

**NATIONAL
SENIOR CERTIFICATE**

GRADE 10

NOVEMBER 2019

ACCOUNTING P2

MARKS: 300

TIME: 2 hours



This question paper consists of 9 pages and a 10-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. A special ANSWER BOOK is provided in which to answer ALL the questions.
2. Show ALL workings to earn part-marks.
3. You may use a non-programmable calculator.
4. You may use a dark pencil or blue/black ink to answer the questions.
5. Where applicable, show all calculations to ONE decimal point.
6. A breakdown of the questions is provided. You must attempt to comply with the suggested time allocation for each question.

QUESTION 1: 45 marks; 36 minutes	
Topic of the question:	This question integrates:
Cost accounting and Internal control	Managerial accounting <ul style="list-style-type: none"> • Manufacturing concepts and basic cost calculations Managing resources <ul style="list-style-type: none"> • Internal control
QUESTION 2: 25 marks; 20 minutes	
Topic of the question:	This question integrates:
Inventory and VAT	Managing resources <ul style="list-style-type: none"> • Perpetual Inventory System – recording • VAT concepts
QUESTION 3: 35 marks; 28 minutes	
Topic of the question:	This question integrates:
Budgets	Managerial accounting <ul style="list-style-type: none"> • Calculations Managing Resources <ul style="list-style-type: none"> • Ethics
QUESTION 4: 45 marks; 36 minutes	
Topic of the question:	This question integrates:
Reconciliations, Fixed assets, Ratio analysis and Internal control	Managing resources <ul style="list-style-type: none"> • Debtors Control Account • Fixed assets and Internal Control • Analysis and Interpretation of financial statements

QUESTION 1: COST ACCOUNTING AND INTERNAL CONTROL

(45 marks; 36 minutes)

1.1 Answer the following questions.

- 1.1.1 Direct material cost plus direct labour cost is equal to ... (1)
- 1.1.2 Differentiate between a *trading business* and a *manufacturing business*. (2)
- 1.1.3 Define *fixed cost* and a *variable cost* and give ONE example of each cost. (4)

1.2 Lynx Sportswear is a small business that manufactures football jerseys which are supplied to the local schools. During June 2019 the business manufactured 7 460 jerseys.

- 1.2.1 Calculate the following:
- Direct material cost (3)
 - Direct labour cost (2)
 - Factory / manufacturing overheads (8)
 - Total cost of production (5)
 - Unit cost per jersey (4)

1.2.2 The accountant is concerned that the sales for the year dropped by **40%** and the cost of sales was higher than the previous year. This was due to an increase in the wool price and also transport cost.

- (a) Suggest THREE strategies to achieve the objective of increasing profits. (6)
- (b) If the sales for last year were R 500 000 and the profit mark-up is 25%, calculate:
 - The sales for the current year (5)
 - The cost of sales for the current year (5)

INFORMATION:

Costs for June 2019

Fabric (material) used in the production of jerseys	R 180 000
Badges, numbers and logos	32 500
Salaries and wages:	
➤ Factory foreman	18 700
➤ Bookkeeper	21 600
➤ Machine operators	210 000
Rent expense total (60% allocated to factory)	16 200
Water and electricity (2/3 allocated to factory)	9 600
Factory expenses	5 200

QUESTION 2: INVENTORY AND VAT**(25 marks; 20 minutes)**

2.1 Indicate whether the following statements are TRUE or FALSE.
Write only 'true' or 'false' next to the question numbers (2.1.1–2.1.5) in the ANSWER BOOK.

2.1.1 VAT is currently being charged at 15% in South Africa.

2.1.2 Input VAT is VAT collected from customers.

2.1.3 Fees payable for education is an example of VAT exempted goods or services.

2.1.4 Tax evasion is illegal and punishable by law.

2.1.5 Output VAT is VAT paid when goods and services are purchased by the business.

(5)

2.2 INVENTORY**REQUIRED:**

The following information relates to Tru Traders. The business uses the Perpetual Inventory System to record and manage their trading stock. Complete the following table by filling in the answers in blank spaces. Assume that the bank balance is favourable for all transactions.

INFORMATION:

No.	Journal	Account debited	Account Credited	A	O	L
<i>Eg.</i>	<i>CRJ</i>	<i>Bank</i>	<i>Capital</i>	+	+	0
1.		Telephone	Bank			
2.	CJ	Trading stock				
3.	CRJ		Rent income			
4.1	DJ		Sales			
4.2		Cost of sales				
5.	CAJ		Stationery			

(20)

25

QUESTION 3: BUDGETS**(35 marks; 28 minutes)**

Kamva High School from East London has decided to go on an educational field tour to Port Elizabeth. The tour group will consist of two educators and ten learners. They have asked you to do some calculations of various costs for the tour so that they can do proper planning and budgeting to ensure that the tour is a success.

Further information supplied:

- Transport with school bus from East London to Port Elizabeth is R450 per learner. (The teachers do not pay for transport.)
- Accommodation in Port Elizabeth is R300 per room per night and two learners will share a room while the teachers will have single rooms each at a cost of R250 per room. They will book for ONE night.
- The VW factory tour is free of charge. They will visit the museum and snake park that has an entry fee of R20 per person; however a school group gets a 10% discount.
- They are budgeting a total of R120 per person for meals.

NOTE: The school will pay for the teachers' accommodation and meals.

