

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 10**

**NOVEMBER 2019**

**ACCOUNTING P1**

**MARKS: 150**

**TIME: 2 hours**



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This question paper consists of 10 pages, a 1-page formula sheet and a 9-page answer book.

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**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.

<b>QUESTION 1: 25 marks; 20 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Accounting concepts, Accounting equation	<ul style="list-style-type: none"> <li>• Concepts</li> <li>• Accounting equation</li> </ul>
<b>QUESTION 2: 73 marks; 58 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates</b>
GAAP principles, Income Statement, Note, Balance Sheet and Internal control	<ul style="list-style-type: none"> <li>• Income Statement, Balance Sheet and Note.</li> <li>• Internal controls</li> </ul>
<b>QUESTION 3: 27 marks; 22 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Interpretation of the Financial Statements	<ul style="list-style-type: none"> <li>• Concepts</li> <li>• Calculation of the financial indicators</li> <li>• Interpretation of Financial Statements</li> </ul>
<b>QUESTION 4: 25 marks; 20 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Salaries, Internal control	<ul style="list-style-type: none"> <li>• Salaries journal</li> <li>• Internal controls over Salaries</li> </ul>

**QUESTION 1: ACCOUNTING CONCEPTS AND ACCOUNTING EQUATION**  
(25 marks; 20 minutes)

**1.1 CONCEPTS**

Choose the correct word(s) from COLUMN A to match the description in COLUMN B. Write only the letter (A–F) next to the question number (1.1.1–1.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Owner's equity	A	The document used to record small amounts issued for purchases
1.1.2	Drawings	B	The document used to record goods sold on account
1.1.3	Petty cash voucher	C	Money withdrawn by the owner from the business for personal use.
1.1.4	Duplicate invoice	D	Sources of earnings to the business.
1.1.5	Income	E	Money invested by the owner in the business.
		F	The owner's net investment in the business.

(5)

**1.2 ACCOUNTING EQUATION**

**REQUIRED:**

Analyse the following transactions according to the format provided in the answer book.

- 1.2.1 Bought trading stock from Emon Suppliers for R8 000 on credit.
- 1.2.2 Sold goods on credit to X. View for R3 400. Goods are sold at a profit mark up of 60% on the cost price.
- 1.2.3 The owner decided to increase his capital of R500 000 by 20% by depositing a cheque directly into the business bank account.
- 1.2.4 Received a cheque from G. Gift in payment of his account after a discount of 5% was allowed to him for early payment. (20)

**25**

**QUESTION 2: GAAP PRINCIPLES INCOME STATEMENT, BALANCE SHEET AND INTERNAL CONTROL**

**(73 marks; 58 minutes)**

**2.1 GAAP PRINCIPLES**

Choose a category from the list provided for each example below. Write only the category next to the question number (2.1.1–2.1.4) in the ANSWER BOOK.

Historical cost rule; prudence concept; business entity rule; concept of materiality; going-concern concept

- 2.1.1 Be conservative and realistic in disclosing information.
- 2.1.2 Items that are of significance, must be treated separately.
- 2.1.3 The business and the owner's affairs must be kept separately.
- 2.1.4 Assets are always reflected at their original cost price. (4)

2.2 The information relates to **LOLO TRADERS** for the financial year ended 30 June 2019.

**REQUIRED:**

- 2.2.1 Taking into account the adjustments (INFORMATION B) below, Complete the INCOME STATEMENT (Statement of Comprehensive Income) for the year ended 30 June 2019. (40)
- 2.2.2 Prepare the NOTE for owner's equity to the Balance Sheet (Statement of Financial Position). (7)
- 2.2.3 Prepare the Equity and Liabilities section of the Balance Sheet. (11)
- 2.2.4 G. Grey, the owner of LOLO Traders, is concerned about the size of his trading stock deficit.
- (a) • What are the causes of trading stock deficit?  
Give TWO points.  
• Suggest TWO realistic measures in order to control and reduce trading stock deficit. (8)
- (b) The accountant advised the owner (G. Grey) to cash-in the fixed deposit and use the money to pay off part of the loan. Do you agree with the accountant? Give a reason for your answer. (3)

**INFORMATION:****A. Extract from the Pre-adjustment Trial Balance of Lolo Traders for the year ended 30 June 2019**

Capital	1 000 000
Drawings	42 600
Land and buildings	4 000 000
Vehicles	780 000
Equipment	350 000
Accumulated depreciation on vehicles (01/07/2018)	468 000
Accumulated depreciation on equipment (01/07/2018)	105 000
Fixed deposit (8% p.a. interest)	200 000
Trading stock	418 400
Debtors control	280 200
Bank overdraft	124 000
Loan: BM Bank (12% p.a.)	652 000
Creditors control	380 000
Sales	4 350 000
Debtors allowances	18 000
Cost of sales	2 900 000
Rent income	200 700
Bad debts recovered	1 800
Interest in fixed deposit	9 000
Stationery	2 100
Telephone	9 000
Insurance	12 100
Bad debts	3 800
Bank charges	1 200
Consumable stores	4 000

**B. Additional information and adjustments:**

1. Goods are sold at a profit mark-up of 50% on cost price.
2. A credit note for R12 000 was issued to a debtor for merchandise returned, that were totally damaged. No entries were made for this transaction.
3. Lolo took stock for her personal use at a cost price, R4 800. This has not been recorded.
4. The stock-taking revealed that the following were on hand on 30 June 2019:
  - Trading stock, R406 100
  - Stationery, R500
  - Consumable stores, R800
5. The following entries appeared in the June Bank Statement but had not yet been recorded in the books of the business:
  - Bank charges, R1 000,
  - A direct deposit by a debtor whose debt had previously been written off as bad, R1 200.

