

## ACCOUNTING EXAM – NOVEMBER 2017

GRADE 10

TIME: 3 HOURS

MARKS: 300

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### INSTRUCTION AND INFORMATION

Read the following instructions and be sure to follow them carefully:

1. This question consists of 12 pages.
2. A special **ANSWER BOOK** consisting of 12 pages is provided in which to answer all the questions.
3. **ANSWER ALL THE QUESTIONS**
4. Workings must be shown in brackets in order to earn part marks.
5. Non-programmable calculators may be used.
6. You may use a dark pencil or black/blue pen to answer the questions.
7. Marks will be deducted for missing details and foreign entries.
8. Use the information in the table below as a guide when answering the paper.
9. Good luck for your exam.

		MARKS	TIME
QUESTION 1	Theory (Matching Columns)	10	5
QUESTION 2	Salaries and Wages Theory	30	15
QUESTION 3	General Ledger Internal Control	55	40
QUESTION 4	Financial Statements	110	65
QUESTION 5	Ratios	22	15
QUESTION 6	Interpretation of Financial Information	11	10
QUESTION 7	Budgeting	50	25
QUESTION 8	VAT	12	5
<b>TOTAL</b>		<b>300</b>	<b>180</b>

**QUESTION 1****(10 Marks)**

## Theory

Choose the correct word in Column B to match the description in Column A. Write the letter of Column B next to the number of Column A on the answer paper.

Column A		Column B	
1.1	The document used when goods are sold on credit to a debtor	A	Current assets
1.2	The document used when the debt is settled with a creditor	B	Fixed / tangible assets
1.3	The document issued by the business when a debtor sends goods back	C	Creditors
1.4	Their balances changes continually and it can easily be converted to cash	D	Cheque counterfoil
1.5	Money acquired from a commercial bank in order to buy property	E	Discount allowed
1.6	Objectivity, trust and integrity	F	Duplicate receipt
1.7	Outsiders to whom the business owes money for goods purchased	G	Debit note
1.8	Outsiders who owe the business money for goods sold to them	H	Debtors
1.9	The document used for non-cash transactions	I	Original invoice
1.10	The document that debtors received when they pay their account within 30 days	J	Mortgage bond
		K	Credit note
		L	Journal voucher
		M	Duplicate invoice
		N	Ethical principle

## **QUESTION 2**

**(30 Marks)**

### Wages and Theory

Medha Patel runs a small business from home making beaded handbags. She employs Thando Ntini to do the beadwork. The Basic Conditions of Employment Act of 1997 states that all employers must have a Contract of Employment with their employees.

One of the areas covered in the Act is that of remuneration for normal time and overtime worked. According to the Act a working week consists of 45 hours and any hours worked above this are regarded as overtime. Overtime must be remunerated at a higher rate than that of normal time.

Medha entered into an agreement with Thando and the following terms form part of her Contract of Employment:

#### Remuneration:

Thando undertakes to work 45 hours per week at R16 per hour.

Overtime will be remunerated at 1½ times the rate for normal time.

#### Deductions:

The following will be deducted from Thando's weekly wage: PAYE; UIF and Pension Fund

### **The following information relates to Thando's wage for the week ending 7**

#### **November:**

1. Thando worked the following hours: Normal time: 45 hours; Overtime: 5 hours
2. Deductions for the week ended 7 November:  
PAYE R56; UIF 1% of normal wage; Pension R50 per week
3. Employer's Contribution:  
The following amounts will be paid by Medha on behalf of Thando:
  - R1 for every R1 contributed by the employee to the UIF
  - R2 for every R1 contributed by the employee to the Pension fund

#### **Required:**

- 2.1 The Labour Relations Act compels all employers to give their employees a Wage Advice Slip (Payslip). Complete the Wage Advice Slip that would be given to Thando to show her earnings for the week ending 7 November.  
**FILL IN ALL THE FIGURES** where this is a \*. (17)
- 2.2 **COMPLETE THE DIALOGUE** between Medha and Thando. Medha's dialogue is provided. You only need to complete Medha's responses to Thando's questions. (8)
- 2.3 **CALCULATE WHAT IT COSTS** Medha's business to employ Thando. (5)

**QUESTION 3****(55 Marks)**

Internal control and General ledger Accounts

The information presented below was drawn from the books of Scoop Dealers.

