



**HILLCREST HIGH SCHOOL**

**ACCOUNTING EXAM  
PAPER 2  
NOVEMBER 2019  
GRADE 10**

**MARKS: 150**

**TIME: 2 HOURS**

**INSTRUCTIONS AND INFORMATION:**

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions
3. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

**QUESTION 1: 45 marks; 30 minutes**

<b>Topic</b>	<b>This question integrates:</b>
Concepts Ledger Accounts	Accounting Concepts Creditors Ledger Debtors Ledger

**QUESTION 2: 50 marks; 40 minutes**

<b>Topic</b>	<b>This question integrates:</b>
Fixed assets and Inventory	Fixed assets - Internal control and audit processes. Perpetual inventory system - recording and internal control

**QUESTION 3: 25 marks; 30 minutes**

<b>Topic</b>	<b>This question integrates:</b>
Budgeting	Definition and calculations

**QUESTION 4: 30 marks; 20 minutes**

<b>Topic</b>	<b>This question integrates:</b>
Problem solving Calculations	Problem solving – management of stock Calculations

**QUESTION 1: ACCOUNTING CONCEPTS, CREDITORS AND DEBTORS LEDGER****(45 marks; 30 minutes)**

1.1 For each of the following, match the statement in the left-hand column with the most suitable explanation in the right-hand column. Write only the letter next to the relevant number.

CONCEPT		EXPLANATION	
1.	Assets	<b>A</b>	Assets are valued and reflected in the books at the original invoice price.
2.	Capital	<b>B</b>	A mortgage loan obtained to acquire property.
3.	Matching principle	<b>C</b>	Coopers Bakery and Trendy Clothing produce goods for the community's needs.
4.	Business entity rule	<b>D</b>	Items of value acquire or owned by a person or a business.
5.	Historical cost concept	<b>E</b>	The cash and/ or other tangible assets that the owner invests into the business.
6.	Trial Balance	<b>F</b>	The owner of the business must ensure that his personal affairs are kept separate from the financial transactions of the business.
7.	Balance Sheet	<b>G</b>	An accounting procedure (tool) that ensures that the double-entry rule has been applied correctly.
8.	Non-current liability	<b>H</b>	Choppies (Pty) Ltd purchases trading stock and sells it at a profit to its customers.
9.	Retailer	<b>I</b>	A statement that reflects the value (the net worth) of the business on a specified date.
10.	Manufacturer	<b>J</b>	Income and expenses are recorded in the specific accounting period for which they relate, even if they are not yet received or paid.

(10)

**1.2 Creditors Ledger**

The incomplete Creditors Ledger Account of Eastside Suppliers (CL6), from the records of Merry Stores is provided below.

(15)

**REQUIRED:**

Complete the Creditors Ledger account by filling in all the missing details and amounts. The additional information given below must be taken into account.

Date		Details	Fol	Debit	Credit	Balance
2019 May	1	Balance	b/d			8 880
	6		CJ			12 750
	19					12 400
	20	Cheque No. 543				
	20	Discount received				
	25					

**Additional information:**

- Unsatisfactory stationery purchased on the 6<sup>th</sup> was returned on the 19<sup>th</sup>.
- Invoice xxx for R8 880 was paid on the 20<sup>th</sup> May. A 5% discount was received for early settlement. Cheque No. 543 was issued.
- Trading goods purchased on the 25<sup>th</sup> was subject to a 10% trade discount. The invoice total before the discount was R5 300.

**1.3 Debtors Ledger**

The following Debtor's Ledger account appeared in the books of Highveld Stores. The account was completed by an inexperienced bookkeeper.

(20)

**REQUIRED:**

Correct all the incorrect information and calculate the correct balance.

Date		Details	Fol	Debit	Credit	Balance
2019 May	1	Balance	b/d			2 360
	4	Invoice No. 223	DJ		1 200	3 560
	6	Debit Note No. 45	DAJ		200	3 760
	10	Cheque No. 567	CRJ	2 500		1 260
	15	Discount allowed	?		150	1 110
	22	Cheque returned	CPJ	2 500		3 610
		Discount allowed cancelled	?		150	3 460

**Additional information:**

- According to the bank statement, Cheque No. 567 was returned due to insufficient funds.

