GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

2015

GRADE 10

ACCOUNTING

MARKS: 300
TIME: 3 hours

13 pages

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INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Answer all questions in the answer book provided.
3. Show all calculations to earn part marks.
4. Non-programmable calculators may be used.
5. You may use blue or black ink to answer the questions.
6. Changes must be done neatly. **ILLEGIBLE** figures will not be marked.
7. Use the information in the table below when answering questions.
8. Try not to deviate from the time allocated per question.

Question	Detail	Marks	Time in minutes
1	Accounting equation	50	30 minutes
2	Control accounts and general journal	55	33 minutes
3	Creditors' ledger	25	15 minutes
4	Financial statements	110	66 minutes
5	Ratio analysis	30	18 minutes
6	VAT; Cost Accounting and Budgets	30	18 minutes
Total		**300**	**180** minutes

QUESTION 1: ANALYSIS OF TRANSACTIONS (50 marks; 30 minutes)

Analyse the following transactions of Lemon Traders.

Example: Purchased stationery for R300 from petty cash.

A Goods costing R1 000 were sold on credit to G. Nel for R1 500.

B Purchased equipment from New Concepts on account, R7 550.

C The bank returned A. Jacob's unpaid cheque of R300. Jacob owed R330 and paid R300 in full and final settlement. No entries have been made to record this entry.

D Paid JJ Traders, a creditor, by cheque R3 430. Received a discount of R170.

E Issued a cheque to Q Log for transport of stock purchased, R1 230

F Received R25 000 from Capitec Bank for a fixed deposit that matured. This amount included interest of R5 000. No entries have been made.

G The owner took goods for personal use, R 1 050.

QUESTION 2: CONTROL ACCOUNTS **(55 marks; 33 minutes)**

The information provided was extracted from the accounting records of Snap Traders on 30 September 2015. The business uses a mark-up of 40% on cost.

Required:

2.1 Journalise the transactions provided in the additional information H. (20)

2.2 Prepare the following accounts in the general ledger of Hi Traders. Balance the accounts on 30 September 2015.

Name of account	Balances on 1 September 2015
Debtors' control	R35 270
Creditors' control	R30 650
Trading stock	R95 700

(35)

Information:

A. Cash Receipts Journal

Bank	Sales	Cost of Sales	Discount Allowed	Debtors' Control	Sundries
?	52 920	37 800	730	21 710	?

B. Cash Payments Journal

Bank	Trading Stock	Discount Received	Creditors' Control	Debtors' control	Sundries
?	31 950	1 090	25 670	4 520	?

C. Debtors' Journal

Sales	Cost of Sales
35 980	25 700

D. Debtors' Allowances Journal

Debtors' Allowances	Cost of Sales
1 710	?

Note: An amount of R1 400 for trading stock returned is included in the Debtors Allowances amount of R1 710.

E. Creditors' Journal

Creditors' control	Trading Stock	Equipment	Stationery	Sundries
83 720	67 380			?

F. Creditors' Allowances Journal

Creditors control	Trading Stock	Equipment	Stationery	Sundries
7 120	6 950	?	?	?

G. General Journal			
Debtors' Control		Creditors' Control	
Dr	Cr	Dr	Cr
960	180	150	870

H Additional Information

Transactions on 30 September 2015:

a A cheque drawn for R10 720 for Creditors for Wages was incorrectly posted to the Wages account. Correct the error.
b Stock purchased for R1 200 was incorrectly recorded as stationery. Correct the error.
c Accepted a cash register valued a R5 270 from a debtor, A. Broke, whose account was previously written off. He owed R6 000.
d An allowance of R300 was allowed by a creditor, Sabatini Traders. The entry was wrongly posted to Selini Traders.
e A credit note for R265 issued to R. Tan, a debtor, for goods returned by him was recorded in the Debtors' Journal and posted accordingly.
f Transfer a credit balance of R1 050 from the account of Pop Traders in the debtors' ledger to his account in the creditors' ledger.

QUESTION 3: CREDITORS' LEDGER (25 marks; 15 minutes)

The following information was drawn from the accounting records of Galaxy Traders.