**REQUIRED:**

3.1 State whether each of the following statements is TRUE or FALSE. (10)

3.1.1 Internal control processes assist in safeguarding the assets of the business.

3.1.2 The balance on the Debtors' Control account does not have to be equal to the total of the Debtors' List.

3.1.3 Physical stock taking is carried out to verify the balance of trading stock on the Trading Stock Account.

3.1.4 Cash discounts are offered to bulk buyers and this increases the mark-up of the business.

3.1.5 Trade discounts are offered to bulk buyers and this increases the mark-up of the businesses.

3.2 Prepare the following General Ledger accounts:

3.2.4 Debtors' Control (Balance on 1 October 2017 - R19 460) (15)

3.2.2 Trading Stock (Balance on 1 October 2017 - R18 200) (15)

3.2.3 Creditors' Control (Balance on 1 October 2017 - R17 840) (15)

**NOTE: Goods are sold to give a profit of 25% on cost price****INFORMATION:****Totals in Journals on 31 October 2017:**

<b>A. Cash Receipts Journal</b>	<b>R</b>
Bank	?
Discount allowed	3 146
Debtors' control ( <b>including discount allowed</b> )	68 440
Sales	75 000
Cost of sales	60 000
Sundry accounts	34 000

<b>B. Cash Payments Journal</b>	<b>R</b>
Bank	?
Discount received	4 090
Creditors' control ( <b>including discount received</b> )	60 250
Trading stock	104 000
Debtors' control	1 500
Wages	42 000
Sundry accounts	29 460

The following amounts are **included** in the **Sundry Accounts** column of the **CPJ**:

- R200 withdrawn on the 15<sup>th</sup> to supplement petty cash
- R360 withdrawn on 31<sup>st</sup> to restore the petty cash imprest amount

<b>C. Debtors' Journal</b>	<b>R</b>
Sales	85 000
Cost of sales	?

<b>D. Debtors' Allowances Journal</b>	<b>R</b>
Debtors' allowances	8 575
Cost of sales	4 800

<b>E. Creditors Journal</b>	<b>R</b>
Creditors' control	65 000
Trading stock	42 000
Equipment	14 500
Stationery	6 500
Packaging	700
Sundry accounts	1 300

<b>F. Creditors Allowances Journal</b>	<b>R</b>
Creditors' control	5 780
Trading stock	800
Equipment	1 000
Stationery	280
Sundry Accounts	3 700

<b>G. Petty Cash Journal</b>	<b>R</b>
Petty cash	560
Trading stock	147
Wages	150
Debtors control	95
Stationery	40
Sundry accounts	128

<b>H. General Journal</b>	<b>R</b>
<b>Debtors Control</b>	
Debit	1 200
Credit	700
<b>Creditors Control</b>	
Debit	200
Credit	600

**QUESTION 4****(110 Marks)**

## Financial Statements and Notes

The information provided was drawn from the accounting records of Mzansi Plastics on 28 February 2017.

**Required:**

- 4.1.1 Prepare the Income Statement for the year ended 28 February 2017. (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 28 February 2017

<b>Balance Sheet Accounts Section</b>	<b>Debit</b>	<b>Credit</b>
Capital (1 March 2016)		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: Nedbank (12% p.a.)	5 000	
Trading stock	119 580	
Debtors' control	3 180	
Bank		3 500
Cash float	600	
Petty cash	300	
Loan: ABSA Bank (15% p.a.)		126 000
Creditors' control		8 040
<b>Nominal Accounts Section</b>		
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
	<b>981 600</b>	<b>981 600</b>

## Adjustments and Additional Information

1. Physical stock-taking on 28 February 2017 showed the following:
  - Trading stock R123 570
  - Packing material R 1 510
2. Stationery **used** during the year amounted to R4 150.
3. Utilities accounts totalling R2 480 due for February 2017 were paid on 9 March 2017.
4. An advertising contract for the period 1 January 2017 to 31 March 2017 was concluded during December 2016. The amount of R1 500 due was paid on 15 February 2017. No entries were recorded.
5. The February 2017 rent is still outstanding. The rent was increased by R1 000 with effect from 1 January 2017.
6. A debtor, T Wittstock, who owed R220, was declared insolvent. Her estate paid a first and final dividend of R0.25 cents in the rand. The balance must be written off. No entries were made.
7. The bank statement was received on the 5 March 2017 and the following information must still be recorded:
  - Bank Charges R 170
  - Interest on overdraft R 120
  - Unpaid cheque – C Edy R 280(This cheque was received in settlement of an account of R300.)
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	1 500	120	880

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

9. The statement from Nedbank showed a closing balance of R5 690 on the fixed deposit. Interest is capitalized.
10. The loan statement from ABSA Bank reflected the following information:
  - Opening balance on 1 March 2016 R145 500
  - Closing balance on 28 February 2017 R136 710
  - Interest on loans is capitalized
  - Monthly payments of R1 625 were made throughout the financial year.
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 2016. No entries have been recorded.

## 4.2 Concepts, Notes and Balance Sheet

### 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 reflect 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 28 February 2017 (30)

2. Post-adjustment Trial Balance on 28 February 2017		
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: Nedbank (12% p.a.)	10 320	
Creditors' control		18 040
Loan: ABSA 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
	<b>694 770</b>	<b>694 770</b>

**Additional Information:**

1. One of the fixed deposits will mature in the next financial year, R5 000.
2. An amount of R30 000 will be paid off the capital amount of the loan in the next financial year.
3. The owner reduced his capital by R20 000 during the course of the year. The entry was properly recorded.