**QUESTION 2: FIXED ASSETS AND INVENTORY****(50 marks; 40 minutes)****2.1 FIXED ASSETS**

The information relates to Lelemisha Traders for the financial year ended 28 February 2019.

**REQUIRED:**

2.1.1 State ONE reason why the asset register is a useful control tool for fixed assets. (2)

2.1.2 Calculate the depreciation on vehicles for the year ended 28 February 2019. (6)

Calculate the carrying value (book value) of vehicles on 28 February 2019. (4)

2.1.3 **Refer to INFORMATION C:**

You are provided with a page from the Asset Register for an item of equipment (A display fridge). (8)

- Calculate the missing amounts denoted by **(i)** to **(iv)** in the extract provided. Show workings.

2.1.4 The owner of Lelemisha Traders is concerned about the management and safety of the vehicles, despite installing security cameras.

The following were reported:

- Vehicles are not being parked/returned to the premises at the end of the working day;
- Certain employees are using the business vehicles for their personal use.

- Explain ONE consequence of the above practices.
- Provide ONE control measure that Lelemisha Traders could introduce to improve the internal control of the vehicles.

(4)

**INFORMATION:**

**A. EXTRACT FROM THE TRIAL BALANCE ON 28 FEBRUARY 2019**

Balance sheet accounts section	Debit R	Credit R
Vehicles (cost)	360 000	
Equipment (cost)	128 000	
Accumulated depreciation on vehicles (1/3/2018)		108 000
Accumulated depreciation on equipment (1/3/2018)		24 320

**Note:**

A new delivery motorbike, cost price R60 000, was purchased on 1 September 2018 and correctly recorded on this date.

**B. DEPRECIATION**

Depreciation is provided as follows:

- Vehicles: 20% p.a. on cost
- Equipment: 10% p.a. on the diminishing balance method.

**C. EXTRACT FROM THE ASSET REGISTER:**

Lelemisha Traders			
<b>Item</b>	Display fridge	<b>Purchased from</b>	Snowfreez Ltd
<b>Date purchased</b>	1 March 2017	<b>Cost price</b>	R26 000
<b>Depreciation method</b>	10% - diminishing balance		
<b>DATE</b>	<b>DEPRECIATION</b>	<b>ACCUMULATED DEPRECIATION</b>	<b>CARRYING VALUE</b>
28 Feb 2018		R2 600	(i)
28 Feb 2019	(ii)	(iii)	(iv)

## 2.2 INVENTORY

The information below relates to Manfred Traders for May 2019. They use the perpetual (continuous) inventory system to record and manage trading stock.

### REQUIRED:

2.2.1 Draw up the correct Trading Stock account by making the necessary corrections. Insert the necessary folio's. (23)

### INFORMATION:

A. Manfred Traders use a profit mark-up of 75% on cost.

### B. GENERAL LEDGER OF MANFRED TRADERS

Dr					Cr				
TRADING STOCK					TRADING STOCK				
2019 May	1	Balance	b/d	12 320	2019 May	31	Cost of sales	?	25 375 (selling price))
	31	Cash purchases	?	30 200			Returns to creditors	?	18 200
		Returns from debtors (cost price)	?	9 160			Balance	c/d	8 105
							Stock Theft	GJ	?
				51 680					?
2019 June	1	Balance	?	8 105					

C. The bookkeeper only entered the information from the cash journals when the above account was drawn up. The following information was extracted from the creditors journals:

- Credit sales - R123 200
- Credit purchases - R 70 860

D. Stationery bought for R960 cash was entered into the Trading Stock column of the Cash Payments Journal. Correct the error.

E. The owner discovered that 2 items of trading stock, with a cost price of R870 each, were stolen from the shop. No entries have been recorded. Make the necessary entry.

