

PROVINCIAL EXAMINATION
NOVEMBER 2022
GRADE 10

ACCOUNTING
(PAPER 2)

TIME: 2 hours

MARKS: 150

9 pages + 1 formula sheet and an answer book of 9 pages

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use it if necessary.
4. Show ALL workings in order to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME ALLOCATED
1	Debtors' Reconciliation and Internal Control	63	50
2	Value Added Tax and Ethics	30	24
3	Tangible Assets and Internal Control	25	20
4	Cost Accounting	32	26
	TOTAL	150	120 minutes

QUESTION 1: DEBTORS' RECONCILIATION AND INTERNAL CONTROL

(63 marks; 50 minutes)

ARAMIS TRADERS

The information below relates to Aramis Traders for the period ending 30 June 2022. The business uses a mark-up of 40% on cost for all goods sold.

REQUIRED:

- 1.1 Prepare a correct Debtors' Control Account for June 2022 after considering errors and omissions.
Note: Show all calculations in brackets and balance the account. (20)
- 1.2 Prepare a correct list of debtors for 30 June 2022. (26)
- 1.3 Explain the following terms:
 - Credit term (2)
 - Credit limit (2)
- 1.4 A total discount of R6 219 was allowed to debtors. Calculate the actual amount that was received from debtors in June. (3)
- 1.5 The percentage of returns by debtors is 17%. Provide TWO control measures that can be implemented to reduce returns. (4)
- 1.6 In THREE points advise the owner on how to improve collections from debtors. (6)

INFORMATION:

GENERAL LEDGER OF ARAMIS TRADERS

Dr		DEBTORS' CONTROL						Cr	
2022 Jun	1	Balance	b/d	216 210	2022 Jun	30	Bank and discount allowed	CRJ	124 380
	30	Sales	DJ	310 920			Debtors' allowances	DAJ	55 580
		Bank (refund)		600			Journal credits	GJ	1 600
		Journal debits	GJ	1 820			Balance	c/d	347 990
				<u>529 550</u>					<u>529 550</u>
2022 Jul	1	Balance	b/d	347 990					

B LIST OF DEBTORS ON 30 JUNE 2022

DEBTOR	Debit	Credit
S. Tylor	80 000	
Y. Putin	74 800	
G. Krigler	72 400	
M. Ahmod	18 900	
R. Dire	66 730	
P. Hlope		1 800
J. Phillip	7 200	
T. Makoe	18 000	
	338 030	1 800

C Errors and Omissions

- i The Debtors' Control balance on 1 June 2022 has been overstated by R6 700.
- ii The total of the Debtors' Allowances column in the Debtors' Allowances Journal was undercast by R360.
- iii A credit invoice for merchandise sold to M. Ahmod has not been recorded by the bookkeeper. The cost price of the merchandise sold was R3 700.
- iv Transfer the credit balance in the Debtors' Ledger of P. Hlope to his account in the Creditors' Ledger.
- v An amount of R400 received from G. Krigler via EFT, was recorded in the journal but was not transferred to his account.
- vi A receipt issued to S. Tyler for R19 800 cash received was recorded correctly in the Subsidiary Journal, but was posted to her account as R18 900.
- vii An entry in respect of goods sold on credit to T. Makoe to the value of R3 000 was correctly entered in the Debtors' Journal but was entered on the wrong side of his account.
- viii A payment of R12 000 received from Y. Putin was correctly recorded in the Subsidiary Journal but was incorrectly recorded in the account of R. Dire.
- ix J. Phillip whose account was 3 months in arrears, was charged interest at 5% p.a.

QUESTION 2: VALUE ADDED TAX AND ETHICS

(30 marks; 24 minutes)

2.1 CONCEPTS

Indicate whether the following statements are True or False. Write only True or False in your ANSWER BOOK.

- 2.1.1 The supply of educational services is an example of a VAT exempt item.
- 2.1.2 VAT is not charged on goods taken by the owner for personal use.
- 2.1.3 Brown bread and milk are examples of zero-rated items.
- 2.1.4 VAT is charged on salaries and wages.
- 2.1.5 A business with an annual turnover of R50 000 and above, may register voluntarily as a VAT vendor.
- 2.1.6 VAT output is charged on all taxable goods and services supplied. (6)

2.2 CALCULATIONS

Complete the table below by filling in the missing amounts in your ANSWER BOOK.

