

ACCOUNTING
2020
GRADE 10
PAPER 1

MARKS: 150

TIME: 2 HOURS

This question paper consists of 9 pages a 12 page answer book and a formula sheet.

QUESTION 1 – 19 marks – 20 minutes	
Topic of the question:	This question integrates:
Accounting concepts Problem solving	Theory Problem solving
QUESTION 2 – 31 marks – 25 minutes	
Topic of the question:	This question integrates
General Journal	General Journal entries
QUESTION 3 – 60 marks – 40 minutes	
Topic of the question:	This question integrates:
Financial statements and note to the balance sheet	Income statement and Owner's equity note to the balance sheet
QUESTION 4 – 40 marks – 35 minutes	
Topic of the question:	This question integrates:
Accounting concepts and interpretation of financial statements	Calculations Interpretation

Instructions –

- Answer all questions
- A special answer book is provided in which to answer ALL questions
- Show all workings to earn part marks
- You may use a non-programmable calculator
- You may use a dark pencil or blue/black ink to answer the questions
- Write neatly and legibly

QUESTION 1 (19 marks)

ACCOUNTING CONCEPTS [5 marks]

1.1 Choose the correct answer from the options provided. Write only the letter (A – D) next to the number (1.1.1 – 1.1.5). For example, 1.1.1 A.

- 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 Net profit increases**
A owner's equity
B assets
C creditors
D cash (1)
- 1.1.5 Which source document is used to record goods purchased by cheque?**
A Original invoice
B Duplicate invoice
C Receipt
D Cheque counterfoil (1)

- 1.2 Choose the correct word(s) from COLUMN A to match the description in COLUMN B. Write only the letter (A to F) next to the question number (1.2.1 – 1.2.5) (5 marks)**

COLUMN A	COLUMN B
1.2.1 Owner's Equity	A The document used to record small amounts issued for purchases
1.2.2 Drawings	B Credit opening balance
1.2.3 Petty Cash Voucher	C Money invested by owner in the business
1.2.4 Bank overdraft	D Sources of earnings to the business
1.2.5 Income	E Money/stock taken for personal use
	F The owner's net investment in the business

1.3 Problem solving [9 marks]

Super Sport is experiencing a different problem concerning each of his salespersons.

- State a different problem for each salesperson or school.
 - Give a suitable solution to each problem.
- Figures must be quoted

Name of the school	Hillcrest High	Twenki High	Forest High
Name of the salesperson	T Wood	S Sales	T Track
Number of items available to be sold	500 tracksuits	900 tracksuits	300 tracksuits
Number of items sold @ R300 each	450 tracksuits	700 tracksuits	80 tracksuits
Number of items unsold at the end of the month	50 tracksuits	180 tracksuits	280 tracksuits
Cash received from each person	R120 000	R210 000	R24 000
Salary paid to each salesperson	R5 000	R5 000	R5 000

QUESTION 2 GENERAL JOURNAL [31 marks]

Enter the following transactions in the General Journal of Hillcrest Top Traders for October 2020. Hillcrest Top Traders is a stationery shop.

Hill Crest owns the store.

TRANSACTIONS:

October 2020

- 4 Hill took stationery from his business for his son to use at school. The selling price is R400 and the cost price is R350.
- 10 One of Hillcrest Top Traders debtors, A Ndebele could not be traced. Hill decided to write his debt off. The amount is R1 000.
- 15 The account of debtor, T Naidoo had not been settled for 1 month. Hill decided to charge him interest on his overdue account at 10% p.a. The amount owing is R6 000.
- 18 Hill employed Waterfall Traders to repair the geyser. Waterfall Plumbers was paid R2 500. The bookkeeper posted the R2 500 to the Land and Buildings account in the general ledger. Correct the error.
- 23 Our supplier, TT Stationers, charged us interest of R100 because we did not settle our account within 30 days.
- 28 Hill received a bank debit note which informed him that a cheque drawn by A Winston had been dishonoured due to insufficient funds in his bank account. The cheque of R250 had originally been given to Hill by A Winston in settlement of his debt R300.

QUESTION 3 (60 marks)

GAAP PRINCIPLES, INCOME STATEMENT AND BALANCE SHEET AND INTERNAL CONTROL

3.1 GAAP PRINCIPLES

3.1.1 What does GAAP stand for? (2)

3.2. Choose the correct concept that matches the sentence below. Write only the concept next to the question number (3.2.1 to 3.2.4) (4)

Historical cost rule, business entity rule, prudence concept, concept of materiality, going concern concept

3.2.1 Be conservative and realistic in disclosing information.

3.2.2 The business and the owner's affairs must be treated separately.

3.2.3 Assets (land and buildings) are always reflected at their original cost price.

3.2.4 Items of significance must be treated separately.

3.3 The information relates to Waterfall Traders for the financial year ended 30 June 2020. (54 marks)

REQUIRED:

