

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2019
GRADE 10**

**ACCOUNTING
PAPER 2**

TIME: 2 hours

MARKS: 150

9 pages, 1 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 to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the end of this question paper. You may use this if necessary.
4. Show ALL workings in order to achieve 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 1: 10 marks; 10 minutes	
Topic:	This integrates:
VAT and Ethics	VAT concepts Ethics

QUESTION 2: 45 marks; 35 minutes	
Topic:	This integrates:
Debtors' Reconciliation	Debtors' Reconciliation Internal control

QUESTION 3: 20 marks; 15 minutes	
Topic:	This integrates:
Fixed Assets	Fixed asset register Internal control

QUESTION 4: 30 marks; 25 minutes	
Topic:	This integrates:
Inventory	Inventory and Internal control

QUESTION 5: 45 marks; 35 minutes	
Topic:	This integrates:
Manufacturing and Budgeting	Concepts and calculations

QUESTION 1: VAT AND ETHICS (10 marks; 10 minutes)**1.1 VAT**

Choose a term from the list below that completes each of the following statements. Write only the term next to the question number (1.1.1–1.1.6) in the ANSWER BOOK.

R500 000; direct; output; 0%; indirect; 14%;
SARS; zero-rated; input; exempt; R1 000 000; 15%

- 1.1.1 VAT is a / an ... system of taxation.
- 1.1.2 In South Africa the standard rate of VAT is currently
- 1.1.3 VAT payable on sales is known as VAT
- 1.1.4 Brown bread is an example of an item that is
- 1.1.5 Items on which VAT is currently not charged are known as ... items.
- 1.1.6 A business with a turnover or sales of ... or more per year should register as a VAT vendor.

(6)

1.2 Ethics

Mgluwa Traders ordered goods with a market value of R18 000 from Ceta Suppliers. The sales director of Ceta Suppliers, Peter Slow, offered to sell the goods to Mgluwa Traders at R8 000 on the condition that they do not issue an invoice. Comment on this suggestion. Provide TWO points.

(4)

10

QUESTION 2: RECONCILIATION**(45 marks; 35 minutes)**

The information below relates to Sunshine Traders for September 2019.

REQUIRED:

- 2.1 Prepare a correct Debtors' Control Account for September 2019 by taking into account errors and omissions. Balance the account. (20)
- 2.2 Prepare a correct list of debtors as at 30 September 2019. (21)
- 2.3 Discuss TWO strategies that can be implemented to encourage debtors to pay their accounts on time. (4)

Note: Show all your calculations in brackets.

INFORMATION:**GENERAL LEDGER OF SUNSHINE TRADERS**

Dr		DEBTORS' CONTROL						Cr	
2019 Sep	01	Balance	b/d	21 370	2019 Sep	30	Bank and discount allowed	CRJ	24 380
	30	Sales	DJ	31 920			Journal credits	GJ	580
		Debtors' allowances	DAJ	980			Bank (r/d)	CPJ	600
		Journal debits	GJ	820			Balance	c/d	29 530
				55 090					55 090
2019 Oct	01	Balance	b/d	29 530					

Note: The bookkeeper made errors when posting to the Debtors' Control Account.

List of debtors as at 30 September 2019

DEBTOR	Debit	Credit
S. Taylor	6 500	
P. Africa	7 480	
G. Kruger	5 340	
M. Ahmed	1 890	
R. Dioka	6 760	
P. Hlapa		800
T. Makobo	1 800	
	29 770	800

Errors and omissions:

- A.** The balance of the Debtors' Control Account on 1 September 2019 is incorrect. The list of debtors reflected a credit balance of R530, which was not taken into account when determining the opening balance.
- B.** A receipt issued to M. Ahmed for R980 cash received was recorded correctly in the subsidiary journal, but was posted to her account as R890.
- C.** The total of the Debtor's Allowances column in the Debtors' Allowances Journal was under-cast by R160.
- D.** An entry in respect of goods returned by T. Makobo to the value of R300 was correctly entered in the Debtors' Allowances Journal but entered on the wrong side of T. Makobo's account.
- E.** The Debtors' Ledger reflects the credit balance in the account of P. Hlapa. The amount must be transferred to the Creditors' Ledger.
- F.** On 28 September 2019, R120 postage was paid on behalf of a debtor, G. Kruger from the petty cash. No entry was made in the books.
- G.** P. Africa paid R3 800 on her account after she received a 5% discount. The payment and discount were recorded correctly in the subsidiary journal but the discount was not posted to her account. (Round-off the answer to the nearest rand.)

QUESTION 3: FIXED ASSETS**(20 marks; 15 minutes)**

The information relates to Manuel Traders for the financial year ended 28 February 2019.