No.	Amount (excluding VAT)	VAT amount (15%)	Amount (including VAT)
2.2.1	A	B	R2 415
2.2.2	R840	C	D
2.2.3	E	R6 300	F
2.2.4	R650	R97,50	G

(14)

2.3 ETHICS

- 2.3.1 Explain the difference between *tax evasion* and *tax avoidance*. (4)

2.3.2 Jay Zee Traders

Bokang is the owner of Jay Zee Traders. He donated goods to the value of R5 000, excluding VAT, to his brother's business that has been recently struggling to make profit. He instructed the bookkeeper not to charge VAT on this transaction.

- (a) Bokang has conducted himself unethically. Explain the action taken by SARS against the VAT vendors who conduct themselves unethically. Provide TWO points. (4)
- (b) Provide ONE reason why VAT should be paid to SARS on this transaction. (2)

QUESTION 3: TANGIBLE ASSETS AND INTERNAL CONTROL

(25 marks; 20 minutes)

3.1 TANGIBLE ASSETS

The information below relates to Oceano Traders for the financial year ended 28 February 2022.

REQUIRED:

Calculate the missing amount in the Tangible Asset Note.

(17)

INFORMATION:

NOTE ON TANGIBLE ASSETS – 28 FEBRUARY 2022

	VEHICLES	EQUIPMENT
Carrying value at the beginning of the year	152 000	290 000
Cost price	230 000	3.1.4
Accumulated depreciation	3.1.1	(130 000)
Movements		
Additions at cost price	3.1.2	0
Depreciation	3.1.3	3.1.5
Carrying value at the end of the year	271 500	3.1.6
Cost price	380 000	3.1.7
Accumulated depreciation	(108 500)	(173 500)

Additional information and adjustments:

Vehicles

- Depreciation on vehicles is calculated at 10% p.a. on cost price.
- A new vehicle was purchased on 1 September 2021.

Equipment

- Depreciation on equipment is calculated at 15% p.a. on the diminishing balance method.
- No equipment was purchased during the year.

3.2 SIZANANI TRADERS

Selby, the owner of Sizanani Traders, provides free delivery services to all the customers who buy in bulk and stay within a distance of 8 kilometres. The sales figures were low in the previous month but delivery expenses did not decrease. He suspects that delivery expenses are high because of private use of the business vehicles.

- 3.2.1 Explain how the business is affected by private use of its vehicles. Provide TWO points. (4)
- 3.2.2 Provide the control measures that should be implemented by the owner to avoid mismanagement of movable, tangible assets. State TWO points. (4)

QUESTION 4: COST ACCOUNTING
(32 marks; 26 minutes)
4.1 CONCEPTS

Choose the correct term from those within the bracket. Only write the term next to the question numbers (4.1.1 to 4.1.5) in the ANSWER BOOK.

- 4.1.1 Direct labour and direct material used in the factory are equal to total (overhead/prime) costs.
- 4.1.2 The salary of the factory cleaner is a/an (direct/indirect) labour cost.
- 4.1.3 Rent of a building is considered a (factory overhead/delivery) cost.
- 4.1.4 Factory overhead costs are (direct/indirect) manufacturing expenses that are related to the production of finished goods.
- 4.1.5 An expense for factory rent is recorded as (direct/factory overhead) cost. (5)
- 4.2** Explain the difference between *fixed costs* and *variable costs*. (4)

4.3 DAN MALGAS

Dan Malgas manufactures and sells kites for children. The selling price per kite is R155. He manufactured 2 500 kites during October. Provided below is a summary of all his costs for October 2022.

REQUIRED:

Complete the following:

- 4.3.1 Calculate the direct material cost per kite for October 2022. (4)
- 4.3.2 Calculate the total manufacturing overheads for October 2022. (5)
- 4.3.3 Calculate total production cost for October 2022 if 2 500 kites were produced. (7)
- 4.3.4 Calculate the unit cost of production. (3)
- 4.3.5 Calculate the percentage profit that Dan Malgas earned per kite during October 2022, if the kites were sold at R155 each. (4)

INFORMATION:

Costs per kite	
Material per kite	R25
Wood per kite	R5
Line per kite	R5
Wages per kite completed	R50
Costs for the month	
Salary of factory supervisor	R5 000
Rent of factory	R8 000
Water and electricity of the factory	R2 500
Indirect material cost	R500

32

TOTAL: 150

END

GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Net profit}}{\text{Owner's equity}} \times \frac{100}{1}$	Total assets : Total liabilities	