

**NATIONAL
SENIOR CERTIFICATE**

GRADE 10

NOVEMBER 2018

ACCOUNTING P1

MARKS: 150

TIME: 2 hours

This question paper consists of 11 pages 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. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or black/blue ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. A breakdown of the questions is provided. You must attempt to comply with the suggested time allocation for each question.

| QUESTION 1: 35 marks; 30 minutes | |
|---|---|
| Topic of the question: | This question integrates: |
| Accounting concepts, Analysis of transactions | Financial accounting <ul style="list-style-type: none"> • Accounting concepts • Accounting equation |
| QUESTION 2: 35 marks; 30 minutes | |
| Topic of the question: | This question integrates: |
| Ethics, Wages journal, Internal control | Financial accounting <ul style="list-style-type: none"> • Subsidiary journal Managing resources <ul style="list-style-type: none"> • Ethics • Managing labour |
| QUESTION 3: 40 marks; 30 minutes | |
| Topic of the question: | This question integrates: |
| Notes to financial statements, Balance sheet | Financial accounting <ul style="list-style-type: none"> • Notes to financial statements, Balance sheet Managing resources <ul style="list-style-type: none"> • Control of assets |
| QUESTION 4: 40 marks; 30 minutes | |
| Topic of the question: | This question integrates: |
| Accounting concepts and Interpretation of financial statements | Financial accounting <ul style="list-style-type: none"> • Concepts, Interpretation of financial statements Managing resources <ul style="list-style-type: none"> • Control of returns, funding and profit |

FORMULA SHEET GRADE 10

$$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$$

$$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$$

$$\frac{\text{Net profit}}{\text{Owners' equity}} \times \frac{100}{1}$$

Current assets : Current liabilities

(Current assets – inventories) : Current liabilities

Total assets : Total liabilities

QUESTION 1: ACCOUNTING CONCEPTS AND ACCOUNTING EQUATION**35 marks; 30 minutes****1.1 ACCOUNTING CONCEPTS**

Choose the correct answer from the options provided. Write only the letter (A–D) next to the number (1.1.1–1.1.5) in the ANSWER BOOK, for example 1.1.6 D

1.1.1 Telephone is a/an ... account.

- A balance sheet
 - B asset
 - C expense
 - D income
- (1)

1.1.2 People who owe the business money are known as ...

- A debtors.
 - B creditors.
 - C bankers.
 - D wholesalers.
- (1)

1.1.3 Which of the following is **not** a non-current asset?

- A Land and buildings
 - B Trading stock
 - C Vehicles
 - D Equipment
- (1)

1.1.4 Profits generated by the business will always increase ...

- A owner's equity.
 - B assets.
 - C creditors.
 - D cash.
- (1)

1.1.5 Which source document is used to record goods purchased on credit?

- A Original invoice
 - B Duplicate invoice
 - C Receipt
 - D Cheque counterfoil
- (1)

1.2 ACCOUNTING EQUATION

The bank has a **favourable** balance at all times unless indicated otherwise.

REQUIRED:

Analyse the given transactions. State the internal source document, the general ledger accounts to be debited and credited, and the influence on the accounting equation.

INFORMATION:

- 1.2.1 The owner made an electronic transfer of R180 000 to the business current account to increase his capital contribution.
- 1.2.2 Purchase a computer from DD Technology. Issue a cheque to the value of R3 800.
- 1.2.3 Sell goods on account to W Willie for R2 800. A 25% mark-up on cost price is applied.
- 1.2.4 Purchase goods on account from NZ Traders for R6 000 less 15% trade discount.
- 1.2.5 Receive a cheque from W Willie (see no. 1.2.3) after deducting a 5% discount. The bank has an unfavourable balance. (30)

QUESTION 2: ETHICS, INTERNAL CONTROL AND WAGES JOURNAL**35 marks; 30 minutes****ETHICS**

- 2.1 Match the relevant statement in **COLUMN B** with the ethical principle in **COLUMN A**. Write only the letter (A–G) next to the number (2.1.1–2.1.5) in the ANSWER BOOK.

| PRINCIPLE | | STATEMENT | |
|-----------|----------------|-----------|---|
| 2.1.1 | Discipline | A | The ability of a business to continue as a viable business |
| 2.1.2 | Leadership | B | Participation in social and economic welfare projects |
| 2.1.3 | Fairness | C | Sincere commitment and a good work ethic |
| 2.1.4 | Sustainability | D | The rights of various groups must be respected |
| 2.1.5 | Accountability | E | Providing policy documents to deal with morally sensitive issues |
| | | F | Each employee must be prepared to take responsibility for his/her actions |
| | | G | A culture of good ethics begins with leading by example |

(5)

- 2.2 Read the paragraph, then answer the questions that follow.

