GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2018

GRADE 10

ACCOUNTING
PAPER 2

TIME: 2 hours

MARKS: 150

12 pages

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INSTRUCTIONS AND INFORMATION

1. Answer all questions in the ANSWER BOOK provided.
2. Show all workings where applicable in order to earn part marks.
3. Read all instructions carefully.
4. Try at all times to adhere to the suggested time allocation.
5. Non-programmable calculators may be used.
6. Write neatly and legibly.

QUESTION	TOPIC	MARKS	TIME
1	VAT and Inventory	34	27 minutes
2	Creditors' Reconciliation and Internal Control	42	34 minutes
3	Manufacturing	20	16 minutes
4	Budgets	25	20 minutes
5	Fixed assets and Internal Control	29	23 minutes
	TOTAL	**150**	**120 minutes**

QUESTION 1: 34 marks; 27 minutes	
Topic of the question:	**This question integrates:**
VAT and Inventory	VAT concepts VAT basic calculations Inventory

QUESTION 2: 42 marks; 34 minutes	
Topic of the question:	**This question integrates:**
Creditors' Reconciliation	Creditors' Reconciliation Internal Control

QUESTION 3: 20 marks; 16 minutes	
Topic of the question:	**This question integrates:**
Manufacturing	Manufacturing concepts Manufacturing basic calculations

QUESTION 4: 25 marks; 20 minutes	
Topic of the question:	**This question integrates:**
Budgets	Budget concepts Budgets basic calculations

QUESTION 5: 29 marks; 23 minutes	
Topic of the question:	**This question integrates:**
Tangible Assets	Tangible assets and depreciation Internal control of assets

QUESTION 1: CONCEPTS, VALUE ADDED TAX AND INVENTORY

(34 marks; 27 minutes)

1.1 VAT CONCEPTS

REQUIRED:

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK. (1x5)

1.1.1 Input VAT is the amount of VAT charged by a business on goods and services provided to customers or clients.

1.1.2 Items such as education and healthcare on which VAT is currently not charged are known as VAT exempted items.

1.1.3 Compulsory registration for VAT is when a business whose annual turnover exceeds R3 million is required to register as a VAT vendor.

1.1.4 The VAT standard rate of 15% is deducted from salaries of employees and payable to SARS.

1.1.5 VAT payable to SARS is determined by subtraction of Input VAT from Output VAT charged.

1.2 VAT CALCULATIONS

The information provided below is extracted from the books of Taylor Stores on 30 June 2018.

REQUIRED:

Complete the table by calculating the missing amounts using the standard rate of 15%. (8)

No.	Exclusive	VAT	Inclusive
Eg.	R648	R97.20	R745.20
1.2.1	?	R840	R6 440
1.2.2	?	R135	?
1.2.3	R420	?	?
1.2.4	R2 100	?	R2 415
1.2.5	?	?	R736

1.3 **INVENTORY**

The information provided below is taken from the books of Naidoo Traders. The business uses a mark-up of 20% on cost.

REQUIRED:

Prepare the Trading Stock account in the General Ledger of Naidoo Traders for April 2018, and balance the account properly. (21)

INFORMATION:

A. The Trading Stock account has an opening balance of R10 000.

B. Cash sales for the month amounted to R9 480.

C. Naidoo Traders was given a trade discount of 5% on the goods that were bought for cash. The discount amounted to R190. Calculate the cash purchases.

D. Credit sales for the month amounted to R26 520.

E. Return of goods by debtors amounted to R720.

F. Credit purchases for the month amounted to R14 281.

G. Returns to suppliers for goods amounted to R1 426.

H. Paid for the delivery of goods from petty cash, R47.

QUESTION 2: CREDITORS' RECONCILIATION AND INTERNAL CONTROL

(42 marks; 34 minutes)

2.1 **BAFANA TRADERS**

The bookkeeper of Bafana Traders made errors when posting to the Creditors' Control account on 30 November 2018. The balance in the Creditors' Control account did not correspond with the Creditors' List extracted from the Creditors' Ledger.

