

**NATIONAL
SENIOR CERTIFICATE**

GRADE 10

NOVEMBER 2017

ACCOUNTING

MARKS: 300

TIME: 3 hours



This question paper consists of 15 pages and a 15 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 black / blue 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: 55 marks; 35 minutes	
Topic of the question:	This question integrates:
Accounting concepts, Debtors, Internal control, Accounting equation	Financial accounting <ul style="list-style-type: none"> • Concepts; Debtors ledger; Accounting equation Managing Resources <ul style="list-style-type: none"> • Control of debtors
QUESTION 2: 55 marks; 30 minutes	
Topic of the question:	This question integrates:
General Journal, General Ledger, Internal control	Financial accounting <ul style="list-style-type: none"> • Subsidiary journal, General ledger Managing Resources <ul style="list-style-type: none"> • Control of trading stock
QUESTION 3: 65 marks; 45 minutes	
Topic of the question:	This question integrates:
Fixed assets; Internal control; Income Statement	Financial accounting <ul style="list-style-type: none"> • Income Statement Managing Resources <ul style="list-style-type: none"> • Fixed assets; Internal control of fixed assets
QUESTION 4: 40 marks; 20 minutes	
Topic of the question:	This question integrates:
GAAP principles, 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
QUESTION 5: 30 marks; 15 minutes	
Topic of the question:	This question integrates:
VAT, Salaries, Internal control	Financial Accounting VAT concepts, Salaries Journal Managing Resources <ul style="list-style-type: none"> • Managing labour
QUESTION 6: 55 marks; 35 minutes	
Topic of the question:	This question integrates:
Cost accounting, Budgets	Managerial Accounting <ul style="list-style-type: none"> • Concepts, calculations Managing Resources <ul style="list-style-type: none"> • Control of funds

QUESTION 1: ACCOUNTING CONCEPTS, DEBTORS, INTERNAL CONTROL AND ACCOUNTING EQUATION (55 marks; 35 minutes)

1.1 CONCEPTS

Choose the correct word(s) from COLUMN B to match the description in COLUMN A. Write only the letter (A–J) in COLUMN B next to the number (1.1.1–1.1.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Assets that have a reasonable long life span	A	Bank deposit slip
1.1.2	Money received by the business for rendering a service or selling stock	B	Petty cash voucher
1.1.3	The document used to record goods sold on credit	C	Current assets
1.1.4	Money the owner contributes to start a business	D	Original receipt
1.1.5	The document used to record small cash amounts issued for purchases	E	Fixed / Tangible assets
1.1.6	The internal document used when the stock is returned to a creditor	F	Capital
1.1.7	A document required by a customer as proof of payment	G	Duplicate invoice
1.1.8	Outsiders who owe the business money for stock sold	H	Income
1.1.9	Assets with a short life span and their value changes continually	I	Duplicate debit note
1.1.10	The document used when paying cash into the current account of the business	J	Debtors

(10)

1.2 DEBTORS

Mary Lee Stores is a clothing store that sells stock on credit. Information relating to debtor TT Rosie is presented.

REQUIRED:

1.2.1 Complete the account of TT Rosie in the Debtors Ledger of Mary Lee Stores. (12)

1.2.2 What information about a prospective debtor does this business need before an account can be opened? Give a reason for your answer. (4)

1.2.3 Name TWO methods the business can apply to improve the collection of outstanding amount from debtors. (2)

INFORMATION:

- A Balance due by TT Rosie on 1 September 2017, R3 200
 B Transactions for September 2017

02	Sold dresses for R1800 on credit, cost price R900.
06	Dresses not according to the order, were returned, R180.
09	Received a payment in settlement of account as at 1 September 2017. Allowed 5% discount for early payment.
15	Sold dresses for R4 160 on credit, cost price R 3 130.
27	Sold a dress for R240 cash, cost price R170.
30	Received a payment settling half of the amount owing to date.

1.3 **ACCOUNTING EQUATION****REQUIRED:**

Analyse the following transactions according to the format provided in the answer book. (27)

INFORMATION:

Example: The owner takes R200 cash for personal use.