3.3.1 Taking into account the adjustments (information B) below. Complete the Income Statement for the year ended 30 June 2020. (40)

3.3.2 Prepare the NOTE for **owner's equity** to the Balance Sheet. (7)

3.3.3 The owner has a Fixed Deposit of R200 000. The accountant has advised the owner that he should cash in the fixed deposit and use the money to pay off part of the loan. Do you agree with the accountant? Give a reason for your answer. (3)

3.3.4 The owner is convinced someone is stealing his stock. Give two suggestions to assist the owner. (4)

INFORMATION

A Extract from the Pre-Adjustment Trial Balance of Waterfall Traders for the year ended 30 June 2020.

Capital	1 000 000
Drawings	42 000
Land and Buildings	?
Vehicles	780 000
Equipment	350 000
Accumulated depreciation on Vehicles (1/7/2019)	468 000
Accumulated depreciation on Equipment (1/7/2019)	105 000
Fixed deposit (8% p.a.)	200 000
Trading stock	418 400
Debtors control	280 200
Bank overdraft	124 000
Loan: Nedbank (12% p.a.)	652 000
Creditors control	380 000
Sales	4 350 000
Debtors allowances	18 000
Cost of sales	2 900 000
Rent income	104 000
Commission	5 000
Bad debts recovered	1 800
Interest on fixed deposit	9 000
Stationery	2 100
Telephone	9 000
Insurance	12 100
Bad debts	3 800
Bank charges	1 200
Consumable stores	4 000

B ADDITIONAL INFORMATION AND ADJUSTMENTS:

1. The stock revealed that the following were on hand on 30 June 2020:
Trading stock R406 100
Consumable stores R800
2. A debtor, C Smith, has been declared insolvent. He owes R1 500. His insolvent estate will pay out 60c in the rand and the balance must be written off. [**hint** 40c in the rand must be written off].
3. Depreciation for the year –

Vehicles – Depreciate vehicles using the cost price method. Depreciation rate is 20% p.a.

Note a new vehicle was purchased on 1 January 2020. **[This has not been recorded]**. Value of new vehicle is R400 000.

Equipment – Depreciate equipment using the diminished balance method.
Depreciation rate is 10% p.a.

4. The telephone account for the month of June 2020, has not yet been paid, R2 000.
5. Rent income has been received one month in advance.
6. An **annual** insurance premium of R5 600 was paid on 1 April 2019. **[hint draw a time line]**.
7. Commission is still due to the business for the month of June 2020, R5 000.

QUESTION 4 [40]

ACCOUNTING CONCEPTS AND ANALYSIS OF INTERPRETATION OF FINANCIAL STATEMENTS

4.1 ACCOUNTING CONCEPTS (4 marks)

Choose the correct word from the list for each statement.

Liquidity, solvency, profitability and return on investment

4.1.1 Efficiency of the business

4.1.2 Whether the owner's equity would be better rewarded at another bank

4.1.3 How stable a business is to survive in the long run

4.1.4 Whether a business can pay off its short-term debt

4.2 INTERPRETATION OF FINANCIAL STATEMENTS (18 marks)

The following information relates to Hillcrest Stores on 28 February 2020.

REQUIRED: [A formula sheet is supplied.]

All calculations to be rounded off to ONE decimal place.

Calculate the following ratios for 2020.

4.2.1 Current ratio (6)

4.2.2 Solvency (4)

4.2.3 Calculate the percentage return on owner's equity. (4)

4.2.4 Should the owner be satisfied with this return? Motivate your answer. (4)

INFORMATION

Capital (1 March 2019)	400 000
Net profit	90 000
Land and buildings	900 000
Trading stock	46 500
Creditors	26 000
Drawings	70 000
Equipment	23 000
Debtors	33 000
Bank overdraft	24 000
Cash float	2 500
Loan: Standard Bank (10% p.a.)	100 000
Fixed deposit: FNB (12 % p.a.)	40 000
Vehicles	120 000

4.3 HILLCREST COMPUTERS (18 marks)

REQUIRED

- 4.3.1 Calculate the percentage mark up for 2020. Compare this to the target mark up and comment on your findings. (7)
- 4.3.2 Salaries and Wages increased from 2019 to 2020. Calculate the percentage increase. (4)
- 4.3.3 Give one reason why the salaries and wages figure has increased. (2)
- 4.3.4 Hillcrest Computers spent less on national advertising and focused on local advertising. Is this a decision that was made to their advantage? Quote figures to support your answer. (5)

INFORMATION

	2020	2019
Sales	810 000	645 000
Cost of sales	600 000	450 000
Gross profit	210 000	215 000
Mark up target	40%	50%
Advertising	30 000	55 000
Salaries and wages	64 800	50 000
Net profit	150 000	136 000