SMALL BUSINESS FAILING TO PAY A LIVING WAGE

'More than a third of small businesses in South Africa pay their workers less than the minimum wage (as set by the government). This statement was based on inspections carried out at 1 744 workplaces in this sector, where compliance levels were found to be at 65%.'

- 2.2.1 Why does the government set minimum wages? (2)

- 2.2.2 Would you regard the actions of these small businesses as ethical? Motivate your answer. (3)

2.3 INTERNAL CONTROL AND WAGES JOURNAL

Super Clean Cleaning Services is a small business that renders cleaning services to other businesses in the Nelson Mandela Metropole.

Super Clean Cleaning Services recently received complaints from numerous clients. It is alleged that the cleaners frequently gather in the restroom to smoke and that their productivity is substandard.

REQUIRED:

- 2.3.1 B Mills is frequently late for work and leaves early on a Friday. What steps should the owner of Super Clean Cleaning Services take to prevent this from becoming a habit of his staff? (3)

- 2.3.2 Name TWO internal control measures that the owner of Super Clean Cleaning Services can implement in reaction to the complaints about smoking in public areas and poor productivity of his employees. (4)
- 2.3.3 Prepare the Wages Journal for the week ending 26 October 2018. (18)

INFORMATION:

A Extract from the attendance register of 26 October 2018.

| ATTENDANCE | EMPLOYEE | N KUNENE | A XAXA | B MILLS |
|----------------------------|----------|-----------|-----------|-----------|
| MONDAY | TIME IN | 07:00 | 08:00 | 08:30 |
| | TIME OUT | 12:00 | 13:00 | 12:00 |
| | TIME IN | 13:00 | 14:00 | 13:00 |
| | TIME OUT | 17:00 | 17:00 | 16:00 |
| TUESDAY | TIME IN | 06:00 | 08:00 | 08:00 |
| | TIME OUT | 12:00 | 13:00 | 12:00 |
| | TIME IN | 13:00 | 14:00 | 13:00 |
| | TIME OUT | 17:00 | 17:00 | 17:00 |
| WEDNESDAY | TIME IN | 06:00 | 08:00 | 08:30 |
| | TIME OUT | 12:30 | 13:00 | 12:00 |
| | TIME IN | 13:30 | 14:00 | 13:00 |
| | TIME OUT | 17:00 | 17:00 | 16:00 |
| THURSDAY | TIME IN | 07:00 | 08:00 | 08:00 |
| | TIME OUT | 13:00 | 13:00 | 12:00 |
| | TIME IN | 14:00 | 14:00 | 13:00 |
| | TIME OUT | 18:00 | 17:00 | 17:00 |
| FRIDAY | TIME IN | 08:00 | 08:00 | 08:00 |
| | TIME OUT | 12:00 | 13:00 | 14:00 |
| | TIME IN | 13:00 | 14:00 | - |
| | TIME OUT | 16:00 | 17:00 | - |
| TOTAL HOURS WORKED: | | 45 | 40 | 35 |

B Super Clean Cleaning Services applies the following:

- Normal wage rate, R20/h
- Normal work week, 40 hours
- Overtime wage rate, 1,5 times normal wage rate

Deductions:

- PAYE – 18% of gross wage
- UIF – 1% of gross wage
- Be Secure Pension Fund – 8% of normal wage

Contributions:

- UIF – 1% of gross wage
- Pension Fund – R2 for R1 basis

QUESTION 3: NOTES TO FINANCIAL STATEMENTS AND BALANCE SHEET**40 marks; 30 minutes**

The information relates to World Wide Traders for the financial year ended 28 February 2018.

REQUIRED:

SHOW ALL WORKINGS TO EARN PART MARKS.

3.1 Prepare the following notes to the financial statements:

- Tangible assets (10)
- Inventory (3)
- Trade and other receivables (4)
- Trade and other payables (6)

3.2 Prepare the balance sheet as on 28 February 2018. (17)

INFORMATION:

