



Subject: Grade 10 Accounting
Topic: Accounting: Term 1 - Mini-Exam
Total: 117 Marks

1. integrity • objectivity

6 marks

Explanation:

Ethical principles are:

- **Integrity** - doing the right thing even when nobody is watching (eg handing in a lost wallet instead of pocketing it)
- **Confidentiality** - not disclosing information to anybody that does not need to know (eg HR disclosing the salaries of your colleagues)
- **Objectivity** - being neutral in decision-making, not favoring any stakeholder over the other (eg hiding profit from SARS to avoid tax but showing profit to the bank for the purpose of borrowing money)

Religion and political views often divide people when they have different views and beliefs and do not relate to ethics in the workplace. Although the object of a business is to make profit, it cannot be done at the expense of the environment or employees.

2. Prudence

3 marks

Explanation:

The concept of **Prudence** provides that accountants should be conservative in the preparation of their financial statements. If, historically, of debtors never pay, then a Provision for Bad Debts of must be made to adjust trade debtors downwards.

3. false

2 marks

Explanation:

Petty cash is drawn from the **current account** (recorded as CPJ), not cash float.

Petty cash is a box of physical cash (notes and coins) used for small, sundry operational expenses.

A **cash float** is the **physical cash** (also notes and coins) **kept in a cash register** for giving change to customers at a retailer. It is important to keep the two amounts separate for accounting purposes.

4. true

2 marks

Explanation:

'**In settlement**' implies that no more money will be received from the debtor. The must be written off as an expense. It is not a bad debt, but rather treated as a discount on payment (an unfortunate cost of doing business).



5. true

2 marks

Explanation:

of is .
.

Stock will be recorded at the discounted price of .

6. C: Provide for Water & Lights

4 marks

Explanation:

Stock purchased on credit will be a Creditors journal (CJ).

Stock purchased for cash will be a Cash Payments journal (CPJ).

Payment received from a debtor is Cash Received journal (CRJ).

Provision for Water and Lights is a General Journal. The **Matching concept** states that there should be 12 payments for Water & Lights in a financial year.

7. B: Quantities of goods received should be checked against suppliers invoices.

4 marks

Explanation:

The internal control applicable to creditors is the **checking of goods received against the invoices** from suppliers, in order to make sure that the business received the goods for which it owes money.

The other controls are for **debtors**.

8. R512 | 512 | R512,00

3 marks

Explanation:

Cost price =

=

=

Debit: Stock

Credit: Cost of Sales

9. false

2 marks

Explanation:

The correct entry is:

Debit: Bank (money has been received)

Credit: Bad Debts Recovered (this is a form of income).

The was expensed/written off to Bad Debts in a previous financial year. It is now recorded as an item under Other Operating Income.

10. B: Cash Payments Journal

4 marks

Explanation:

The fact that a payment was made, means that this is a **Cash Payments Journal** (CPJ).

The amount must be allocated to Drawings, not Insurance expense.

11. D: Going Concern

4 marks

Explanation:

The business assumes that it will continue to trade for the foreseeable future. This assumption makes it a **going concern**. If it was about to cease operations, it would not be buying more stock. Rather, it would cut the cost of its stock in the hopes of getting rid of it.

12. Source documents | source document

3 marks

Explanation:

Invoices, receipts and bank statements are types of **source documents**. They are used to record transactions in a business and form the basis for accounting records.

13. A: Discipline

4 marks

Explanation:

Discipline can be defined as the **practise of training people to follow a code of behaviour** (with consequences for those who do not). This is a very important function of management.

14. false

2 marks

Explanation:

A business must apply the **principle of Materiality** - this means that **bank charges and interest must be treated separately**, no matter how small. Disclosing Interest Expense tells potential investors that the business is already paying interest to a lender.

Obviously a **coffee purchase cannot** be counted as **bank charges**.

Bank charges include cash deposit fees, internet bank subscription and ATM charges.

15. false

2 marks

Explanation:

It is permissible to apply any mark-up to a product if customers are willing to pay the price. However, on basic goods like bread and milk, mark-up should not be so high as to negatively affect customers.

