 920☑ |
| Inventories (72 400✓ + 2 820✓) one part must be correct | 3 | 75 220☑ |
| Trade and other receivables (14 800✓ + 3 400✓ + 3 900✓) one part must be correct | 4 | 22 100☑ |
| Cash and Cash equivalents (34 100✓ + 2 500✓ + 1 000✓ + 25 000✓✓) one part must be correct | 6 | 62 600☑ |
| **TOTAL ASSETS** check the operation | 1 | ***1 142 100**☑ |
| | | |
| **EQUITY AND LIABILITIES** | | **630 800** |
| | | |
| **Non-Current Liabilities** | | 339 200 |
| Loan: Capitec Bank (440 000✓ – 100 800✓) | 3 | 339 200☑ |
| | | |
| **Current Liabilities** check the operation | 1 | 172 100☑ |
| Trade and other payables (48 900✓ + 4 100✓ + 6000✓ + 12 300✓) one part must be correct | 5 | 71 300☑ |
| Short term loan | 1 | 100 800☑ |
| | | |
| | | |
| **TOTAL EQUITY AND LIABILITIES** check the operation | 1 | **1 142 100**☑ |

***Get method mark if total assets is the same as equity and liabilities**

## QUESTION 4.

### 4.1. ANALYSIS AND INTERPRETATION

| 4.1.1 | Calculate Mark-up % | (3) |
|---|---|---|

585 000✓ X 100
900 000✓

= 65% ☑

| 4.1.2 | Comment on the change in the Mark-up | (2) |
|---|---|---|

**Trend✓ figures ✓**

The mark up % dropped from 70.4% in 2023 to 65% in 2024.

| 4.1.3 | Calculate % Operating Expenses on Sales for 2024. | (3) |
|---|---|---|

440 000✓ X 100
1 485 000✓

= 29,6%☑ Accept 30%

| 4.1.4 | Should the owner be satisfied with the % operating expenses on sales? | (3) |
|---|---|---|

**Trend✓ figures ✓**
Yes ✓
The % operating expenses on sales decreased from 36.5 % in 2023 to 29,7% in 2024.
**OR**
This implies that expenses were better controlled in 2024. ✓
(2 marks if figures are quoted)

| 4.1.5 | Calculate the Solvency Ratio for 2024. | (4) |
|---|---|---|

1 352 600✓ : 342 000✓✓

= 3,95 : 1 ☑

| 4.1.6 | Calculate the Current Ratio for 2024. | (3) |
|---|---|---|

237 000✓ : 162 000✓

= 1,46 : 1 ☑

| 4.1.7 | Calculate the Acid Test Ratio for 2024. | (4) |
|---|---|---|

97 000

237 000✓- 140 000✓ : 162 000✓

= 0,6 : 1 ☑

| 4.1.8 | Comment on the liquidity of the business. | 4 |
|---|---|---|

**Indicator ✓ Trend and figures ✓ (2x2)**

The current ratio improved from 1,3 : 1 in 2023 to 1,46 :1 in 2024.

The acid test ratio improved from 0.4 :1 in 2023 to 0.6 : 1 in 2024.

| 4.1.9 | Calculate % Return on Equity for 2024. | 5 |
|---|---|---|

$$\frac{198\,600✓}{½✓(902\,000✓ + 1\,010\,600✓)} \times 100$$

956 300

= 20,8%☑

| 4.1.10 | Comment on the return on equity. Should the owner be satisfied with the return? | 3 |
|---|---|---|

**Trend✓ figures ✓**

Yes ✓

The return has improved from 13,2% in 2023 to 20,8% in 2024.

**OR**

This return is higher than alternative investments✓ of 11%✓

| Marks |
|---|
| |
| **150** |