

**NATIONAL
SENIOR CERTIFICATE**

GRADE 10

NOVEMBER 2020

**ACCOUNTING P1
(EXEMPLAR)**

MARKS: 150

TIME: 2 hours

This question paper consists of 11 pages, a 1-page formula sheet
and a 10-page answer book.

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 you must answer ALL the questions.
3. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or black/blue ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. A breakdown of the questions is provided. You must attempt to comply with the suggested time allocation for each question.

QUESTION 1: 24 marks; 19 minutes	
Topic of the question:	This question integrates:
Accounting concepts, Accounting equation	<ul style="list-style-type: none"> • Concepts • Accounting equation
QUESTION 2: 49 marks; 39 minutes	
Topic of the question:	This question integrates
Concepts and Income Statement	<ul style="list-style-type: none"> • Concepts • Income Statement
QUESTION 3: 55 marks; 44 minutes	
Topic of the question:	This question integrates:
Concepts, Fixed Assets, Balance Sheet, Interpretations and Internal control	<ul style="list-style-type: none"> • Concepts, Fixed Assets • Balance Sheet • Interpretation and Internal control
QUESTION 4: 22 marks; 18 minutes	
Topic of the question:	This question integrates:
Concepts, Wages Journal, Internal control	<ul style="list-style-type: none"> • Concepts, Wages Journal • Internal controls over Wages

QUESTION 1: ACCOUNTING CONCEPTS AND ACCOUNTING EQUATION
(24 marks; 19 minutes)

1.1 CONCEPTS

Choose the correct word(s) from COLUMN A to match a description in COLUMN B. Write only the letter (A–E) in COLUMN B next to the question numbers (1.1.1–1.1.4) in the ANSWER BOOK, for example 1.1.5 F.

COLUMN A		COLUMN B	
1.1.1	Investments	A	An individual or group of people who invest money in a business for the purpose of making a profit
1.1.2	Double entry principle	B	Money borrowed in order to purchase a property
1.1.3	Mortgage loan	C	Money tied up, for a period of time, in order to earn a higher return
1.1.4	Investor(s)	D	The owner's net investment in the business
		E	For every debit there is corresponding credit

(4 x 1) (4)

1.2 ACCOUNTING EQUATION

REQUIRED:

Analyse the following transactions according to the format provided in the ANSWER BOOK.

INFORMATION:

1.2.1 Received R1 000 from Protea Bank as monthly interest on fixed deposit.

1.2.2 Issued a cheque to G Africa for the purchase of equipment, R24 000.

1.2.3 PAMA Brothers charged the business's overdue account of R4 800 with 18% interest p.a. for four months.

1.2.4 Sold goods for cash that cost the business R1 800. Goods are sold at cost plus 50%.

(20)

24

QUESTION 2: CONCEPTS AND INCOME STATEMENT (49 marks; 39 minutes)

- 2.1 Match the concept in COLUMN A with an example provided in COLUMN B. Write only the letters (A–D) next to the numbers (2.1.1–2.1.4) in the ANSWER BOOK, for example 2.1.5 E.

COLUMN A	COLUMN B
2.1.1 Income Statement	A A report on good business practice developed in South Africa
2.1.2 Balance Sheet	B The manner in which a business is administered by owners and managers
2.1.3 Governance	C Statement showing the financial position of a business at a particular point in time
2.1.4 King Code	D This shows the financial performance of a business for a financial year

(4 x 1) (4)

2.2 KINGSTON TRADERS

The information relates to the financial year ended 29 February 2020. Goods are sold at a profit mark-up of 40% on cost.

REQUIRED:

Prepare the Income Statement (Statement of Comprehensive Income) for the year ended 29 February 2020).

(45)

INFORMATION:

- A.** Information Extracted from the Pre-Adjustment Trial Balance on 29 February 2020.

Capital	500 00
Drawings	70 00
Vehicles	320 00
Accumulated depreciation on vehicles (01/03/2019)	80 000
Equipment	140 000
Accumulated depreciation on equipment (01/03/2019)	26 000
Land and building	1 200 000
Fixed deposit: Same Bank	180 000
Bank	76 000
Trading stock	231 000
Creditors' control	143 000
Loan: Colour Bank	220 000
Debtors' control	211 000
Sales	950 000
Cost of sales	400 000
Debtors' allowances	14 000
Salaries and wages	168 000
Fee income	82 600

Interest income	900
Consumable stores	5 500
Rent income	39 000
Interest in fixed deposit	1 870
Discount allowed	1 260
Discount received	830
Telephone	9 200
Stationery	8 800
Insurance	16 800
Bad debts	1 300

B. Additional information and adjustments:

1. Cash sales of R18 200 on 29 February 2020 has not been recorded.
2. Fee income of R2 400 is still outstanding for the period.
3. Insurance includes monthly payment up to 30 April 2020.
4. One employee, I. Cool, has been left out of the Salaries Journal in error. She has not yet been paid for February.
The details of his salary are as follows:
 - Gross salary ?
 - Net salary R7 300
 - PAYE R2 200
 - UIF R400
 - Pension fund R100
5. Depreciation on vehicles of R32 000 and on equipment of R17 100 must be written off.
6. Interest on the loan for the year amounted to R30 800.
7. Bad debts of R700 must be written off the account of G. Sirino.
8. Rent was received for 13 months.
9. Physical count of stock revealed the following stock on hand:
 - Trading stock R220 000
 - Unused Consumable stores in stock amounted to R500.

**QUESTION 3: CONCEPTS, FIXED ASSETS, BALANCE SHEET,
INTERPRETATION AND INTERNAL CONTROL**

(55 marks; 44 minutes)

3.1 CONCEPTS

Select a concept from the options provided that best describes the examples listed. Write the concept only next to the numbers (3.1.1–3.1.4) in the ANSWER BOOK.