16. C: Debtors

4 marks

Explanation:

Drawings is a reduction in the owner's contribution to the business, hence it is **part of OE**.

Interest Income will increase the value of OE, while **Insurance expense** will decrease it.

Debtors is a **current ASSET**.

17. Creditors Allowance journal | Creditor Allowance journal | CAJ

3 marks

Explanation:

The debit note will accompany the stock that is returned to the creditor, with reasons for the return. A copy of the debit note will be used by the business to record the return in the **Creditors Allowance Journal** (CAJ), which will then be used to adjust the creditor's account.

18. decrease • decrease • zero effect

6 marks

Explanation:

Cash in the **bank**, an **asset**, will **decrease** because the amount was actually paid.

Profit will **decrease** because **Insurance** is an **expense**. This will **decrease** the value of **Owners equity**.

Monthly **insurance** is an **expense**, not a liability. There is **no effect on Liabilities**.

19. R1 160 | 1 160

3 marks

Explanation:

, rounded off will be .

Debit: Bad Debts

Credit: Debtor

20. B: customers

4 marks

Explanation:

Credit checks are performed on **prospective customers** who wish to buy on credit. It is important to do a background check on a business, to ensure that they are credit-worthy and will honour their commitment to pay accounts in 30 days. This also reduces the chances of debts being written off.

21. Internal controls | Internal control

3 marks

Explanation:

Internal controls are used to **prevent** and/or **detect fraud** and **errors** in a business.

Examples of internal controls are **stock counts** and **bank reconciliations**.

22. credit • R6 000 • credit • R4 000

12 marks

Explanation:

XYZ received the **stock**, but is now returning it (**credit**). Their liability of towards the supplier will cease once the stock is returned - **Creditors control (debit)**.

The supplier will put the **stock** back in their warehouse (**debit**) at their cost price of , and reverse the **Cost of Sales (credit)**.

23. decrease • R1 300 • increase • R104

10 marks

Explanation:

The amount paid will be of the original invoice.

.

The payment was in settlement of the debt, hence the debtor owes nothing more. of the invoice amount is .

The entry would be:

Debit: Bank

Debit: Discount Allowed

Credit :Debtor

24. true

2 marks

Explanation:

In an **informal business**, **fixed assets** are treated as **once-off purchases** that do not have value after one year. Street vendors might use a table and/or chair to display their goods but do not depreciate these items.

25. General Journal • Cash Payments Journal

4 marks

Explanation:

When purchasing stock on credit, the entry was:

Debit: Stock

Credit: Creditors

This was a **Creditors Journal**.

After failure to pay, the creditor charged XYZ Traders interest of . XYZ traders must record the interest as:

Debit: Interest Paid/Expense

Credit: Creditors

This is done via a **General Journal**.

To settle the account means to pay the creditor, which is a **Cash Payments Journal**.

26. C: Debit: Creditors Control; Credit: Stock

4 marks

Explanation:

Stock is a current asset, usually recorded as a debit. When it is returned, the Stock account must be *credited*.

Likewise, a purchase on account raises a liability, which is a credit. When the liability is reversed, the Creditors account must be *debited*.

27. false

2 marks

Explanation:

A cash withdrawal from an ATM is recorded in the **Cash Payments Journal (CPJ)**. It represents an amount going out of the bank account, which is reflected as a credit on the Bank account in the General Ledger.

28. informal | indigenous

3 marks

Explanation:

A street vendor has an **informal** or **indigenous** accounting system. The object is not to make profit, but rather to make **money**. This means that generally, no cost of sales, fixed assets or stock are recorded.

29. savings account • inventories • trade debtors

6 marks

Explanation:

Current assets are those that are used by the business within 12 months. These include **inventories** for sale, a **savings account** for short-term emergencies and **trade debtors**.

An investment account and fixed deposit account are generally for long-term saving (more than 12 months).

Trade creditors is a *current liability*.

30. technical expertise • experience

4 marks

Explanation:

In some professions such as law, auditing or medicine, candidates are required to pass a stringent set of qualifying exams as well as have suitable training (called articles or internship). After achieving these, the candidate is deemed to have sufficient knowledge and training, irrespective of culture or political beliefs.

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