- 1.3.1 Trading stock purchased on credit, R12 500 less 5% trading discount.
 1.3.2 Pay a casual labourer from the petty cash, R150.
 1.3.3 A credit client return goods to the business, R900 (cost price R600).
 1.3.4 The fixed deposit matured and a direct deposit of R9 500, including R2 500 interest, was made into the current account of the business.

KEEP THIS PAGE BLANK

QUESTION 2: GENERAL JOURNAL, GENERAL LEDGER AND INTERNAL CONTROL (55 marks; 30 minutes)

The following information relates to AM Trader for October 2017. AM Traders maintain a gross profit mark-up of $33\frac{1}{3}\%$ on cost.

REQUIRED:

- 2.1 Refer to INFORMATION C: Enter the transactions in the general journal. Narrations not required. (20)
- 2.2 Use the information from the journals to complete and close the following accounts in the general ledger:
- Trading stock (14)
 - Creditors control (9)
 - Stationery (6)
- 2.3 What can the owner of AM Traders do to ensure that stock is not stolen by his employees? State THREE internal control measures. (6)

INFORMATION:

A Balances / Totals in the General Ledger on 1 October 2017:

Trading stock	28 000
Creditors control	15 430
Stationery	670

B Totals of journals on 31 October 2017:

Cash Receipts Journal

Bank	Debtors control		Sales	Cost of sales	Sundry accounts
	Received	Discount			
?	8 540	300	19 400	14 550	4 500

Cash Payments Journal

Bank	Debtors control	Wages	Trading stock	Creditors control		Sundry accounts
				Payment	Discount	
21 040	600	3 800	?	7 040	340	4 200

- Stationery to the value of R330 was bought on 23 October 2017.

Debtors Journal

Sales	Cost of sales
15 488	?

Debtors Allowances Journal

Debtors allowances	Cost of sales
396	200

Creditors Journal

Creditors control	Trading stock	Equipment	Stationery	Packaging	Sundry accounts
12 200	7 800	1 600	700	1 300	800

Creditors Allowances Journal

Creditors control	Trading stock	Equipment	Stationery	Packaging	Sundry accounts
2 400	900	600	300	200	400

General Journal

Debit	Credit	Debtors control		Creditors control	
		Debit	Credit	Debit	Credit
		492	236	632	298

C Transactions to be recorded on 31 October:

- Alan Martins, the owner, took stationery (R130) and trading stock (selling price R980; cost price R735) for personal use.
- J Small, a debtor owing R430, must be written off as irrecoverable.
- AM Traders failed to pay their account of R8 820 with NO1 Dealers on time. Interest for two months at 10% p.a. must be brought into account.
- Repairs of R20 000 was done to the roof of the building. This was entered in the Land and Buildings account in error.
- A Cona settled his account of R400 after deducting 5% discount. The bank informed AM Traders that the client had insufficient funds to honour this cheque. The correct entry was made in the Cash Payments Journal only.
- R Lewis, whose account was previously written off as bad debt, returned from overseas and settled his outstanding account of R1 250. This receipt was entered in the Debtors Control column of the Cash Receipts Journal in error.

QUESTION 3: FIXED ASSETS, INTERNAL CONTROL AND INCOME STATEMENT
(65 marks; 45 minutes)

The information relates to Malambo Traders for the financial year ended 28 February 2017.

REQUIRED:

3.1 FIXED ASSETS

- 3.1.1 Complete the asset register for vehicles and equipment. (10)
- 3.1.2 State ONE reason why the asset register is a valuable tool in asset management. (2)
- 3.1.3 Make TWO suggestions on how the business can improve the safety of their vehicles. (4)

3.2 INCOME STATEMENT

- 3.2.1 Taking into account the adjustments (INFORMATION B), prepare the Income Statement for the year ended 28 February 2017.
(SHOW ALL WORKINGS TO EARN PART MARKS.) (43)
- 3.2.2 Prepare the note for Interest Income. (6)

INFORMATION:

A Information extracted from the pre-adjustments trial balance:

<u>Balance Sheet Account Section</u>	Debit	Credit
Capital		304 100
Drawings	52 900	
Land and buildings	150 700	
Vehicles	150 000	
Equipment	26 500	
Accumulated depreciation on vehicles		26 400
Accumulated depreciation on equipment		12 500
Fixed deposit: YZ Bank (15% p.a.)	23 000	
Debtors control	17 580	
Bank	3 300	
Trading stock	31 440	
Cash float	300	
Mortgage loan: AB Bank (18% p.a.)		45 000
Creditors control		23 300

