

NATIONAL SENIOR CERTIFICATE

GRADE 10

NOVEMBER 2017

ACCOUNTING MARKING GUIDELINE

GENERAL RULES:

1. Award full marks for the correct final answers. If the answer is incorrect, mark the workings provided.
If a workings figure/amount is shown as a final answer, allocate the working mark.
2. "Method" marks are denoted by .
 - In calculations and final totals, at least one part of the workings must be correct to earn the mark.
 - In cases where answers of previous questions must be used, check the transfer.
 - Ignore brackets on statements, but check the operation before awarding marks.
3. Where penalties are applied, the marks for that section cannot be a negative (foreign items).
4. For questions requiring explanations and comments, award part-marks. A good explanation will normally mention and explain a point. Beware of alternative wording reflecting the same points. This marking guideline provides some explanations – they are not conclusive. Read the candidates' responses and give credit for their interpretations.
5. Where appropriate/acceptable, accept recognisable abbreviations.
6. Educators are expected to work through the entire paper and make reasonable adjustments within the framework of the mark allocation.

This marking guideline consists of 14 pages.

QUESTION 1: ACCOUNTING CONCEPTS, DEBTORS, INTERNAL CONTROL AND ACCOUNTING EQUATION

1.1 ACCOUNTING CONCEPTS

1.1.1	E	✓	1.1.6	I	✓
1.1.2	H	✓	1.1.7	D	✓
1.1.3	G	✓	1.1.8	J	✓
1.1.4	F	✓	1.1.9	C	✓
1.1.5	B	✓	1.1.10	A	✓

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1.2 DEBTORS

1.2.1 DEBTORS LEDGER OF MARY LEE STORES
TT Rosie

DATE	DETAILS	FOL	DEBIT	CREDIT	BALANCE
2017					
Sep 1	Balance	b/d			✓ 3 200
2	Invoice ✓	DJ	✓ 1 800		5 000
6	Credit note ✓	DAJ		✓ 180	4 820
9	Receipt ✓	CRJ		✓ 3 040	1 780
	Receipt	CRJ		✓ 160	1 620
15	Invoice	DJ	✓ 4 160		5 780
30	Receipt	CRJ		✓ 2 890	✓ 2 890

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1.2.2 What information about a prospective debtor does this business need before an account can be opened? Give a reason for your answer.

INFORMATION ✓✓	REASON ✓✓
Any relevant answer <ul style="list-style-type: none"> • ID document • Salary advice • Proof of address • Other accounts 	Reason should fit information <ul style="list-style-type: none"> • Confirm identity of debtor • Proof of income • Address for accounts • Credit record

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1.2.3 Name TWO methods the business can apply to improve the collection of outstanding amount from debtors.

Any relevant answer ✓✓

- Add interest to outstanding accounts
- Allow discount for early payments
- Regularly send out accounts
- Follow up outstanding account with SMS

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1.3 ACCOUNTING EQUATION

NO	JOURNAL	ASSETS		OWNER'S EQUITY		LIABILITIES	
		REASON	EFFECT	REASON	EFFECT	REASON	EFFECT
E.g.	CPJ	Bank	- 200	Drawings	- 200		
1.3.1	CJ ✓	Trading stock ✓	+ 11875 ✓✓			Creditors control ✓	+ 11 875 ✓
1.3.2	PCJ ✓	Petty cash ✓	- 150 ✓	Wages ✓	- 150 ✓		
1.3.3	DAJ ✓	Debtors control ✓	- 900 ✓	Debtor allowances ✓	- 900 ✓		
		Trading stock ✓	+ 600 ✓	Cost of sales ✓	+ 600 ✓		
1.3.4	CRJ ✓	Bank ✓	+ 9 500 ✓	Interest of fixed deposit ✓	+ 2 500 ✓		
		Fixed deposit ✓	- 7 000 ✓				

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Q1

55

QUESTION 2: GENERAL JOURNAL, GENERAL LEDGER AND INTERNAL CONTROL

2.1 GENERAL JOURNAL

General Journal of AM Traders – October 2017

DAY	DETAILS	DEBIT	CREDIT	DEBTORS CONTROL		CREDITORS CONTROL	
				DEBIT	CREDIT	DEBIT	CREDIT
31	Totals			492	236	632	298
	[Drawings	✓ 865]					
	Stationery		✓ 130				
	Trading stock		✓✓ 735				
	Bad debts	✓ 430					
	J Small		✓ 430		✓ 430		
	<u>Interest</u> paid	✓ 147					
	NO1 Dealers		✓ 147				☑ 147
	Repairs	✓ 20 000					
	Land and buildings		✓ 20 000				
	A Cona	✓ 20		☑ 20			
	Discount allowed		✓ 20				
	R Lewis	✓ 1 250		✓ 1 250			
	Bad debts recovered		✓ 1 250				
				1 762	666	632	445