REQUIRED:

- 3.1 Calculate the depreciation on equipment for the year ended 28 February 2019. (5)
- 3.2 Calculate the carrying value (book value) of equipment on 28 February 2019. (4)
- 3.3 You are provided with a page from the Asset Register for an item of vehicles (a Pick-up-Loader) in your ANSWER BOOK. Complete the asset register. (5)
- 3.4 State ONE reason why the asset register is a valuable tool in asset management. (2)
- 3.5 It was discovered after preparing the financial statements that the fuel expenses have increased by 80% from last year. The driver who does deliveries takes the vehicle home every day after work. State TWO internal control measures that the owner can put in place to reduce the misuse of the delivery vehicle by the driver. (4)

INFORMATION:**A. Extract from the pre-adjustment trial balance on 28 February 2019**

Balance Sheet Account Section	Debit	Credit
Land and buildings	150 700	
Vehicles (cost)	150 000	
Equipment (cost)	33 000	
Accumulated depreciation on vehicles (1/3/2018)		26 400
Accumulated depreciation on equipment (1/3/2018)		12 500

B. Adjustments and additional information:

Depreciation for the year is as follows:

- Vehicles at 20% per annum on the diminishing balance method
- Equipment at 10% per annum on the cost price
- The owner contributed additional equipment of R14 000 on 1 September 2018 and correctly recorded on this date.

20

QUESTION 4: INVENTORY (30 marks; 25 minutes)

The information below relates to Booma Traders for March 2019. They use the perpetual (continuous) inventory system to record and manage trading stock. Booma Traders uses a mark-up of 40%.

REQUIRED:

- 4.1 Use the following information to set up the Trading Stock account.
Balance the account. (Round-off amounts to the nearest rand.) (24)
- 4.2 Answer the following questions.
- 4.2.1 After a physical stock count on 31 March 2019, the actual value of the trading stock on hand was found to be R1 400 less than the balance you have calculated in the trading stock account. Provide TWO possible reasons for the difference between these two amounts. (4)
- 4.2.2 The business purchases more on cash than on credit. Prove this statement by giving figures (amounts) to motivate your answer. (2)

INFORMATION:

- A. The total stock in the storeroom on 1 March 2019 has a value of R4 500.
- B. Total cash sales for March amounts to R1 260.
- C. Total credit sales for March amounts to R840.
- D. Total trading stock purchased for cash is R5 000.
- E. Total trading stock purchased on credit is R1 400.
- F. The total debit notes for trading stock returned issued during March amounts to R1 000.
- G. The owner took stock to the value of R2 000 for own use.

30

QUESTION 5: MANUFACTURING AND BUDGETS**(45 marks; 35 minutes)****5.1 MANUFACTURING**

5.1.1 Choose the correct term from those within brackets. Only write the term next to the number (5.1.1(a) – 5.1.1(c)) in the ANSWER BOOK.

- (a) Direct labour and direct material used in the factory are equal to the total (overhead / prime) costs.
- (b) The salary of the factory cleaner is a (direct / indirect) labour cost.
- (c) The rental of a building is considered as a (fixed / variable) cost. (3)

5.1.2 Dan Malgas manufactures and sells kites for children. The selling price per kite is R155. Below is a summary of all his costs for October 2019. He manufactured 2 500 kites during October.

REQUIRED:

Calculate the following:

- (i) Direct material cost per kite (4)
- (ii) Total manufacturing overheads for October 2019 (5)
- (iii) Total production cost for October 2019 if 2 500 kites were produced (7)
- (iv) Unit cost of production (3)
- (v) What is the percentage profit Dan earned per kite during October 2019, if the kites were sold at R155 each? (4)
- (vi) Explain the difference between fixed and variable costs. (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 foreperson	R5 000
Rent of factory	R8 000
Water and electricity of the factory	R2 500
Indirect material cost	R500

5.2 **BUDGETS**

Refer to the information relating to Mbolweni Traders budget and answer the questions that follow.

Cash budget of Mbolweni Traders for January to March 2020

CASH RECEIPTS	JANUARY	FEBRUARY	MARCH
Cash sales	42 000	56 000	63 000
Receipts from debtors	25 200	21 600	45 800
Capital contribution			20 000
TOTAL RECEIPTS	67 200	77 600	128 800
CASH PAYMENTS			
Cash purchase of stock	3 000	4 000	4 500
Payments to creditors	34 155	32 040	37 733
Drawings	4 500	4 500	4 500
Loan repayment			10 000
Interest on loan	1 600	1 600	1 600
Advertising	600	800	900
Salaries and wages	2 000	2 000	2 160
TOTAL PAYMENTS	45 855	44 940	61 393
Cash surplus / (deficit)	21 345	32 660	?
Bank opening balance	8 400	29 745	62 405
Bank closing balance	29 745	62 405	?

REQUIRED:

- 5.2.1 What is the aim of preparing a cash budget? (2)
- 5.2.2 Name TWO items which will not appear in a cash budget. (2)
- 5.2.3 If cash sales are 60% of the total sales, calculate the total sales for January. (5)
- 5.2.4 Determine the cash surplus / (deficit) for March. (3)
- 5.2.5 Determine the bank balance at the end of March. (3)

45

TOTAL: 150

FORMULA SHEET GRADE 10

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
$\frac{\text{Net profit}}{\text{Owners' equity}} \times \frac{100}{1}$	Total assets : Total liabilities	