<u>Nominal Accounts Section</u>		
Sales		492 736
Cost of sales	263 380	
Debtors allowances	5 890	
Rent income		16 900
Interest on fixed deposit		3 100
Packaging	3 656	
Advertising	1 900	
Salaries	170 000	
Telephone	3 995	
Water and electricity	3 385	
Insurance	5 300	
Stationery	2 450	
Bad debts	3 744	
Interest on mortgage loan	8 100	
Interest on current account		889
Interest received		1 155
Bad debts recovered		1 440
	927 520	927 520

B Adjustment and additional information:

1. The business has already received the rent for March 2017.
2. The account for telephone, R135, has been received but not yet paid.
3. A debtor, Z Cohen returned stock with a selling price of R965 (cost price R580) but the transaction was not recorded.
4. Insurance includes an annual premium of R3 000 that was paid on 1 July 2016.
5. Interest on fixed deposit is still receivable.
6. 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 2016 and was recorded correctly.
 - Equipment at 10% per annum on the cost price.
 - The owner contributed additional equipment of R14 000 on 1 March 2016. This was the only additional capital contributed but the transaction was not recorded.
7. The stock take on 28 February 2017 revealed the following stock on hand:
 - Trading stock, R29 620
 - Stationery, R120

QUESTION 4: GAAP PRINCIPLES AND INTERPRETATION OF FINANCIAL STATEMENTS (40 marks; 20 minutes)

4.1 GAAP PRINCIPLES

Choose the correct GAAP principle from the list given for each of the following statements.

Historical cost; Prudence; Materiality; Business entity; Going concern; Matching

- 4.1.1 The financial statements is expected to report income and expenses in the most conservative or pessimistic manner.
- 4.1.2 The income earned and expenses incurred must be accounted for in the financial year to which they relate.
- 4.1.3 The assets should be recorded at the price at which they were bought and not at any future expected value.
- 4.1.4 The financial statements must be drawn up with the view that it will continue to operate for some time in the future.
- 4.1.5 Information that is important should be disclosed separately while less-important transactions can be added together as sundry items. (5)

4.2 INTERPRETATION OF FINANCIAL STATEMENTS

You are given information from the books of Langa Traders on 28 February 2017, the last day of the accounting period.

REQUIRED:

- 4.2.1 Calculate the following financial indicators for 2017:
(ROUND OFF ALL CALCULATIONS TO ONE DESCIMAL POINT.)
- (a) Current ratio (3)
- (b) Acid test ratio (4)
- (c) Net profit percentage on sales (3)
- 4.2.2
- Comment on the return on owner's equity.
 - Provide a calculation to support your comment. (Use average equity.) (8)
- 4.2.3
- Solvency ratio
 - Is Langa Traders in a position to acquire another long term loan? Motivate your answer. (11)
- 4.2.4
- Mark-up percentage
 - Give TWO reasons why the target was not achieved. (6)

INFORMATION:

A	Investments	50 000
	Fixed (tangible) assets at cost price	360 900
	Accumulated depreciation	65 900
	Current assets (including inventories)	104 000
	Current liabilities	35 000
	Mortgage loan	85 000
	Inventories	42 000
	Owner's equity (28 February 2017)	279 000
	Owner's equity (29 February 2016)	321 000
	Sales	177 000
	Cost of sales	112 000
	Net profit	55 000
	Mark-up percentage (target)	60%
	Interest on alternative investments	8,5%

QUESTION 5: VAT, INTERNAL CONTROL AND SALARIES JOURNAL
(30 marks; 15 minutes)

5.1 VAT

Choose the correct answer from the options given. Write only the answer next to each number.

- 5.1.1 Tax (evasion / avoidance) is a criminal offence.
- 5.1.2 VAT is payable to the (SA Reserve Bank / SA Revenue Services).
- 5.1.3 The VAT payable by a VAT vendor on its purchases from another registered VAT vendor is (input / output) VAT.
- 5.1.4 The current standard VAT rate in South Africa is (14% / 15%).
- 5.1.5 Petrol and diesel are examples of (exempt / zero-rated) items. (5)

5.2 SALARIES

The following information was received from the Human Resource department of Jakaranda Traders for October 2017.