✓ [Details and amount]

☑

☑

-1 per extra entry (maximum -2)

☑ entry requiring calculation

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2.2 GENERAL LEDGER

GENERAL LEDGER OF AM TRADERS
Trading Stock

DATE		DETAILS	FOL	AMOUNT	DATE		DETAILS	FOL	AMOUNT
2017	1	Balance	b/d	✓ 28 000	2017	31	Drawings ✓	GJ	☑ 735
Oct	31	Bank	CPJ	✓☑ 5 400	Oct		Cost of sales	CRJ	✓ 14 550
		Creditors	CJ	✓ 7 800			Cost of sales	DJ	✓✓ 11 616
		Cost of sales ✓	DAJ	✓ 200			Creditors	CAJ	✓ 900
							Balance	b/f	✓ 13 599
				41 400					41 400
Nov	1	Balance	b/d	☑ 13 599					

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Creditors Control

DATE		DETAILS	FOL	AMOUNT	DATE		DETAILS	FOL	AMOUNT
2017	31	Bank	CPJ	✓ 7 040	2017	1	Balance	b/d	✓ 15 430
Oct		Discount received	CPJ	✓ 340	Oct	31	Sundry purchases	CJ	✓ 12 200
		Sundry returns	CAJ	✓ 2 400			Journal credits	GJ	☑ 445
		Journal debits	GJ	☑ 632					
		Balance	b/f	✓ 17 663					
				28 075					28 075
					Nov	1	Balance	b/d	☑ 17 663

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Stationery

DATE		DETAILS	FOL	AMOUNT	DATE		DETAILS	FOL	AMOUNT
2017	1	Total	b/d	✓ 670	2017	31	Drawings ✓	GJ	✓ 130
Oct	23	Bank	CPJ	✓ 330	Oct		Creditors	CAJ	✓ 300
	31	Creditors	CJ	✓ 700					

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2.3 INTERNAL CONTROL

What can the owner of AM Traders do to ensure that stock is not stolen by his employees? State THREE internal control measures.

Any valid control measure referring to stock ✓✓ ✓✓ ✓✓

- Do regular stock counts
- Limit entry to store room
- Security cameras / staff
- Search employees when leaving
- Division of duties for employees handling stock / stock records

Award part marks for: ✓ ✓ ✓

- Stock count
- Security / cameras
- Division of duties

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Q2	55	
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QUESTION 3: FIXED ASSETS, INTERNAL CONTROL AND INCOME STATEMENT

3.1.1 ASSET REGISTER

MALAMBO TRADERS			
ASSET REGISTER: VEHICLES			
Item:	Mahindra Pik-up-Loader	Purchased from:	Mahindra PE
Date of purchase:	1 December 2015	Cost price:	R110 000
Depreciation method:	20% on diminishing balance		
DATE	DEPRECIATION	ACCUMULATED DEPRECIATION	BOOK VALUE
29 Feb 2016		26 400	83 600 ✓
28 Feb 2017	16 720 ✓✓	43 120 ☑	66 880 ☑✓

Depreciation: $(110\ 000 - 26\ 400) \times 20\% = 16\ 720$

MALAMBO TRADERS			
ASSET REGISTER: EQUIPMENT			
Item:	Canon Pixma MX924	Purchased from:	Capital contribution
Date received:	1 March 2016	Cost price:	R14 000
Depreciation method:	10% on cost price		
DATE	DEPRECIATION	ACCUMULATED DEPRECIATION	BOOK VALUE
28 Feb 2017	1 400 ✓	1 400 ✓	12 600 ☑✓

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3.1.2 State ONE reason why the asset register is a valuable tool in asset management.

