GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2016

GRADE 10

ACCOUNTING

MARKS: 300
TIME: 3 hours

14 pages

K2

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INSTRUCTIONS:

1. Answer ALL the questions.
2. Show all workings in order for part marks to be allocated.
3. Read the instructions carefully and follow them precisely.
4. Non-programmable calculators may be used.
5. All answers must be written in blue or black ink.
6. Mark allocation:

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1	Control Accounts and Internal Control	60	35
2	Debtors' Ledger and Internal Control	30	17
3	Analysis of transactions	30	18
4	Concepts, Income Statement, Notes and Balance Sheet	110	65
5	Analysis and Interpretation of Financial Statements	40	25
6	VAT, Cost, Budgets and Ethics	30	20
TOTAL		**300**	**180**

QUESTION 1 Journal Entries and Control Accounts (60 marks; 35 minutes)

The information for May 2016 presented below was drawn from the books of Manchester Traders.

REQUIRED:

1.1 Explain ONE advantage of the Perpetual Inventory System. (2)

1.2 How can the business verify that the Trading Stock account accurately reflects trading stock on hand? (2)

1.3 Complete the General Journal for May 2016. Narrations are not required. (27)

1.4 Prepare the following General Ledger accounts:

1.4.1 Debtors' Control Account (Balance on 1 May 2016 – R43 270) (13)

1.4.2 Trading Stock Account (Balance on 1 May 2016 – R57 290) (16)

INFORMATION:

1. The business uses a mark-up of 60% on cost.
2. Extracts of totals in Journals on 31 May 2016:

Cash Receipts Journal	**R**
Bank	?
Discount allowed	850
Debtors' control (Receipts)	36 730
Sales	79 120
Cost of sales	?

Cash Payments Journal	**R**
Bank	?
Discount received	975
Creditors control (Payments)	19 500
Trading stock	9 480
Debtors control	2 630

Debtors' Journal	**R**
Sales	?
Cost of sales	23 850

Debtors' Allowances Journal	**R**
Debtors' allowances	1 920
Cost of sales	1 020

Creditors' Journal	**R**
Creditors' control	?
Trading stock	31 320
Equipment	15 980
Packing Material	5 620

Creditors' Allowances Journal	**R**
Creditors' control	?
Trading stock	2 100
Equipment	980
Packing Material	270

General Journal			
Debtors' control		Creditors' control	
Debit	Credit	Debit	Credit
R275	120	207	320

Petty Cash Journal [Information from Sundry Accounts Column]			R
May	17	The owner purchased stationery for personal use	20
	21	Paid a cash refund to a debtor, S. Villa	35

Miscellaneous Transactions on 31 May 2016

(a) Chelsea Ltd charged interest at 15% p.a. on our overdue account of R180 for 4 months.

(b) A cheque issued to LP Builders for R500 for repairs was recorded in the Creditors' Control column in the CPJ and posted accordingly. LP Builders is not a Creditor. Correct the error.

(c) Trading stock totalling R120 returned to Leeds & Co. was erroneously posted to the account of Leeds Traders. Correct the error.

(d) Merchandise to the value of R2 300 purchased from Everton Ltd was entered in the CJ as R3 200 and posted accordingly. Correct the error.

(e) Goods valued at R200 returned by a debtor, A. Charlton, was incorrectly recorded in the DAJ as S. Charlton and posted as such. Correct the error.

(f) A debit note issued for merchandise returned to Sun Traders for R120 was recorded in the CJ and posted accordingly. Correct the error.

60

QUESTION 2 Debtors' Ledger and Internal Control **(30 marks; 17 minutes)**

The following information was extracted from the accounting records of Kalahari Traders.

REQUIRED:

2.1 Prepare the Debtors' Ledger account of J. Monty. (18)

2.2 Explain why the total of the Debtors' List must be equal to the balance on the Debtors' Control account. (3)

2.3 Is Kalahari Traders managing its credit terms policy effectively? State TWO points. Quote figures to support your answer. (5)

2.4 Provide TWO points of advice to Kalahari Traders with regard to J. Monty's account. (4)

INFORMATION:

A	Kalahari Traders' credit terms policy is 30 days less 5%.	
B	J. Monty's credit limit is R8 000.	
C	**Transactions for June 2016**	
1	Balance	12 520
3	Issued invoice no. 379 to J. Monty for goods delivered.	5 770
7	Issued receipt no. 1231 to J. Monty for cheque received.	1 000
11	Issued C/N no. 123 to J. Monty for an overcharge.	320
15	The bank returned J. Monty's cheque unpaid.	3 400
	The cheque was received on 30 May 2016 subject to a discount.	80
21	Charged interest on overdue account.	130

30

QUESTION 3 Analysis of Transactions **(30 marks; 18 minutes)**

REQUIRED:

Complete the table below (Assume that the bank balance is **overdrawn** at all times)