REQUIRED:

- 5.2.1 Name TWO methods that the employer can use to improve the productivity of employees. (4)
- 5.2.2 Prepare the Salaries Journal for October 2017. (21)
(ROUND ALL FIGURES TO THE CLOSEST R1).

INFORMATION:

A	EMPLOYEES	GROSS SALARY		MARITAL STATUS
		YEARLY	MONTHLY	
	G Zikwe	164 400	13 700	Married
	T Titus	214 800	17 900	Unmarried
	C Cartoon	154 800	12 900	Married

B The following deductions must be taken into account:

- UIF: 1% of gross monthly salary
- Medical aid: Married employees contribute R1 000 per month and unmarried employees R800 per month
- Pension fund: 6% of gross monthly salary
- PAYE: Use included table

(SHOW CALCULATIONS TO EARN PART MARKS)

RATES OF TAX FOR INDIVIDUALS

2018 tax year (1 March 2017–28 February 2018)

TAXABLE INCOME (R)	RATES OF TAX (R)
0–189 880	18% of taxable income
189 881–296 540	34 178 + 26% of taxable income above 189 880
296 541–410 460	61 910 + 31% of taxable income above 296 540
410 461–555 600	97 225 + 36% of taxable income above 410 460
555 601–708 310	149 475 + 39% of taxable income above 555 600
708 311–1 500 000	209 032 + 41% of taxable income above 708 310
1 500 001 and above	533 625 + 45% of taxable income above 1 500 000

C Employer contributions:

- UIF: 1% of gross monthly salary
- Pension fund: R2 for every R1 contributed by employee

QUESTION 6: COST ACCOUNTING AND BUDGETS (55 marks; 35 minutes)**6.1 COST ACCOUNTING**

6.1.1 Choose the correct term in the bracket. Only write the term next to the number (6.1.1–6.1.3) in the answer book.

- (a) Advertising is a (administration / sales and distribution) cost.
- (b) The salary of the factory cleaner is a (direct / indirect) labour cost.
- (c) Rent of a building is considered as a (fixed / variable) cost. (6)

6.1.2 Mandy Leeto sells hamburgers at the school tuck-shop.

REQUIRED:

A Calculate the following:

- Direct labour cost (3)
- Direct material cost (4)
- Overhead cost (4)
- Total cost of production (1)
- Unit cost of production (2)
- Selling price per unit if a mark-up percentage of 66 $\frac{2}{3}$ % is applied (3)

B Name TWO things that Mary can do in order to decrease her cost. (4)

C Advise Mandy on THREE marketing strategies that she can implement at the school to improve her sales. (6)

INFORMATION:

A Ingredients:

30 packets of patties (10 per packet)	2 100
25 dozen hamburger rolls @ R8 / dozen	?
Butter	40
Lettuce, tomatoes, sauce	110

B Butter, lettuce, tomatoes and sauce is considered as indirect costs

C Mandy sells all the hamburgers

D Other expenses:

- Mandy pays rent of R100 for the day for the use of the kitchen.
- Jenny, Mandy's cousin, prepares the hamburgers and is paid 50c per hamburger produced and sold.

6.2 BUDGETS

The netball teams of Khoza High School is planning to go on tour to Mthatha.

REQUIRED:

6.2.1 Calculate the total cost of the tour for the players. (18)

6.2.2 The team has financial problems as some players cannot afford the amount expected of them. Suggest TWO ways to solve the problem. (4)

INFORMATION:

A There are 14 players, 2 reserves and 2 coaches. The cost of the two coaches must be covered by the players.

B The school was able to secure a sponsorship of R8 456 from Unreal Sports.

C The captain of the 2007 first netball team made a donation of R5 000.

D Other expenses:

- Transport: Mini bus R3 000 plus R2 / km. Return distance to and from Mthatha is 850 km.
- Accommodation: Three rooms will accommodate the group for four night at a cost of R1 120 per room per day.
- Meals and refreshments: R300 per person for the duration of the tour
- Kit: R6 880 for the plyers and R400 for the coaches

55

TOTAL: 300