6. A debtor, C. Coward, has been declared insolvent. He owes R1 500. His insolvent estate will pay out 60c in the Rand and the balance must be written off as irrecoverable.
7. The rent income was increased by R900 on 1 March 2019. The tenant has not yet paid the rent for June 2019.
8. Outstanding interest on fixed deposit must be taken into account. The fixed deposit was invested on 1 October 2018. Interest on fixed deposit is not capitalised.
9. An insurance premium of R5 600 was paid in 1 April 2019 for the period 1 April 2019 to 31 October 2019.
10. The loan statement from BM Bank on 30 June 2019 reflects the following:

Balance on 1 July 2018	R665 600
Total payments during the year including interest	R103 200
Balance on 28 June 2019	R652 000

- The interest for the year must be capitalised.
  - A capital amount of R70 000 will be paid off the loan in the next financial year.
11. Depreciation for the year amounted to R195 150.
  12. The telephone account for June 2019, has not been paid, R1 600.
  13. The owner invested a further R100 000 in the business to increase her capital contribution. This has been properly recorded.

**QUESTION 3: ACCOUNTING CONCEPTS AND INTERPRETATION****(27 marks; 22 minutes)****3.1 ACCOUNTING CONCEPTS**

Indicate where EACH of the following items would be placed in the financial statements by choosing a term from the list below. Write only the answer next to the question numbers (3.1.1–3.1.4) in the ANSWER BOOK.

operating expenses; current assets; non-current liability; operating income;  
non-current assets; current liabilities.

3.1.1 Investments such as a fixed deposit at 8% p.a. interest over a 5 years' period.

3.1.2 Trading stock surplus.

3.1.3 Mortgage bond to finance the purchase of new property.

3.1.4 Consumable stores not used at the end of a financial year. (4)

3.2 The information was taken from **Asanda's** accounting records on 28 February 2019, the end of the financial year.

**REQUIRED:**

3.2.1 Calculate the following financial indicators.

- Operating profit on sales (3)
- Acid test ratio (3)
- Return on average owner's equity (5)

3.2.2 Comment on whether the business was more or less profitable than last year. Quote a financial indicator to substantiate your opinion. (3)

3.2.3 Comment on the liquidity of the businesses. Quote TWO financial indicators with figures to substantiate your opinion. (5)

3.2.4 Do you think the owner should be satisfied with the return on the average owner's equity? Explain by quoting figures. (4)

- A. Information obtained from Asanda's general ledger on 28 February 2019, his financial year end. The target mark-up is 60% on cost.

Sales	R1 200 000	
Cost of sales	800 000	
Other income	100 000	
Operating expenses	200 000	
Operating profit	300 000	
Net profit	160 000	
Trading stock	210 000	
Current assets	400 000	
Fixed/Tangible assets	2 100 000	
Non-Current/Long-term liabilities	?	
Owner's equity (1/03/2018)	400 000	
Owner's equity (28/02/2019)	900 000	
Current liabilities	240 000	

- B. Financial indicators on 28 February:

	2019	2018
Current ratio	1,7 : 1	3,5 : 1
Acid-test ratio	?	1,6 : 1
Solvency ratio	1,6 : 1	2,9 : 1
% return on owner's equity	?	34,2%
% net profit on sales	12,6%	18,3%
% actual mark-up achieved	50%	60%
% operating profit on sales	?	26%
% operating expenses on sales	16,7%	18%

**QUESTION 4: SALARIES JOURNAL AND INTERNAL CONTROL****(25 marks; 20 minutes)****4.1 SALARIES**

The following information was taken from the records of EC Service Station for April 2019.

**REQUIRED:**

- 4.1.1 Complete the SALARIES JOURNAL of EC Service Station for the month of April 2019. (14)
- 4.1.2 How much did it cost EC Service Station in total to employ D. Dan for the month of April 2019? (4)
- 4.1.3 In so far as internal control is concerned, what should an effective policy regarding salaries and wages entail? State any TWO points. (4)

**INFORMATION:****A. Basic salaries and deductions:**

Employees	C. Can	B. Breeze	D. Dan
<b>Basic salaries</b>	R122 400 p.a.	R10 000 p.m.	R144 000 p.a.
<b>Deductions:</b>			
SA Pension Fund	8%	8%	8%
Care Medical Aid Fund	?	?	?
PAYE	R1 500	R1 250	R1 800
UIF	1%	1%	1%

**NOTE:**

Medical aid is R500 per family member per month. C. Can is married with two children, B. Breeze got married recently and D. Dan is unmarried.

**B. Employer's contributions:**

- EC Service Station contributed 10% of the employees' basic salaries to SA Pension Fund.
  - EC Service Station contributes on a Rand for Rand basis to the UIF.
  - EC Service Station contributes R2 for every R1 the employee pays towards the Care Medical Aid Fund.
- 4.2 The following **salary scale** was prepared for J. Jerry, a security guard employed at **Let's Hope Traders** on 1 January 2019.

R288 000 x R14 400 → R331 200 x R22 600 → R376 400 x R28 400 → R433 200
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**REQUIRED**

- 4.2.1 What is J. Jerry's monthly starting salary? (1)
- 4.2.2 In which year of employment will J. Jerry earn an annual salary of R404 800? (2)

<b>25</b>
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**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	