Required:

3.1 Explain in detail why the balance of the Creditors' Control account must be equal to the total of the Creditors' list at the end of the month. (4)

3.2 Refer to the transaction dated 25 September 2015. Give a reason for the late payment although there was sufficient funds in the bank. Provide TWO suggestions to overcome this problem. (5)

3.3 Prepare the account of Venus Ltd, a creditor, in the creditors' ledger of Galaxy Traders. (16)

Information:

Date	Transactions for May 2015	Amount
1	Balance owed to Venus Ltd	7 800
3	Received D/N 567 from Venus Ltd for interest charged	78
5	Issued cheque no. 107 to Venus Ltd	7 000
	Discount received	140
10	Received invoice no. 483 from Venus Ltd for goods amounting to R1 300 subject to a trade discount of 15%.	?
13	Forwarded a D/N 220 to Venus Ltd for goods returned.	173
25	Venus Ltd refused to allow the discount recorded on 5 May 2015 as the account was overdue.	?

QUESTION 4: FINANCIAL STATEMENTS (110 marks: 66 minutes)

4.1 Which GAAP principle will be used in the following scenarios?

4.1.1 Vehicles are kept at original cost price in the general ledger. (1)

4.1.2 Incomes and expenses incurred for a particular year must be shown in the same financial year. (1)

4.1.3 Bank charges and interest on bank overdraft are shown separately. (1)

4.1.4 Stock for the owners' personal use is shown as drawings. (1)

4.2 Statement of Comprehensive Income [Income Statement]

The financial year of Russell Traders ends on 28 February each year.
The business uses the perpetual inventory system.

4.2.1 Prepare the Statement of Comprehensive Income [income statement] for the year ended 28 February 2015.
(Show all workings in brackets to earn part marks) (46)

4.2.2 Prepare the following notes to the financial statement.

- Tangible Assets (15)
- Trade and other Payables (15)

Information

Pre-adjustment trial balance of Russell Traders on 28 February 2015

BALANCE SHEET ACCOUNTS SECTION	Debit	Credit
Capital		435 875
Drawings	17 685	
Land and building	456 862	
Vehicles	207 000	
Accumulated depreciation vehicles		62 400
Equipment	88 000	
Accumulated depreciation equipment		54 660
Fixed Deposit : AFM Bank	18 750	
Loan: CAPS Bank (12% p.a.)		103 500
Trading inventory	34 650	
Debtors' control	29 460	
Creditors' control		21 435
Bank overdraft		52 550
Cash float	750	
NOMINAL ACCOUNTS SECTION		
Sales		519 000
Cost of sales	346 350	
Debtors' allowances	1 875	
Salaries and wages	54 000	
Rent Income		40 000
Bad debts recovered		315
Insurance	10 128	
Bad debts	975	
Stationery	8 400	
Water and Electricity	4 395	
Discount allowed	675	
Interest on overdraft		2 250
Interest on fixed deposit	12 300	
Discount received		270
	1 292 255	**1 292 255**

Additional information and adjustments

1. A debtor returned damaged goods with a selling price of R300 on 28 February 2015 and this was not recorded. The cost price of the goods is R200.

2. After a physical stocktaking, the following stock was on hand on 28 February 2015:
   - Trading inventory R 33 600
   - Stationery R 270

3. The rent for March has been received in advance and recorded.
NB: The rent increased by R 200 on 1 November 2014.

4. The salary of an employee, was not processed for the month of February 2015. Use the details provided and make the necessary entries to process her salary.

Gross Salary	R 18 000
PAYE	10% of gross salary
Pension Fund	R 720
Medical Aid	R 1 200 per month
UIF	1% of gross salary

The business contributes toward UIF and Pension Fund on a Rand for Rand basis.

5. The insurance amount includes an annual payment of R6 300 that was paid on 1 October 2014 for the period 1 October 2014 to 30 September 2015.

6. The water and electricity amount of R465 is owing.

7. A debtor J Black, who owes R2 250, was declared insolvent. A dividend of 40 cents in the rand was received and recorded, the rest must be written off as irrecoverable.

8. An amount of R1 500 was received from a debtor whose account was previously written off.

9. The bank statement was received after the trial balance was drawn up. The following items still need to be recorded
   - Bank charges R 540
   - Interest on overdraft R 2 750

10. The business sells items on a commission basis. Commission totalling R12 000 for sales made during February is still due to the business.

11. The loan Statement from CAPS Bank showed the following
    - Balance on 28 Feb 2015 R 125 340
    - Repayments R 25 000

    The Bank capitalizes the interest each month.

