

**GAUTENG PROVINCE**

Department: Education

REPUBLIC OF SOUTH AFRICA



**ACCOUNTING**

*Stanmorephysics.com*

**SCHOOL-BASED ASSESSMENT**



**GRADE 10**

*Stanmorephysics.com*

**2021**

**PRESENTATION : TERM 1 - 2021**

**Total Marks: 50**

**Time Allocated: 1 hour**

**QUESTION 1 : INDIGENOUS BOOK-KEEPING**

**Sipho's Repairs and Maintenance**

Sipho Khumalo is a qualified motor mechanic, two years ago their company offered the retirement packages and he volunteered to take an early retirement. He decided to start his small business of repairing cars. The name of his business is called Sipho's Repairs and Maintenance, he is operating his business from home, and he converted their garage to a workshop. The money he got from his pension fund was used to buy tools, equipment and a new second hand van.

He employed Thomas as an assistant and he earns R250 per day, Thomas is paid wages at the end of each week. At the beginning of each week, Sipho deposits R2, 000 in the petty cash box which he use for daily expenses. He charges R750 labour costs for servicing the cars and a minimum of R500 for repairs. The surplus funds are deposited into his Savings Account every Friday.

**REQUIRED**

Sipho Khumalo is planning to register his business in the next year, he wants to monitor his payments and receipts so that he can apply for funding. Sipho has asked you to present to him a record of payments and receipts for the last week of November 2020.

- 1.1 Record the transactions for the week ending 27 November 2020 in the Receipts and Payments Book. Balance the book on 27 November 2020. (20)
- 1.2 Your presentation should also identify **TWO** areas of weaknesses in the handling of cash. In **ONE** point provide advice on how the cash receipts can be better handled. (6)

**TRANSACTIONS FOR 23 NOVEMBER 2020 – 27 NOVEMBER 2020:**

- 23
  - Cash on hand in petty cash box, R2 000.
  - Received R1 400 cash from Mrs Sithole for servicing a car.
- 24
  - Bought airtime for his cell phone for R300.
  - Bought spares from SN Spares Shop to repair a car and paid R850.
  - Bought the family grocery, paid R1 200.
- 25
  - Received 75% from the client whose car was repaired last month, the amount outstanding is R500.
  - Four clients brought in cars for major service, 3 of the clients paid R1 800 each and the fourth client only paid 60% of R1 800.
- 26
  - Paid R500 cash for his daughter's school fees.
  - Spent R300 for workshop refreshments
  - Paid the electricity bill of R700 to Eskom

27 The following transactions took place on the 27<sup>th</sup> of November :

- Charged Mrs Baloyi R3 400 for repairing her car, she only paid R2 500 and the outstanding amount will be paid on 30 November 2020.
- Sipho gave his daughter R350 to pay the hairdresser.
- Paid the weekly wages to Thomas, he worked for 5 days.
- Sipho deposited the extra money that he made for the week into his savings account, R2 000 must remain in the petty cash box.

26



## QUESTION 2 : FORMAL AND INFORMAL BUSINESS

### Sipho's Motor and Wheels Services.

Moses Radebe inherited the petrol station from his deceased father, they also repair cars and fix tyres. The business premises are two blocks away from Sipho Khumalo's house. Moses's father had years of experience in the mechanical industry, Moses decided to rent out the section of car and tyres repairs because he lacked relevant skills and experience.

On 1 December 2020, Moses approached Sipho, he proposed the following: to rent out the workshop for R10 000 per month, workshop machinery and tools offered for R100 000. Sipho agreed to pay R60 000 in cash for the equipment and settle the balance in five instalments starting from the end of January 2021. It was also agreed that Sipho may start operating on 1 January 2021 and would pay the rent at the end of January 2021.

Sipho's business had to change from informal business to a formal business. He had to register for VAT; employ an accountant, three mechanics and a person who will fix and handle the tyres. The business current account was opened using the registered name of the business. Sipho registered his business as Sipho's Motor and Wheels Services.

### REQUIRED

Prepare a presentation that will indicate the difference between the formal and informal business and how the transactions presented in this activity will be recorded in the books of the business using the double entry system.

- 2.1 Use the headings provided on the ANSWER BOOK to explain the differences between informal and formal business. (6)
- 2.2 Use the headings provided on the ANSWER BOOK and record the following transactions in the books of Sipho's Motor and Wheels Services. (13)

### INFORMATION:

#### Extracted transactions for January 2021:

- 2 Sipho transferred R80 000 from his personal savings account via EFT to Sipho's Motor and Wheels Services as capital contribution.
- 3 Sipho's Motor and Wheels Services received an invoice of R100 000 from Moses Radebe and he transferred R60 000 as deposit for the machinery via EFT.
- 10 Sipho purchased tyres from Samson Wheels, the cost of R40 000 was reduced by 20%, he used debit card to pay for this transaction.
- 15 Cash sales of tyres amounted to, R10 800. The business uses a mark-up of 80% on cost price.
- 31 Paid Moses Radebe the first instalment on the machinery as well as the rent for January 2021, funds were transferred electronically (EFT).

