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MARKS

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NATIONAL SENIOR CERTIFICATE EXAMINATION  
MAY 2023

**ACCOUNTING: PAPER II**

**EXAMINATION NUMBER**

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Time: 2 hours

100 marks

**PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY**

1. This question paper consists of 16 pages, an Information Booklet of 9 pages (i–ix) and a Formula Sheet of 1 page (i). Please check that your question paper is complete.
2. Read the questions carefully.
3. Answer the questions in the space provided.
4. It is in your own interest to write legibly and to present your work neatly.
5. You may **not** use red or green ink. **You may use a pencil, but please use a soft, dark pencil.**
6. All calculations should be rounded off to **two decimal places**.
7. The allocation of marks and appropriate time to be spent on each question are as follows:

	Possible marks	Actual marks	Marker signature	Moderator signature
<b>Question 1: Budgets (39 minutes)</b>	<b>33</b>			
<b>Question 2: Company Analysis (58 minutes)</b>	<b>48</b>			
<b>Question 3: Reconciliations (23 minutes)</b>	<b>19</b>			
<b>TOTAL</b>	<b>100</b>			

**QUESTION 1 BUDGETS**

**[33 marks; 39 minutes]**

**This question consists of two parts, Part A and Part B. The two parts must be seen independently of each other.**

**Part A**

**[22 marks; 26 minutes]**

**Refer to the information relating to Tshwane Traders.**

1.1 Complete the Debtors Collection Schedule below.

	<b>Credit sales</b>	<b>March 2023</b>	<b>April 2023</b>
February 2023	1 080 000	594 000	-
March 2023	*	*	*
April 2023	1 650 000	-	633 600

(5)

Calculations:

1.2 Calculate the amount of bad debts to be written off on **30 April 2023**.

(2)

- 1.3 Complete the extract of the Cash Budget below.  
Use the space provided to show appropriate calculations.

<b>Extract from the Cash Budget of Tshwane Traders</b>		
	<b>March 2023</b>	<b>April 2023</b>
<b>Receipts</b>		
Cash Sales	*	3 850 000
Cash receipts from debtors		
Rent	*	*
<b>Payments</b>		
Cash purchases of stock	1 918 800	*
Payments to creditors	541 500	*
Drawings	40 000	40 000
Rates and taxes	*	*

(12)

Calculations of cash purchases:
Calculation of payment to creditors:
Other calculations:

1.4 Provide the following amounts as they would appear on the Projected Statement of Comprehensive Income:

1.4.1 Discount allowed for March 2023.

(2)

1.4.2 Rent income for March 2023.

(1)

**Part B**

**[11 marks; 13 minutes]**

**Refer to the information relating to Sawubona Stores.**

Study the Cash Budget of Sawubona Stores for April and May 2023, together with the actual results achieved for April and May 2023 to answer the questions that follow.

**Note:** All goods are sold for cash and all goods are purchased on credit.

1.5 Explain the importance of comparing the budgeted figures with the Actual Figures achieved for the same period.

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(1)

1.6 The owner is of the opinion that the accountant of Sawubona Stores did a good job controlling the budget for **May 2023**. By comparing the actual to the budgeted figures for May 2023, comment on how efficiently the budget was controlled.

Quote TWO figures from the given information to substantiate this viewpoint.

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(2)

1.7 By what percentage did the actual cash sales for April 2023 exceed the amount budgeted for the same period?

(1)

1.8 Sawubona Stores operate with a fixed base level of stock and they add a 50% profit mark-up on cost price to all goods sold. All stock is purchased on credit and paid in full at the end of the month in which it was purchased. No stock was donated or taken by the owner.

1.8.1 Did they maintain the fixed-base level of stock? Supply an appropriate calculation to support your choice.

Yes, they maintained it

No, they did not maintain it

Calculation:

(1)

1.8.2 Supply TWO consequences of **not** maintaining a fixed base of stock and indicate the effect this could have on the profit earnings of the business.

- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(4)

1.9 Would the **shop assistants** be satisfied with their April **and** May 2023 salary payments?

Yes

No

Quote appropriate figures to substantiate your choice above.

April:
May:

(2)

33

**QUESTION 2      COMPANY ANALYSIS**

**[48 marks; 58 minutes]**

**Refer to the information relating to Aspen Pharmacare Holdings Ltd.**

2.1 Calculate the mark-up percentage achieved in **2021**.

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(2)

2.2 Even though the gross profit increased by 3,8% year on year, the trading statement shows that there is cause for concern in the future.