12 A new vehicle costing R 160 200 was bought on 1 November 2014. No entry has been made.

13. Depreciation should be calculated as follows:
    - Equipment at 15% per annum on cost price method
    - Vehicles at 10% per annum on diminishing balance method

4.3 The following trial balance was extracted from the accounting records of Top Dog Traders on the 28 February 2015.

4.3.1 Prepare the Balance Sheet for the year ended 28 February 2015. (25)

4.3.2 Prepare Owner's Equity note to the financial statement. (5)

Balances of Top Dog Traders on 28 February 2015

BALANCE SHEET ACCOUNTS SECTION	Debit	Credit
Capital		950 000
Drawings	235 370	
Tangible Assets at carrying value	1 408 000	
Fixed deposit: ASA Bank (10% p.a.)	37 200	
Loan: Rand Bank (18%p.a)		274 200
Trading inventory	67 200	
Debtors' control	53 820	
Creditors' control		88 000
Bank overdraft		106 880
Petty Cash	1 500	
Consumable Stores on Hand	540	
Accrued Expense		4 530
Income received in advance		6 400
Prepaid expenses	7 350	
Cash Float	28 200	
Accrued Income	3 120	
NOMINAL ACCOUNTS SECTION		
Profit and Loss (Net profit for the year)		412 290
	1 842 300	**1 842 300**

Additional Information:

- On 1 August 2014 the owner invested an additional R150 000 into the business. This entry was properly recorded.
- R20 000 of the fixed deposit will mature within the next six months.
- An amount of R51 750 in respect of the loan will be paid in the next financial year.

QUESTION 5: RATIO ANALYSIS (30 marks; 18 minutes)

The following information was extracted from the books of Phiri Traders for the year ended 28 February 2015. (Round off to two decimal places)

REQUIRED:

5.1 Calculate the following:

5.1.1 Percentage mark-up achieved (4)

5.1.2 Percentage return on owner's equity (4)

5.1.3 Current ratio (6)

5.1.4 Acid test ratio (4)

5.2 The targeted mark-up is 78%. Did the business achieve this mark up percentage? Explain using figures. Provide THREE reasons. (7)

5.3 Should Phiri Traders be satisfied with the liquidity position? Explain by quoting TWO financial indicators or figures to support your answer. (5)

Information

A List of balances on 28 February 2015	
Owner's equity	255 000
Trade and other payables	21 700
Creditors' control	17 500
Bank overdraft	4 200
Trade and other receivables	45 570
Trading stock	18 530
Cash float	1 000
Debtors' control	26 040
Cost of sales	281 250
Gross profit for the year	168 750
Net profit for the year	50 000

Financial Indicators	**2015**	**2014**
Current ratio	?	3,3 : 1
Acid test ratio	?	2,4 : 1

QUESTION 6: VAT, COST AND BUDGETS (30 marks; 18 minutes)

6.1 **VAT**

6.1.1 What does VAT stand for? (1)

6.1.2 What is the current VAT rate in South Africa? (1)

6.1.3 Complete the following table in respect of VAT:

Taxes paid by	Type of taxation	Direct or indirect taxation	Taxes paid on
Employees	**A**	Direct	**B**
C	VAT	**D**	Goods/expenses/services

(4)

6.1.4 A Shady, owner of Shady Stores, is not registered for VAT. However, he charges VAT to all his customers and he does not pay the VAT over to SARS. Comment on his practise and state what consequences he could be faced with if he is reported to SARS. (4)

6.2 **Cost Accounting**

Choose the word/phrase from the list that best fits the definition.

Indirect material cost, variable cost, direct labour cost, indirect labour cost, fixed cost, direct material cost, administration cost, prime cost.

6.2.1 Costs that vary according to the number of units produced (2)

6.2.2 Material costs that could easily be identified as part of the final product. (2)

6.2.3 Costs that should be paid whether production took place or not. (2)

6.2.4 All materials used to manufacture the final product but that are not easily identifiable as part of the final product. (2)

6.2.5 Salary of the factory manager. (2)

6.3 **Budgets**

6.3.1 What is a cash budget? (2)

6.3.2 Name TWO users of cash budgets. (2)

6.3.3 Explain THREE reasons for preparing a cash budget. (6)

TOTAL: 300

END