**QUESTION 3 : GAAP PRINCIPLES AND INTERNAL CONTROL**

Sipho's wife uses the second hand van to drop him off at work in the morning. He fills the van with fuel from Moses Radebe's Garage. The fuel is recorded as a business expense.

The spares and tyres are locked in a storeroom and Sipho opens the storeroom every morning. Employees are allowed to go into the storeroom and collect spares for servicing and repairs when tyres are sold. During a physical stocktaking on 28 February 2021 it was discovered that there was a shortage of stock that amounted to R20 400.

**REQUIRED**

Prepare a short presentation that will explain the concepts and address issues raised below.

- 3.1 Briefly explain **ONE** internal control measure that should be implemented to prevent theft of trading stock. (2)
- 3.2 Name and explain the GAAP principle relating to fuel that is recorded as a business expense (3)

<b>MARKS</b>
<b>5</b>



**2021 - TERM 1  
GRADE 10  
PRESENTATION  
ANSWER SHEET**

<b>NAME</b>		<b>DATE</b>	
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<b>Question</b>	<b>Criteria</b> <i>Stanmorephysics.com</i>	<b>Maximum marks</b>	<b>Marks Obtained</b>
<b>One</b>	As Per Memorandum	<b>26</b>	
<b>Two</b>	As Per Memorandum	<b>19</b>	
<b>Three</b>	As Per Memorandum	<b>05</b>	
	<b>TOTAL</b>	<b>50</b>	

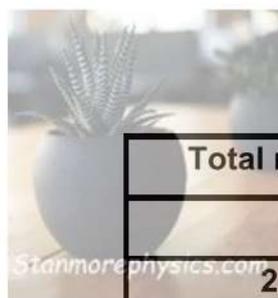
<b>50</b>



1.2 Your presentation should also identify **TWO** areas of weakness in the handling cash. In **ONE** point explain how the cash receipts can be better handled.

<b>Weakness</b>  <b>Handling of Cash received</b>
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<b>6</b>



<b>Total marks</b>
<b>26</b>

**QUESTION 2 : FORMAL AND INFORMAL BUSINESS**

2.1 Use the headings provided on the ANSWER BOOK to explain the differences

<b>Informal</b>	<b>Formal</b>
<b>Selling price</b>	
<b>Cost of sales</b>	
<b>Labour costs</b>	
	

2.2 RECORDING OF TRANSACTIONS OF A FORMAL BUSINESS

GENERAL LEDGER			
Day	Account Debited	Account Credited	Amount
2	Bank		80 000
3	Equipment	Creditors control	100 000
		Bank	60 000
10		Bank	
15	Bank		10 800
		Trading Stock	
31		Bank	
		Bank	10 000

13



Total Marks
19

**QUESTION 3: GAAP AND INTERNAL CONTROL**

**3.1** Briefly explain **ONE** internal control measure that should be implemented to prevent theft of trading stock.



2

**3.2** Name and explain the GAAP principle relating to fuel that is recorded as a business expense.

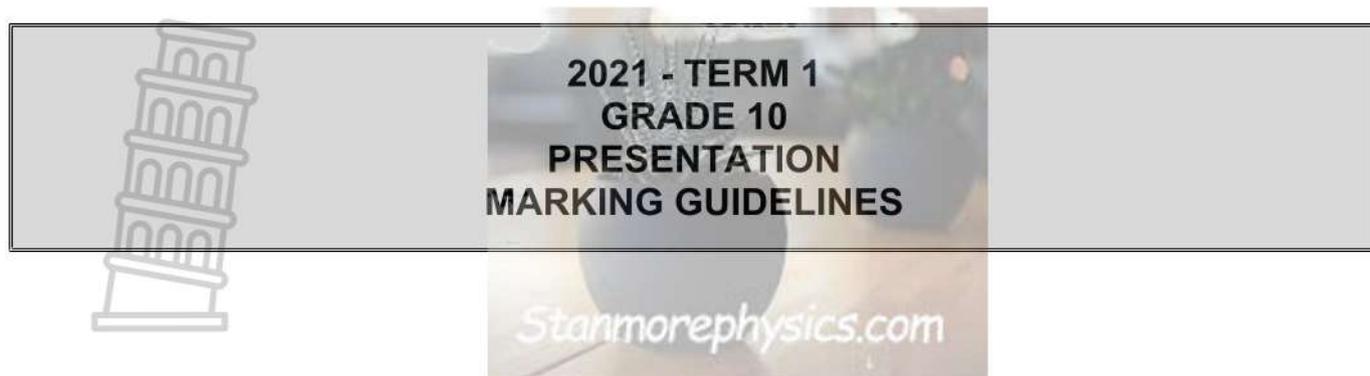
**Principle:**

**Explanation:**



3

<b>Total Marks</b>
5



<b>Question</b>	<b>Criteria</b>	<b>Maximum marks</b>	<b>Marks Obtained</b>
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<b>Three</b>	As Per Memorandum	<b>05</b>	
	<b>TOTAL</b>	<b>50</b>	

