



Province of the
EASTERN CAPE
EDUCATION

**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
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- 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