F. A debtor returned stock with a cost price of R630. This was NOT taken into account.

### 2.2.3 Problem Solving:

Stock is going missing from the shop. The owner suspects that either the customers OR the shop assistant is stealing the stock from the shop. List 3 points that the owner should apply in the business to solve the stock problem. (3)

**QUESTION 3: BUDGETING****(25 marks; 30 minutes)**

Two netball teams of Mountain High School are planning to participate in a provincial tournament in Mthatha. The first team netball captain requested your help in preparing the budget for this tour.

**REQUIRED:**

3.1 Complete the following sentence:

A budget is a..... (2)

3.2 Calculate the following amounts for the budget:

3.2.1 Total expected receipts (before calculating the expected contribution of players). (4)

3.2.2 Total expected payments (complete the table provided). (12)

3.2.3 The total cost to be covered by players. (3)

3.2.4 The amount that EACH PLAYER has to contribute to the tour. (2)

3.3 The tour organising committee expects certain key players to have difficulty in affording the minimum amount payable by each player. Suggest TWO possible methods to acquire additional funds to support these players. (2)

**INFORMATION:**

**A.** The trip will cater for 16 players and 2 coaches. The cost of the two coaches will be covered by the contributions made by the players and any other funds received.

**B. SPONSORSHIP AND DONATIONS**

- The school was able to secure a sponsorship of R1 000 per player from Lightning Sports.
- A donation of R5 000 will be received from the Community Trust Fund.

**D. TRANSPORT & INSURANCE**

- A minibus will be rented at R3 000 for the entire week, plus an additional R2 per km. The distance to and from Mthatha is 850 km (return trip).
- An insurance fee of R15 per passenger is payable to the rental company.

**E. ACCOMMODATION**

Three rooms will accommodate the group for four nights at R1 120 per room per night.

**F. MEALS AND REFRESHMENTS**

R400 per person is budgeted for the duration of the tour.

**G. SPORTS KIT**

A total of R7 390 will be spent on team outfits, netball shoes and training gear.

**QUESTION 4: PROBLEM SOLVING AND CALCULATIONS (30 marks; 20 minutes)**

4.1 Barney is the owner of two school tuck shops. Betty is the manager of Shop A and Benny is the manager of Shop B.

- Each manager earns R1 000 per week
- Each tuck shop sells only chips and juice.
- The chips cost R5 per packet and are sold at a mark-up of 50% on cost.
- The juice is marked-up by 25% and is sold at R10 each.

**REQUIRED:**

Identify ONE problem in each tuck shop and provide ONE solution or advice in each case. For each problem, relevant figures must be quoted. (6)

**INFORMATION:**

For October 2019	SHOP A		SHOP B	
	CHIPS	JUICE	CHIPS	JUICE
Opening stock (units)	300	200	150	90
Stock supplied by Barney (units)	400	400	400	400
Closing stock (units)	200	150	330	120
Units sold	420	450	220	370
Cash deposited	3 150	4 500	1 650	3 200

**4.2 CALCULATIONS**

Complete the following table in your ANSWER BOOKLET.

Normal price of the wholesaler	Trade discount %	Amount charged by the wholesaler	Carriage (transport) on goods	Net cost price of goods
1 200	10%	<b>A</b>	<b>B</b>	1 210
2 000	5%	<b>C</b>	150	2 050
640	10%	576	<b>D</b>	820
<b>E</b>	5%	760	50	<b>F</b>
700	<b>G</b>	595	75	670

(14)

4.3 A physical stock take at the end of the financial year reflects stock on hand of R78 900. According to the books, however, the Trading Stock account shows a balance of R80 100. During the year, a flood took place and R2 500 worth of Trading stock was destroyed. The insurance company still needs to pay 80%. No entries were made for this.

4.3.1 What amount will the insurance company pay? (2)

4.3.2 Loss due to flood will be shown in what financial statement? (2)

4.3.3 Calculate the trading stock surplus / deficit. (5)

**TOTAL PAPER 2 : 150 MARKS**

**GRADE 10 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET**

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Net profit}}{\text{Owner's equity}} \times \frac{100}{1}$	Total assets : Total liabilities	