REQUIRED:

Take into account the errors and ommissions provided in **INFORMATION C** and prepare the following:

2.1.1 Set up the correct Creditors' Control account for November 2018 in the General Ledger. Balance the account correctly. (19)

2.1.2 Correct list of creditors on 30 November 2018. (17)

INFORMATION A:

GENERAL LEDGER OF BAFANA TRADERS									
DR		**CREDITORS' CONTROL**						**B6**	**CR**
Nov	01	Balance	b/d	4 380	Nov	30	Purchases	CJ	45 700
	30	Bank	CPJ	32 400			Creditors' Allowances	CAJ	2 108
		Journal debits	GJ	2 650			Discount	CPJ	1 850
		Balance	c/d	11 518			Journal credits	GJ	1 290
				50 948					**50 948**
					Dec	01	Balance	b/d	11 518

INFORMATION B:

LIST OF CREDITORS ON 30 NOVEMBER 2018		
NAME	**Debit**	**Credit**
PP Traders		3 890
Townsend Stores		1 300
Longwitz Traders		4 512
Numero Motors		4 640
Fanele Distributors	260	
	260	14 342

INFORMATION C:

ERRORS AND OMMISSIONS

(i) Invoice 196 received from Townsend Stores for R1 480 was posted to the account of Longwitz Traders in the subsidiary ledger.

(ii) The business decided to transfer the balance of Fanele Distributors to the Debtors' Ledger. No entry was made.

(iii) Invoice 231 received from PP Traders for merchandise purchased on credit for R2 300 was incorrectly recorded in the Creditors' Journal as R3 200.

(iv) The business returned some spares bought for the delivery van, to the value of R860 to Numero Motors. The amount was correctly recorded in the Creditors' Allowances Journal but it was posted to the Creditors' Ledger as credit purchases.

(v) PP Traders supplies goods to Bafana Traders and also buys from Bafana Traders. The debit balance of R640 on their account in the Debtors' Ledger is to be transferred to their account in the Creditors' Ledger.

2.2 Batho-Pele Traders reconciles the records of creditors on a monthly basis. The owner is concerned about the huge amounts that are paid to creditors which do not match the stock levels in the warehouse. There is also a minimal improvement in the sales figures.

2.2.1 What could be the reason for the shortage of stock? Provide ONE reason. (2)

2.2.2 Which control procedures should be applied by the business to ensure that stock is safeguarded? Provide TWO points. (4)

QUESTION 3: MANUFACTURING (20 marks; 16 minutes)

3.1 MANUFACTURING CONCEPTS

Choose the correct word(s) from COLUMN B to match the description in COLUMN A. Write only the letter (A – D) next to the number (3.1.1 – 3.1.4) in the ANSWER BOOK. (4)

COLUMN A		COLUMN B	
3.1.1	Costs that have to be paid, no matter how many goods are produced	A	Labour costs
3.1.2	All the costs that are not directly involved in the production of goods	B	Prime costs
3.1.3	The costs of the direct material and the cost of the direct labour	C	Fixed costs
3.1.4	The costs of labour involved in the manufacturing of goods	D	Manufacturing overheads

3.2 MANUFACTURING CALCULATIONS

Armaan Bodhania owns a small manufacturing enterprise, called Bohemia's Custom-Made Furnishers. In January 2018, the headmistress of Hillview Primary School, Mrs Jafta, requested Armaan to make 40 special tables for the new Art centre at the school.

REQUIRED:

Use the information provided below to complete the following calculations.

3.2.1 Calculate the direct material cost. (3)

3.2.2 Calculate the direct labour cost. (2)

3.2.3 Calculate prime cost. (3)

3.2.4 Calculate the total cost of production. (5)

3.2.5 Calculate the unit cost of ONE table. (3)

INFORMATION:

A. Material cost to manufacture the tables:

Wood	R16 000
Steel for structure	R5 500
Nuts, bolts and screws	R1 100
Glue	R300
Wood oil	R500
Paint	R600

B. Armaan works from a small factory in Actonville and pays rent of R11 000 per month.

C. His water and electricity bill for January 2018 was R1 800.

D. R250 is paid to the casual employee for each table produced.

E. 40 tables were produced.

F. The production of the tables took one month to produce – January.

QUESTION 4: BUDGETS **(25 marks; 20 minutes)**

4.1 **BUDGET CONCEPTS**

REQUIRED:

Choose a term to complete each of the following statements. Write only the term next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.