<b>50</b>

QUESTION 1

1.1 RECEIPTS AND PAYMENTS BOOK							
RECEIPTS				PAYMENTS			
Month	Day	Details	Amount	Month	Day	Details	Amount
Nov	23	Cash on hand	✓2 000	Nov	24	Airtime	✓300
		Mrs Sithole	✓1 400			Spares	✓850
	25	Service	✓ 1 500			Grocery	✓1 200
		Service	☑6 480		26	School fees	✓500
		5 400✓✓+ 1 080✓✓				Refreshments	✓300
	27	Mrs Baloyi	✓2 500			Electricity /Eskom	✓700
					27	Hairdresser	✓350
						Wages (250x5)	✓☑1 250
						Deposit in savings	☑6 430*
						Cash on hand	✓2 000
			13 880				13 880
Nov	30	Cash on hand	2 000				
							...../ 20

\*Balancing figure

1.2 Your presentation should also identify **TWO** areas of weakness in the handling cash. In **ONE** point explain how the cash receipts can be better handled.

**Weakness**

**Two marks for each valid area of weakness ✓✓ ✓✓ and one mark for partially correct point**

- The owner handles large amounts of cash, the business is at risk of being robbed of cash.
- Too much cash is spent on personal or private expenses

**Handling of Cash received**

**Two marks for a valid point ✓✓ and one mark for partially correct point**

- Bank cash on regular intervals, instead of once a week
- Apply for a speed point machine, to process card payments
- The owner must allocate cash to be withdrawn for personal use weekly or monthly.

6
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<b>Total Marks</b>
...../26

**QUESTION 2 : FORMAL AND INFORMAL BUSINESS**

2.1 Use the headings provided on the ANSWER BOOK to explain the differences between informal and formal business.

Informal	Formal
<i>Allocate one mark for each item ✓ ✓ ✓ (1x3)</i>	<i>Allocate one mark for each item ✓ ✓ ✓ (1x3)</i>
<b>Selling price</b>	
<ul style="list-style-type: none"> <li>• Prices can be changed quickly</li> <li>• Most businesses do not use the mark-up percentage to calculate sales</li> <li>• Most goods are sold for cash</li> </ul>	<ul style="list-style-type: none"> <li>• Prices cannot be changed quickly</li> <li>• The price is determined on a cost-plus gross profit percentage basis</li> <li>• Goods can be sold for cash or on credit</li> </ul>
<b>Cost of sales</b>	
<ul style="list-style-type: none"> <li>• All items are bought for cash</li> <li>• The business keeps minimal trading inventory.</li> </ul>	<ul style="list-style-type: none"> <li>• Goods are bought for cash or on credit</li> <li>• Certain level of trading stock kept in reserve (storage facility)</li> <li>• Stock-taking is done regularly to determine value of opening and closing stock.</li> </ul>
<b>Labour costs</b>	
<ul style="list-style-type: none"> <li>• Employer does not have to formally register for statutory contributions such as SDL.</li> <li>• The only labour costs are wages.</li> </ul>	<ul style="list-style-type: none"> <li>• Employer has to register the employees with department of Labour.</li> <li>• Certain contributions are required by law, for example Skills Development Levies, Unemployment Insurance Fund, and PAYE.</li> </ul>

2.2 RECORDING OF TRANSACTIONS OF A FORMAL BUSINESS

GENERAL LEDGER			
Day	Account Debited	Account Credited	Amount
2	Bank	Capital ✓	80 000
3	Equipment	Creditors control	100 000
	Creditors control ✓	Bank	60 000
10	Trading Stock ✓	Bank	32 000 ✓✓
15	Bank	Sales ✓	10 800
	Cost of sales ✓	Trading Stock	6 000 ✓✓*
31	Creditors control ✓	Bank	8 000 ✓✓
	Rent expense ✓	Bank	10 000

✓\* Amount must be less than 10 800

13
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Total Marks
19

**3.1 Briefly explain ONE internal control measure that should be implemented to prevent theft of trading stock.**

Any one valid answer ✓✓

- The storeroom must be locked at all times, the owner must keep the keys.
- Install cameras / improve security by installing cameras
- A storeroom manager must be employed/allocate this responsibility to one of the trusted employees
- A register must be kept for the movement of stock (stock received and stock issued).
- Any acceptable answer

2

**3.2 Name and explain the GAAP principle relating to fuel that is recorded as a business expense.**

**Principle:**

Business Entity ✓

**Explanation:** ✓✓

- The financial transactions of the business and the owner must be kept separately, **OR**
- Fuel must be recorded as drawings and not as business expense.

3

<b>Total Marks</b>
5