**QUESTION 5****(22 Marks)**

## Ratio Calculations

The following information was taken from the records of Calswood on 31 June 2017.

**REQUIRED:**

- 5.1 Calculate the following ratios/indicators for 2017.
- 5.1.1 Current Ratio (5)
  - 5.1.2 Acid test Ratio (4)
  - 5.1.3 Solvency Ratio (5)
  - 5.1.4 Operating Expenses on sales (3)
  - 5.1.5 Return on Average Owner's Equity (5)

**INFORMATION**

- A. Extract from the Income Statement for the year ended 31 June 2017.

Sales / Turn over	930 000
Operating expenses	116 670
Operating profit	264 810
Interest on loan (17%)	27 670
Net profit for the year	244 155

- B. Extract from the Balance sheet on 31 June 2017.

	<b>2017</b>	<b>2016</b>
Owner's equity	319 000	295 000
Non-current assets	388 000	265 000
Inventory	12 000	48 000
Trade and other receivables	26 000	22 000
Cash and cash equivalents	NIL	15 000
Non-current liabilities	60 000	12 000
Trade and other payables	26 000	43 000
Bank overdraft	21 000	NIL

**QUESTION 6****(11 Marks)**

## Interpretation of Financial Information

You are provided with financial indicators of Sunny Sky Traders on 31 August 2017. The business has a target mark-up on cost of 80%

Use the information to answer the questions that follow:

1.

	<b>2017</b>	<b>2016</b>
Gross profit on cost	69%	57%
Gross profit on sales	45%	37%
Operating expenses on sales	34%	16%
Operating profit on sales	11,4%	15%
Return on owners' equity	5,8%	16,5%
Current ratio	0,861 : 1	1,2 : 1
Acid test ratio	0,3 : 1	0,4 : 1
Solvency ratio	2,3 : 1	1,5 : 1
Interest rate on fixed deposit	8%	8%

**REQUIRED:**

- 6.1 The owner of Sunny Sky Traders is **concerned** about the liquidity position of the business. Quote **TWO** relevant financial indicators with figures to support his concern. (6)
- 6.2 The manager is **satisfied** with solvency position of the business. Explain by quoting relevant financial indicators with figures to support this. (5)

## **QUESTION 7**

**(50 Marks)**

### Cash Budget

Mpilo Vilikazi is a debating student at Hillcrest High School. He is planning an overseas trip during December 2017 and needs to save R8 000. He asks for your help in drawing up his Cash Budget for October and November as he is not sure that whether he would have saved enough by then. On the weekends he sells pancakes at the Shongweni Farmers' Market.

- 7.1 Use the additional information below to draw up his Cash Budget for October and November 2017. Please note that some figures have already been completed on the answer sheet for you.

#### **ADDITIONAL INFORMATION:**

- 7.1.1 Interest on savings account is calculated at 12% p.a. and is received monthly.  
**Note:** Interest is calculated on the savings account balance at the beginning of each month.
- 7.1.2 He employs an assistant who earns R640 per month.
- 7.1.3 During November he will additional equipment for R1 000 in order to speed up his production of making the pancakes.
- 7.1.4 He pays rent of R200 per month to Shongweni Farmers' Market for the use of the stall. During October 2017 he will pay R400 because he did not pay the rent in September 2017.
- 7.1.5 His cell phone bills will amount to R220 and R210 for October and November respectively.
- 7.1.6 He will donate R600 during October 2017 to the Hillcrest High School Interact project.
- 7.1.7 His drawings for October will be R1 500 and during November he plans to take R2 360 drawings to buy gifts for his family and friends.
- 7.1.8 Bank charges amount to R65 per month.

**7.2 Answer the following questions:**

- 7.2.1 How many pancakes does he plan to sell during October if he sells all the pancakes for R8 each? (4)
- 7.2.2 Calculate the percentage profit mark-up he maintains on the pancakes if each pancake (with all the ingredients) costs R3.20 each to make. (6)
- 7.2.3 Will he be able to save R8 000 by the end of November? If not, quote an amount from the cash budget to justify your answer. (3)
- 7.2.4 Do you think that it is a good idea for him to buy new equipment? Motivate your answer by mentioning 2 facts. (5)
- 7.2.5 Can he justify his drawings amounts for October and November? Mention two facts in your argument. (5)

**QUESTION 8**

**(12 Marks)**

VAT Calculations

**REQUIRED:**

Calculate the missing figures denoted by letter A - L

No.	COST PRICE	% MARK UP	SELLING PRICE VAT EXCLUSIVE	VAT AMOUNT	SELLING PRICE VAT INCLUSIVE
8.1	<b>A</b>	25%	1000	<b>B</b>	<b>C</b>
8.2	R200	50%	<b>D</b>	<b>E</b>	<b>F</b>
8.3	R900	<b>G</b>	R1 200	<b>H</b>	<b>I</b>
8.4	R1 000	<b>K</b>	<b>J</b>	<b>L</b>	R1 596