Any relevant reason ✓✓

- Verification of assets for balance sheet
- Quick reference when selling assets

2

3.1.3 Make TWO suggestions on how the business can improve the safety of their vehicles.

Any relevant safety measure ✓✓ ✓✓

- Install tracking devices
- Lock-up garage when not in use
- Used only by approved drivers

Award part marks for: ✓

- Tracking
- garage

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3.2.1 **INCOME STATEMENT OF MALAMBO TRADERS FOR THE YEAR ENDING 28 FEBRUARY 2017**

Sales	492 736✓ – 5 890✓ – 965✓	485 881	✓
Cost of sales	263 380✓ – 580✓	(262 800)	✓
Gross profit		## 223 081	✓
Other operating income		17 040	✓
Rent income	16 900✓ – 1 300✓✓	15 600	✓
Bad debts recovered		1 440	✓
Gross operating income		## 240 121	✓
Expenses		(220 615)	✓
Packaging		3 656	
Advertising		1 900	
Salaries		170 000	
Telephone	3 995✓ + 135✓	4 130	✓
Water and electricity		3 385	✓
Insurance	5 300✓ – 1 000✓✓	4 300	✓
Stationery	2 450✓ – 120✓	2 330	✓
Bad debts		3 744	✓
Depreciation SEE 3.1.1	16 720☑ + 4 000✓✓ + 1 400☑ + 2 650✓	# 24 770	✓
Trading stock deficit	(31 440 – 29 620) ✓ + 580✓	2 400	✓
Operating profit		## 19 506	✓
Interest income	SEE 3.2.2	5 494	✓
Profit before interest expense		## 25 000	✓
Interest expense		(8 100)	✓
Net profit for the year		## 16 900	✓✓

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See calculations

Confirm operation

Foreign items -1 (maximum -2); -1 for misplaced items (maximum -2)

3.2.2 **Interest income**

Interest of fixed deposit	3 100✓ + 350✓✓	3 450	✓
Interest on current account		889	✓
Interest received		1 155	✓
		5 494	

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Q3	65	
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QUESTION 4: GAAP PRINCIPLES AND INTERPRETATION OF FINANCIAL STATEMENTS

4.1 GAAP PRINCIPLES

4.1.1	Prudence	✓
4.1.2	Matching	✓
4.1.3	Historical cost	✓
4.1.4	Going concern	✓
4.1.5	Materiality	✓

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4.2.1 INTERPRETATION OF FINANCIAL STATEMENTS

(a)

Current ratio
104 000 ✓ : 35 000 ✓
3 : 1 (must be X : 1)

3

(b)

Acid test ratio
104 000 ✓ – 42 000 ✓ : 35 000 ✓

62 000 : 35 000

1,8 : 1 (must be X : 1)

4

(c)

Net profit percentage on sales
$$\frac{55\,000\ \checkmark}{177\,000\ \checkmark} \times 100$$

= 31,1 %

3

4.2.2

Comment on the return on owner's equity. Provide a calculation to support your comment. (Use average equity.)

$$\frac{55\ 000\ \checkmark}{\frac{1}{2}\ \checkmark (279\ 000\ \checkmark + 321\ 000\ \checkmark)} \times 100$$

$$\frac{55\ 000}{300\ 000} \times 100$$

= 18,3%

Yes,

Return of 18,3% is much better than 8,5% interest at financial institutions.

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4.2.3

Solvency ratio

$$\frac{50\ 000\ \checkmark + (360\ 900\ \checkmark - 65\ 900\ \checkmark) + 104\ 000\ \checkmark}{35\ 000\ \checkmark + 85\ 000\ \checkmark} = \frac{449\ 000\ \checkmark}{120\ 000\ \checkmark}$$

3,7 : 1 (must be X : 1)

Is Langa Traders in a position to acquire another long term loan? Motivate your answer.

Yes ,

They have R3,70 available to cover every R1 debt.

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4.2.4

Mark-up percentage

$$\frac{177\ 000\ \checkmark - 112\ 000\ \checkmark}{112\ 000\ \checkmark} \times 100$$

$$\frac{65\ 000}{112\ 000} \times 100$$

= 58%

Give TWO reasons why the target was not achieved.