3.1 Calculate the following:

- | | | |
|-------|--|-----|
| 3.1.1 | Total transport costs for the learners | (3) |
| 3.1.2 | Cost of accommodation for the learners | (3) |
| 3.1.3 | Cost of accommodation for the teachers | (3) |
| 3.1.4 | Total cost of accommodation for the teachers and the learners | (3) |
| 3.1.5 | Cost for the tour group for the visit to the museum and snake park | (3) |
| 3.1.6 | Total cost for all the meals for the group | (3) |
| 3.1.7 | TOTAL cost for the tour | (6) |
| 3.1.8 | Cost per learner for the tour | (6) |

3.2 Sindi Mpoma, the school clerk, has been approached by the teachers to organise the trip for them. She will make the bookings for teachers and the learners. Sindi thought of asking for a discount for learners from the hotel where they have booked and to use the extra money to book her holiday trip of two days in December with her family. She decided not to tell anyone about her plans.

- | | | |
|-------|---|-----|
| 3.2.1 | Should Sindi go ahead with her plan? Motivate your answer. | (3) |
| 3.2.2 | What consequences could Sindi face should she decide to go ahead with the plan and is caught? Give ONE point. | (2) |

**QUESTION 4: RECONCILIATIONS, FIXED ASSETS, RATIO ANALYSIS
AND INTERNAL CONTROL (45 marks; 36 minutes)**

4.1 DEBTORS CONTROL ACCOUNT

REQUIRED:

Study the ledger account and answer the following questions.

- 4.1.1 Provide the detail for the entry of R7 500 on the credit side. (1)
- 4.1.2 Provide the detail for the entry of R12 000 on the credit side. (1)
- 4.1.3 Give a reason for the entry of R13 200 on the credit side. (2)
- 4.1.4 Provide the journal folio for the entry of R52 500 on the debit side. (1)
- 4.1.5 Which source document will support the entry of R7 500 on the credit side. (1)
- 4.1.6 How can the owner verify or confirm that the closing balance is correct? (2)
- 4.1.7 Give a reason for the entry of R1 400 on the debit side. (2)
- 4.1.8 Give the totals at the end of the month on both sides. (2)
- 4.1.9 Give the closing balance on 31 May 2019. (1)
- 4.1.10 Give the opening balance on 1 June 2019. (1)

**GENERAL LEDGER
BALANCE SHEET ACCOUNTS SECTION
DEBTORS CONTROL**

DR					CR				
2019 May	1	Balance	b/d	41 000	2019 May	31	?	DAJ	7 500
	31	Sales	?	52 500			?	CRJ	12 000
		Bank	CPJ	2 100			Discount allowed	CRJ	600
		Sundry Accounts	GJ	1 400			Sundry Accounts	GJ	13 200
							Balance	c/d	?
				?					?
June	1	Balance	b/d	?					

4.2 FIXED ASSETS AND INTERNAL CONTROL

The following information is given for UTH Traders, whose financial year ends on 28 February 2019.

Extract from Trial Balance on 28 February 2019

Vehicles	R 250 000
Equipment	210 000
Accumulated depreciation on vehicles (1 March 2018)	40 000
Accumulated depreciation on equipment (1 March 2018)	16 000

ADDITIONAL INFORMATION:

- (a) Depreciation is calculated as follows:
- Vehicles at 20% p.a. – Cost price method
 - Equipment at 15% p.a. – Diminishing balance method (Carrying value method)
- (b) A new vehicle was purchased on 1 November 2018 for R150 000 cash. (It was properly recorded)

REQUIRED:

- 4.2.1 Calculate the depreciation for the NEW vehicle purchased. (5)
- 4.2.2 Calculate the depreciation for the OLD vehicles. (5)
- 4.2.3 Calculate the depreciation on equipment for the year. (5)
- 4.2.4 Provide TWO control measures that the owner can put in place as he is concerned that some of the employees are abusing the vehicles and equipment. They have no specific control measures in place. (4)

4.3 RATIO ANALYSIS

Pambo stores is a clothing store that sells cheap imported clothes manufactured in China. Their mark-up on cost price is 75%.

Use the given information to answer the questions that follow.

**PAMBO STORES
EXTRACT FROM INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE
2019.**

		2019	2018
Sales		1 280 000	1 118 000
Cost of Sales		(800 000)	?
Gross Profit		?	468 000
Other Income		29 200	27 500
Gross Operating Income		509 200	495 500
Operating Expenses		?	(106 590)
Operating Profit		390 400	?
Net Profit for the year		389 550	392 010

Financial Indicators for the year ended 30 June 2018:

Mark-up achieved	:	72%
Gross Profit on sales	:	41,9%
Operating profit on sales	:	34,8%
Net profit on sales	:	35,1%
Operating Expenses on sales	:	9,5%

REQUIRED:

- 4.3.1 Calculate the percentage Gross profit on sales for 2019. Compare results with 2018. Quote figures and comment. (4)
- 4.3.2 Calculate the percentage Operating expenses on sales for 2019. Compare with 2018. Quote figures and comment. (4)
- 4.3.3 Calculate the percentage Net profit on sales for 2019. Compare with 2018. Quote figures and comment. (4)

45

TOTAL: 150

ANNEXURE A

FORMULA SHEET GRADE 10

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Owners' Equity}} \times \frac{100}{1}$
$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$	Current Assets : Current Liabilities	
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	(Current Assets – Inventories) : Current Liabilities	
$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	Total Assets : Total Liabilities	