Returns on investment; profitability; solvency; liquidity

3.1.1 ... indicates the benefit the owner will receive for investing in a business.

3.1.2 ... indicates whether the business can pay off its immediate or short-term debts.

3.1.3 The ... indicates how efficient a business is.

3.1.4 ... indicates whether the business is able to pay off all its debts.

(4 x 1) (4)

3.2 The following information relates to Obbie Traders. The financial year ended on 30 April 2020.

REQUIRED:

3.2.1 Refer to information **2** and **3**.

Calculate the missing amounts on the note denoted by **(a)** to **(d)**. Show all workings.

(14)

3.2.2 Complete the Statement of Financial Position (Balance sheet) on 30 April 2020.

(22)

3.3 Calculate the following financial indicators for April 2020.

(a) Calculate the current ratio.

(3)

(b) Calculate the acid test ratio.

(4)

(c) Do you think that the business will experience liquidity problems in the near future? Explain briefly, with reference to the ratios in (a) and (b).

(4)

3.4 Should the business repay the long-term loan as soon as sufficient funds are available? Explain briefly why you think this is advisable or not.

(4)

INFORMATION:

- A. List of balances on 30 April 2020 (amongst others).

Capital	800 000
Drawings	80 000
Land and Building	1 200 000
Vehicles	700 000
Equipment	430 000
Accumulated depreciation on vehicles (01/05/2019)	280 000
Accumulated depreciation on equipment (01/05/2019)	193 500
Fixed deposit: Bobby Bank	?
Trading stock	270 200
Debtors' control	162 000
Creditors' control	86 000
Bank (Favorable balance)	112 000
Petty cash	2 200
Loan: CAT Bank (9,5% p.a.)	?
Accrued income	3 200
Prepaid expense	1 200
Income received in advance	5 800
Accrued expense	1 800

Adjustments and additional Information:

1. Loan: BTT Bank

Interest on loan is capitalised. The loan statement from BTT Bank reflected the following:

Balance on 1 May 2019	R423 200
Monthly instalments including interest	R103 200
Balance on 30 April 2020	R350 400

The business plans to pay R40 000 during the next financial year.

2. FIXED ASSET NOTE

	Land and buildings	Vehicles	Equipment
Carrying value (1 May 2019)		(b)	336 500
Cost	(a)	700 000	430 000
Accumulated depreciation		280 000	93 500
Movements			
Additions	600 000	145 000	
Depreciation		(c)	(64 500)
Carrying value (30 April 2020)	1 200 000	(d)	272 000
Cost	1 200 000		430 000
Accumulated depreciation			

3. Provide for depreciation as follows:

- On vehicles at 20% p.a. on the diminished balance method
- On equipment at 15% p.a. on cost price.

NOTE: A new vehicle, costing R145 000, was purchased on 1 August 2019. This has not been recorded.

4. **Financial indicators on 30 April 2020:**

	2019	2020
% Operating expenses on sales	36%	44%
% Operating profit on sales	15%	17%
% Net profit on sales	9%	11%
Current ratio	0,9 : 1	?
Acid-test ratio	1,3 : 1	?
Solvency ratio	1,3 : 1	2,6 : 1
% Return on average owner's equity	14%	12%
Interest rate	14%	15%

QUESTION 4: CONCEPTS, WAGES JOURNAL AND INTERNAL CONTROL
(22 marks; 18 minutes)

4.1 CONCEPTS

Choose the correct word(s) from COLUMN A to match the description in COLUMN B. Write only the letters (A to E) in COLUMN B next to the question number (4.1.1–4.1.4) in the ANSWER BOOK, for example 4.1.5 F.

COLUMN A		COLUMN B	
4.1.1	Matching concept	A	All items purchased are recorded at their cost price
4.1.2	Going concern concept	B	Financial information relevant to a reader of financial statements, must be separately disclosed
4.1.3	Historical cost concept	C	Financial information is recorded and reported in a conservative manner
4.1.4	Materiality concept	D	Financial information prepared on the understanding that a business will continue in the future
		E	Income and expenses must be reflected against each other in the correct accounting period

(4 x 1) (4)

4.2 Study the totals which appear in the Wages Journal of HMT Fruit and Vegetables for the week ended 27 November 2020.

All employees are paid at the same rates, being R25 per hour for normal time and R35 per hour for overtime.

Totals in the Wages Journal for week ended 27 November 2020

Total hours (normal time)	3 000
Total hours (overtime)	?
Gross wages	110 000
Total deductions	?
Medical aid deductions	7 000
Pension fund deductions	6 000
UIF deductions	3 000
PAYE	9 000
Medical aid contributions	14 000
UIF contributions	1 500

REQUIRED:

- 4.2.1 How much cash must be withdrawn in order to pay the employees? (2)
- 4.2.2 Briefly explain the difference between *deductions* and *contributions*. (4)
- 4.2.3 Calculate the total number of overtime hours worked during the week. (5)
- 4.2.4 The medical aid details have remained the same for all four weeks during November 2020. Calculate the amount which must be paid to the medical fund by HMT Fruit and Vegetables at the end of November 2020. (3)
- 4.2.5 There are approximately 80 employees in total. Briefly explain the TWO roles played by the clock-card system in ensuring that HMT Fruit and Vegetables do not pay any employee for work which he has not done. (4)

22

TOTAL: 150

**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		
$\frac{\text{Net profit}}{\text{Owners' equity}} \times \frac{100}{1}$	Total assets : Total liabilities	