Pre-adjustment trial balance as on 28 February 2018

| Balance Sheet section | Debit | Credit |
|---------------------------------------|--------------|---------------|
| Capital | | 205 546 |
| Drawings | 35 000 | |
| Land and buildings | 150 000 | |
| Vehicles | 85 000 | |
| Equipment | 50 000 | |
| Accumulated depreciation on vehicles | | 25 260 |
| Accumulated depreciation on equipment | | 20 200 |
| Fixed deposit: East Bank (9% p.a.) | 25 000 | |
| Debtors control | 26 882 | |
| Bank | 15 000 | |
| Trading stock | 31 440 | |
| Cash float | 600 | |
| Petty cash | 300 | |
| Loan: Bid Bank (8,5% p.a.) | | 120 000 |
| Creditors control | | 32 860 |
| | | |
| Nominal accounts section | | |
| Sales | | 433 900 |
| Cost of sales | 245 819 | |
| Debtors allowances | 2 680 | |
| Rent income | | 38 000 |
| Interest on loan | 6 990 | |
| Fee income | | 70 235 |
| Advertising | 8 384 | |
| Salaries and wages | 155 000 | |
| Telephone | 3 995 | |

| | | |
|---------------------------|---------|---------|
| Water and electricity | 3 385 | |
| Insurance | 12 000 | |
| Stationery | 3 459 | |
| Bad debts | 4 557 | |
| Bank charges | 2 988 | |
| Discount allowed | 2 455 | |
| Discount received | | 2 260 |
| Interest on fixed deposit | | 889 |
| Delivery expenses | 3 766 | |
| Bad debts recovered | | 550 |
| | 874 700 | 874 700 |

Adjustments and additional information:

1. The fixed deposit was invested for a period of four years on 1 July 2017. Make provision for the outstanding interest.
2. The loan agreement stipulates that instalments of R20 000 will be paid annually on 31 August. Interest must be adjusted.
3. Langeni Traders started renting offices on 1 July 2017. Rent has been received to the end of April 2018.
4. According to the physical stock-taking, the following were on hand:
 - Trading stock 31 918
 - Stationery 315
5. Depreciation for the year is as follows:
 - Vehicles at 20% per annum on the diminishing balance method. A vehicle with a cost price of R40 000 was purchased on 1 September 2017 and was recorded correctly.
 - Equipment at 15% per annum on the cost price.
6. During the year, an extra store room was built at a cost of R20 000. This transaction was recorded.

QUESTION 4: ACCOUNTING CONCEPTS AND ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS **40 marks; 30 minutes**

4.1 ACCOUNTING CONCEPTS

Choose the correct word from the list for each statement given.

| |
|--|
| liquidity; solvency; profitability; return on investment |
|--|

- 4.1.1 How efficient a business is
- 4.1.2 Whether the owner's equity would be better rewarded elsewhere
- 4.1.3 How stable a business is to survive in the long run
- 4.1.4 Whether a business is able to pay off its short-term debt (4)

INTERPRETATION OF FINANCIAL STATEMENTS

4.2 SWIFT TRADERS

The following information relates to Swift Traders on 28 February 2018. The comparative figures for the previous year are given.

REQUIRED:

A formula sheet is supplied.

All calculations to be rounded off to ONE decimal place.

Calculate the following ratios for 2018 and comment as indicated:

- 4.2.1 Current ratio (6)
- 4.2.2 Acid test ratio (3)
- 4.2.3 Compare these results with those of 2017 and comment on the liquidity of the business. (4)
- 4.2.4 Calculate the percentage return on average owner's equity. (6)
- 4.2.5 Should the owner be satisfied with this return? Motivate your answer. (3)

INFORMATION:

| | |
|------------------------|---------|
| Capital (1 March 2017) | 400 000 |
| Net profit | 90 000 |
| Trading stock | 46 500 |
| Creditors | 26 000 |
| Drawings | 70 000 |
| Debtors | 33 000 |
| Bank overdraft | 24 000 |
| Cash float | 2 500 |
| Current ratio (2017) | 2 : 1 |
| Acid test ratio (2017) | 1,5 : 1 |

4.3 LS COMPUTERS**REQUIRED:**

- 4.3.1 Calculate the percentage mark-up for 2018. (3)
- 4.3.2 Give TWO reasons for the deviation from the target mark-up of 40%. (4)
- 4.3.3 The percentage mark-up for 2017 was 50%. What influence did the change in mark-up have on the business? Quote figures to support your answer. (2)
- 4.3.4 LS Computers spent less on national advertising and focused on local advertising. Was this decision to their advantage? Quote figures to support your answer. (3)
- 4.3.5 What percentage of sales is spent on salaries and wages? (2)

INFORMATION:

| | 2018 | 2017 |
|--------------------|---------|---------|
| Sales | 810 000 | 645 000 |
| Cost of sales | 600 000 | |
| Gross profit | 210 000 | 215 000 |
| Mark-up target | 40% | 50% |
| Advertising | 30 000 | 55 000 |
| Salaries and wages | 64 800 | |
| Net profit | 150 000 | 136 000 |

40

TOTAL: 150