Any valid reason

- Sale at discounted prices
- Wrong calculations
- Allowances for inferior goods sold without return of goods

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Q4	40	
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QUESTION 5: VAT, SALARIES AND INTERNAL CONTROL

5.1 **VAT**

5.1.1	Evasion	✓
5.1.2	SA Revenue Services	✓
5.1.3	Input	✓
5.1.4	14%	✓
5.1.5	Zero-rated	✓

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5.2 **SALARIES**

5.2.1 **Name TWO methods that the employer can use to improve the productivity of employees.**

Any valid method ✓✓✓✓

- Training courses
- Improve computer skills
- Improve supervision
- Meals / cafeteria at work

Award part marks for: ✓✓

- Train
- Skills
- Supervise

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5.2.2 SALARIES JOURNAL

Salaries journal of Jakaranda Traders – October 2017

EMPLOYEES	GROSS SALARY	DEDUCTIONS				PAYE	TOTAL	NET SALARY	CONTRIBUTIONS	
		UIF	MEDICAL AID	PENSION FUND	UIF				PENSION FUND	
G Zikwe	13 700	137	1 000	822	# 2 466	4 425 <input checked="" type="checkbox"/>	9 275 <input checked="" type="checkbox"/>	137	1 644 ✓✓	
T Titus	17 900	179	800	1 074 ✓✓	# 3 388	5 441 <input checked="" type="checkbox"/>	12 459	179 ✓	2 148	
C Cartoon	12 900	129 ✓✓	1 000 ✓	774	2 322	4 225	8 675 <input checked="" type="checkbox"/>	129	1 548 ✓✓	

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CALCULATIONS OF PAYE [# TO BE MARKED]Zikwe: $164\,400 \times 18\% \div 12 \checkmark = 2\,466 \checkmark$ Titus: $[34\,178 \checkmark + ((214\,800 \checkmark - 189\,880 \checkmark) \times 26\%)] \div 12 \checkmark = 3\,388 \checkmark$

Q5

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QUESTION 6: COST ACCOUNTING AND BUDGET

6.1.1 CHOOSE THE CORRECT TERM

(a)	Sales and distribution	✓✓
(b)	Indirect	✓✓
(c)	Fixed	✓✓

6

6.1.2 COST CALCULATIONS AND ADVICE

A

COST ITEM	CALCULATION	ANSWER
DIRECT LABOUR COST	300 ✓ x 0,50 ✓	150 ✓
DIRECT MATERIAL COST	2 100 ✓ + (25 ✓ x 8 ✓)	2 300 ✓
OVERHEAD COST	Butter + lettuce + rent 40 ✓ + 110 ✓ + 100 ✓	250 ✓
TOTAL COST OF PRODUCTION		2 700 ✓
UNIT COST OF PRODUCTION	2 700 ÷ 300	9 ✓✓
SELLING PRICE	9 ✓ + 66⅔% ✓	15 ✓

17

B

Name TWO things that Mary can do in order to decrease her cost.
Any valid answer ✓✓✓✓

- Find cheaper supplier
- Use less garnish
- Bargain for cheaper rent

4

C

Advise Mandy on THREE marketing strategies that she can implement at the school to improve her sales.
Any valid advice ✓✓✓✓✓✓

- Public announcement at break time / at end of day
- Posters on notice boards
- Banner at tuck-shop
- Mobile sales option

Award part marks for: ✓✓✓

- Advertise

6

6.2 BUDGETS

6.2.1 Calculate the total cost of the tour for the players.

INCOME		
Sponsorship		8 456 ✓
Donation		5 000 ✓
TOTAL INCOME		13 456
EXPENSES		
BUDGET ITEM	CALCULATION	ANSWER
Transport	$3\,000 \checkmark + 850 \times 2 \checkmark$	4 700 <input checked="" type="checkbox"/>
Accommodation	$1\,120 \checkmark \times 3 \checkmark \times 4 \checkmark$	13 440 <input checked="" type="checkbox"/>
Meals and refreshments	$300 \checkmark \times 18 \checkmark$	5 400 <input checked="" type="checkbox"/>
Kit	$6\,880 \checkmark + 400 \checkmark$	7 280 <input checked="" type="checkbox"/>
TOTAL EXPENSES		30 820 <input checked="" type="checkbox"/>
TOTAL COST OF THE TOUR FOR THE PLAYERS		17 364 <input checked="" type="checkbox"/>

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6.2.2 The team has financial problems as some players cannot afford the amount expected of them. Suggest TWO ways to solve the problem.

Any valid suggestion ✓✓✓✓

- Sell raffle tickets
- Donation list for individual group members
- Fundraising event at school / community
- Sell food (hotdogs) at school / busy pavement
- Work a shadow shift at a restaurant and earn commission / tips

Award part marks for: ✓✓

- Raffle
- Donation
- Fundraising

4

Q6

55

TOTAL: 300