Show, by explaining TWO different figures/ratios or percentages, that the above statement is true.

- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(4)

2.3 Identify and quote the TWO most significant reasons why the **profit before tax** increased by 9,4%.

- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2)

2.4 Refer to the additional bullets underneath the Statement of Financial Position in Information B and the financial indicators in Information C.

2.4.1 A friend of yours is of the opinion that Aspen depreciates their assets using the cost method because when they then sell any of their assets for a **good price**, they will show larger profits on sale of assets.

Provide sound reasoning why the cost method of depreciation could assist to show larger profits on sale of assets (as opposed to other depreciation methods).

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(2)

2.4.2 Which GAAP principle allows for depreciation of assets?

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(1)

2.4.3 The external auditors are bound to investigate the sale of assets as part of their annual audit process. What piece of audit evidence would they look at to verify that the property has been recorded at the historical cost?

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(1)

2.4.4 Classify the following scenario as either a preventative, corrective or detective internal control measure:

*No asset may be removed from the asset register without the appropriate signature of a director.*

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(1)

2.4.5 The external auditors were paid R57 million for the 2021 audit.

Critics feel that because they are paid such a high fee, auditors might be less objective and be inclined to ignore issues of concern present in the Financial Statements.

Provide ONE reason why you do **not** agree with this statement.

- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (1)

2.5 Provide TWO reasons why Aspen would use the first-in-first-out method to cost inventory rather than the weighted average method.

- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_ (2)

2.6 How long will Aspen's **closing stock** last?

(3)

2.7 Calculate the Net Asset Value as at 30 June 2021.

(3)



2.9 Calculate the return on shareholders' equity of Aspen for **2021** and comment on the result.

Calculation:

Comment:

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(5)

2.10 On 30 June 2021 Aspen was lowly geared.

Calculate the risk associated with Aspen at this date.

(2)



2.12 Study the following extract (adapted) from the Director's Report for 2021.

After concluding the 2021 financial year above, the company renegotiated with credit suppliers that R21 000 million of the loans that would have been repayable in the 2022 financial year, would now only be repaid in the 2023 financial year.

2.12.1 If the negotiations were concluded before the end of the 2021 financial year, how would it have affected the Statement of Financial Position on 30 June 2021?

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(2)

2.12.2 Calculate what the average return on total capital employed would have been on 30 June 2021 **if the negotiations above were concluded in time.**

(7)

**QUESTION 3 RECONCILIATIONS**

**[19 marks; 23 minutes]**

**Refer to the information relating to GP Tool Distributors.**

**This question consists of two parts, Part A and Part B.**

**Part A**

**[5 marks; 6 minutes]**

3.1 Complete the Creditor's Reconciliation for February 2023 using the table below.

Details and calculations	Creditor's Ledger	Creditor's Reconciliation
Balance	1 547 600	1 391 000
(a)		
(b)		
(c)		
(d)		
(e)		
		DO NOT TOTAL

(5)

**Part B**

**[14 marks; 17 minutes]**

3.2 Complete the Debtors Age Analysis for Builder's Warehouse for February 2023.

**Do not total the age analysis columns.**

60+ days	30+ days	Current
		187 240

(7)

3.3 The owner has studied the information in Part A and Part B, together with an email he received from SARS and approached you for advice on the following issues:

3.3.1 Despite the lucrative contract to supply Builder's Warehouse **after** a 100% mark-up has been applied on the stock purchased from Adendorff Machinery Mart, GP Tool Distributors **still** experiences cash flow problems from time to time when they purchase stock.

Analyse and comment on the liquidity cycle of GP Tool Distributors in relation to the debtors and creditors. Use figures/percentages/facts provided to substantiate your findings.

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(3)

3.3.2 Based on your findings in Question 3.3.1, what advice do you have for the owner of GP Tool Distributor's to improve their cash flow? Provide TWO suggestions.

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(2)

3.3.3 The email the owner received from SARS stated that GP Tool Distributors should have registered for VAT months ago. The owner does not want to, claiming it is going to reduce his profit because he must now pay money to SARS.

Provide the reason why SARS insists he should have registered for VAT already.

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(1)

Explain why the owner's reasoning is incorrect and why registering as a VAT vendor will not reduce his profits.

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(1)

19

**Total: 100 marks**