No.	Source Document	Sub. Book	Account in General Ledger		Accounting Equation		
			Debit	Credit	Asset	OE	Liability
1		CRJ	?	Debtors' control	-96		
			Bad debts	?	-224		
2	C / N	?	?	?		-180	
			Trading stock	?	+120		
3		GJ	?	Interest on fixed deposit (capitalized)		+900	
4	?	CJ	Trading stock	?	+1 440		
5	?	CPJ	Creditors' control	?			-1053
		?	?	Discount received			-27
6	?		Bank Charges	?		-270	
7	Duplicate D/N	?	?	Stationery			-171
8		?	?	Profit and loss (Gross profit)		-7 000	

30

QUESTION 4

4.1 Financial Statements and Notes **(70 marks; 40 minutes)**

The information provided was drawn from the accounting records of Tex Stores on 29 February 2016.

REQUIRED:

4.1.1 Prepare the Income Statement for the year ended 29 February 2016. (50)

4.1.2 Prepare the following notes to the financial statements:

(a) Tangible Assets (13)
(b) Trade and other Receivables (7)

INFORMATION:

1. Pre-adjustment Trial Balance on 29 February 2016		
Balance Sheet Accounts Section	**Debit**	**Credit**
Capital [1 March 2015]		290 000
Drawings	154 030	
Land and Buildings	240 000	
Vehicles	40 000	
Equipment	49 500	
Accumulated depreciation on vehicles		16 000
Accumulated depreciation on equipment		3 200
Fixed deposit: Cadbury Bank [12% p.a.]	5 000	
Trading stock	119 580	
Debtors' control	3 180	
Bank		3 500
Cash float	600	
Petty cash	300	
Loan: Rolo Bank [15% p.a.]		126 000
Creditors' control		8 040

Nominal Accounts Section		
Sales		470 800
Cost of sales	233 250	
Debtors' allowances	1 900	
Utilities	35 020	
Interest on overdraft	3 740	
Discount allowed	5 200	
Advertising	11 700	
Bank charges	2 340	
Insurance	5 930	
Stationery	4 370	
Packing Material	7 620	
Bad debts	510	
Salaries and wages	57 830	
Rent income		56 000
Discount received		7 310
Interest income		750
	981 600	981 600

2. Adjustments and Additional Information

2.1 Physical stock-taking on 29 February 2016 showed the following:

- Trading stock R123 570
- Packing material R 1 510

2.2 Stationery used during the year amounted to R4 150.

2.3 Utilities accounts totalling R2 480 due for February 2016 were paid on 7 March 2016.

2.4 An advertising contract for the period 1 January 2016 to 31 March 2016 was concluded during December 2015. The amount of R1 500 due was paid on 15 February 2016. No entries were recorded.

2.5 The February 2016 rent is still outstanding. The rent was increased by R1 000 with effect from 1 January 2016.

2.6 A debtor, K. Kat, who owed R220, was declared insolvent. His estate paid a first and final dividend of R0.25 cents in the rand. The balance must be written off. No entries were made.

2.7 The bank statement was received on 3 March 2016 and the following information must still be recorded:

- Bank Charges R 170
- Interest on overdraft 120
- Unpaid cheque – T. Deck 280

This cheque was received in settlement of an account of R300.

2.8 An employee's details were not recorded in the Salaries Journal. The details are as follows:

Net Salary	Total deductions	PAYE	UIF	Medical Aid
9 500	2 500	1500	120	880

The business contributes on a rand for rand basis towards the UIF and medical aid. Contributions are debited to the salaries account.

2.9 The statement from Cadbury Bank showed a closing balance of R5 690 on the fixed deposit account. Interest is capitalized.

2.10 The loan statement from Rolo Bank reflected the following information:

Opening balance on 1 March 2015	R145 500
Closing balance on 29 February 2016	R136 710

- Interest on loan is capitalized.
- Monthly payments of R1 625 were made throughout the financial year.

2.11 Provide for depreciation as follows:

- Motor vehicles at 10% p.a. according to the diminishing balance method
- Equipment at 20% p.a. on cost

Equipment costing R37 000 was purchased on credit on 30 November 2015. No entries have been recorded.

4.2 Concepts, Notes and Balance Sheet (40 marks; 25 minutes)

REQUIRED:

4.2.1 Give ONE word / term for each of the following descriptions by choosing a word / term from the list provided below. Write only the word / term next to the correct letter in the answer book. (5)

Finance cost	Balance sheet	Prudence
Income statement	Going concern	Materiality
Historical cost		

- A This reflects the profit or loss of the business.
- B Financial Statements are prepared with the assumption that the business will continue in the foreseeable future.
- C Interest on overdraft
- D Tangible assets recorded at the original cost price and not at replacement value
- E Reflects the net worth of the business