Capital expense; Short-term budget; Tax; Budget; Capital budget; Revenue Budget

4.1.1 A ... is a statement of estimated receipts and payments for a specific period of time.

4.1.2 A ... is a forecast of the future expenditure on fixed assets.

4.1.3 A ... is a bugdet prepared for a period of 3 or 6 months.

4.1.4 ... is the main source of income for the government. (4x1)

4.2 **CALCULATIONS ON BUDGETS**

Read the information provided below and answer the questions that follow.

Jane Jaxa has been employed by Reeza Textiles for 3 years. Her annual salary in 2018 amounts to R150 000 after deductions. She has been planning a beach holiday to Thailand in January 2019 and the total cost of the holiday including airfares, accommodation, meals and spending is R26 000. She intends using her annual bonus towards her holiday.

REQUIRED:

Answer the following questions.

4.2.1 Calculate the monthly salary received by Jane after deductions. (2)

4.2.2 Calculate the total income that will be received by Jane in December, also refer to **INFORMATION B**. (3)

4.2.3 Calculate Jane's monthly expenses. (3)

4.2.4 Calculate the amount of money that Jane needs to save on a monthly basis. (3)

4.2.5 Will Jane have saved enough money, including her annual bonus to pay for her holiday in January 2019? Support your answer with a calculation. Indicate the deficit / shortfall or surplus. **(Also refer to INFORMATION C.)** (8)

4.2.6 Referring to her monthly expenses below, which TWO expenses could she cut back on in order to increase her monthly savings? (2)

INFORMATION:

A. Jane's monthly expenses are made up as follows:

Car re-payment	R3 100	Clothing accounts	R800
Telephone	R250	Water and electricity	R750
Cell phone	R300	Entertainment	R400
Rent	R2 200	Groceries	R1 800
Insurance	R700	Petrol	R 1200
Savings	R?		

B. Jane will get a bonus of R13 000 at the end of December.

C. Jane intends to spend only 90% of her savings towards the holiday.

QUESTION 5: FIXED ASSETS AND INTERNAL CONTROL (29 marks; 20 minutes)

5.1 **FIXED ASSETS**

Ocean Breeze Traders' financial year ends on 28 February 2018. K. Skoler is the owner.

K. Skoler has requested your help with the following:

REQUIRED:

5.1.1 Prepare the Fixed / Tangible assets note to the financial statements. (24)
Show all calculations to earn marks.

5.1.2 According to which GAAP principle should all assets bought be recorded at the original cost price? (1)

INFORMATION:

Extract from the Pre-adjustment Trial Balance on 28 February 2018

	Fol	Debit	Credit
Balance sheet accounts section			
Land and buildings		450 000	
Vehicles		130 000	
Equipment		42 900	
Accumulated depreciation on vehicles			58 500
Accumulated depreciation on equipment			13 080

Adjustments and additional information:

- Depreciation on equipment must be calculated at 15% p.a. on the diminished balance method. Equipment for R12 000 was purchased on 1 December 2017 and correctly recorded.
- Depreciation on vehicles must be calculated at 20% p.a. on the cost price.

5.2 **INTERNAL CONTROL – BEKEZELA TRANSPORTERS**

Read the information below and answer the question.

Bekezela Transporters is owned by Bekezela Majola. He owns trucks and does deliveries within the boundaries of South Africa. One of his drivers has been hijacked twice in less than 8 months.He is worried that the insurance premuims have increased hugely because of claims submitted.

REQUIRED:

As an internal auditor of Bekezela Transporters what advice would you give to the owner of the business for better internal control? Provide TWO points. (4)

TOTAL: 150

END