4.2.2 Complete the Owners' Equity note to the Balance Sheet. (5)

4.2.3 Prepare the Balance Sheet on 29 February 2016. (30)

2. Post-adjustment Trial Balance on 29 February 2016		
Balance Sheet Accounts Section	**Debit**	**Credit**
Capital		280 000
Drawings	154 030	
Land and Buildings	220 000	
Vehicles at carrying value	90 000	
Equipment at carrying value	76 500	
Trading stock	129 630	
Debtors' control	3 180	
Bank		5 720
Cash float	1 500	
Petty cash	1 000	
Fixed deposits: Cadbury Bank [12% p.a.]	10 320	
Creditors' control		18 040
Loan: Rolo Bank [15% p.a.]		156 190
Consumable stores on hand	3 420	
Accrued income	2 190	
Prepaid expenses	3 000	
Accrued expenses		4 960
Income received in advance		12 000
Profit and loss (Net profit for the year)		217 860
	694 770	**694 770**

ADDITIONAL INFORMATION:

A One of the fixed deposits will mature in the next financial year, R5 000.

B An amount of R30 000 will be paid off the capital amount of the loan in the next financial year.

C The owner reduced his capital by R20 000 during the course of the year. The entry was properly recorded.

110

QUESTION 5 Ratio, Analysis and Interpretation **(40 marks; 25 minutes)**

The information provided in this question was extracted from the books of Downtown Stores on 29 February 2016.

REQUIRED:

5.1 Calculate the percentage mark-up obtained by the business. (4)

5.2 Provide TWO reasons for the difference in the mark-up percentages. **See Information C.** (4)

5.3 Calculate the percentage gross profit on sales. (4)

5.4 Calculate the percentage net profit on sales. (4)

5.5 List ONE reason for the decrease in percentage in your calculations in Questions 5.3 and 5.4. (2)

5.6 Calculate the return on average owners' equity. (5)

5.7 Should the owner be satisfied with his percentage return? Explain quoting financial indicators to support your answer. (4)

5.8 Calculate the current ratio for 2016. (5)

5.9 Calculate the acid test ratio for 2016. (4)

5.10 Explain why trading stock is excluded in the calculation for the acid test ratio. (4)

INFORMATION:

A Extract from the Income Statement	
Sales	850 000
Cost of sales	[500 000]
Gross profit	350 000
Other operating income	10 000
Operating expenses	[241 000]
Net profit for the year	119 000

B Extract from the Balance Sheet	**2016**	**2015**
Owners' equity	450 000	350 000
Tangible assets	80 000	
Non-current liabilities	50 000	
Inventories	92 000	
Trade and other receivables	24 200	
Cash and cash equivalents	6 800	
Trade and other payables	41 000	

C Financial Indicators	2016	2015
Gross profit on sales		43%
Net profit on sales		24%
Mark-up	100%	100%
Current ratio		2,5 : 1
Acid test ratio		1,2 : 1
Return on average owners' equity		23%
Interest on fixed deposit	8% p.a.	8% p.a.

40

QUESTION 6 VAT, Cost and Budgets (30 marks; 20 minutes)

6.1 VAT

Match the item in Column A with the description in Column B. Write only the letter of your answer next to the question number in your ANSWER BOOK.

	COLUMN A		COLUMN B
6.1.1	Zero-rated VAT	A	Sale of trading stock
6.1.2	VAT on a sale of R3 135 (inclusive)	B	VAT cannot be charged
6.1.3	VAT exempt items	C	14%
6.1.4	Output VAT	D	VAT
6.1.5	Indirect tax	E	R385
		F	R438,90
		G	No VAT is charged presently

(10)

6.2 Cost

6.2.1 In each of the following statements choose the **correct word or phrase** provided in brackets. **Do not re-write the sentence.** Write ONLY the correct word or phrase in your ANSWER BOOK.

A	Fixed costs (remain unchanged / increase / decrease) in relation to production.	(1)
B	Variable costs (remain unchanged / increase / decrease) in relation to production.	(1)
C	Fixed costs per unit (remain unchanged / increase / decrease) in relation to production.	(1)
D	Variable costs per unit (remain unchanged / increase / decrease) in relation to production.	(1)
E	The minimum number of items that must be sold is referred to as (profit / loss / break-even point).	(1)

6.2.2 Indicate whether each of the costs listed below is FIXED or VARIABLE. Place a tick (✓) in the correct column in your ANSWER BOOK.

A	Direct Materials Cost	(1)
B	Direct Labour Cost	(1)
C	Factory Overhead cost	(1)
D	Prime Cost	(1)
E	Rent paid for factory premises	(1)

6.3 Cash Budgets

6.3.1 State the type of budget that is being described in each of the following statements. (2)

(a) A financial plan that shows the expected receipts and payments for a specified future period

(b) A statement that shows the expected income and expenses for a specified future period.

6.3.2 Name TWO users of budgets. (2)

6.3.3 List TWO purposes for preparing a cash budget. (2)

6.3.4 The owner of a business has included an amount of R30 000 as sundry expenses in the December 2016 cash budget. He plans to take his family for a holiday to Cape Town during December 2016. Comment on his actions. (4)

[30]

TOTAL: 300

END