



Please paste the barcoded label here

TOTAL MARKS

--

NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2020

ACCOUNTING: PAPER II

EXAMINATION NUMBER

--	--	--	--	--	--	--	--	--	--	--	--	--

Time: 2 hours

100 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 12 pages, an Information Booklet of 7 pages (i–vii) with 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 must be rounded off to **two decimal places**.
7. The allocation of marks and appropriate time to be taken for each question are as follows:

	Possible marks	Actual marks	Marker signature	Moderator signature
Question 1: Cash budgets (31 minutes)	26			
Question 2: Company analysis (48 minutes)	40			
Question 3: Reconciliations (41 minutes)	34			
TOTAL	100			

QUESTION 1 CASH BUDGETS

(26 marks; 31 minutes)

1.1 Complete the debtors' collection schedule for January to February 2021.

	Credit sales	January	February
November	?	?	
December	131 040	32 760	19 656
January	122 700	69 939	?
February	?		61 617
		Do not calculate	Do not calculate

(4)

1.2 Calculate the percentage discount given to the debtors who pay in the month of sale.

(4)

1.3 Timeless Read uses the perpetual stock method. Discuss two reasons why this is the best method **for a bookshop to use**.

- _____

- _____

(2)

1.4 One of the biggest expenses is the trading stock deficit due to 80% of the self-help books being stolen. Discuss one detailed solution that Lwandi can implement to stop this theft. Remember that Timeless Read's cash is tight, so the cheaper the solution, the better.

(3)

1.5 Complete the given part of the cash budget for **January 2021**.
(Show your calculations next to each item!)

	January
Receipts	Do not calculate
Cash sales	
Cash from debtors	Do not calculate
Payments	Do not calculate
Payments to creditors	
Salaries	
Marketing	
Rent	Do not calculate
Water and electricity	Do not calculate
Other	Do not calculate
Cash surplus / deficit	(133 280)

(9)

1.6 Study the research that Lwandi did on the book industry and answer the following questions.

1.6.1 Lwandi really would like to make Timeless Read a success and a going concern, and knows that she must increase her sales to do so. Remembering that she already utilises all the space in her shop, discuss two solutions for her to improve her sales.

- _____

- _____

(2)

1.6.2 Lwandi would like to reach out to the community and impact them in a positive way while promoting Timeless Read. Suggest one project she could implement to achieve this.

(2)

QUESTION 2 COMPANY ANALYSIS

(40 marks; 48 minutes)

2.1 2.1.1 Study the operating expenses. Discuss whether Stor-Age controlled their operating expenses well. Supply a suitable calculation and a reason for your opinion.

Did Stor-Age control their expenses? Yes / No

Calculation:

Reason:

(3)

2.1.2 Stor-Age has tenant bad debts on its statement of profit or loss. Explain how Stor-Age could recover some of the money owed to them, should the tenant become a bad debt.

(1)

2.1.3 Although the property revenue increased by 69%, the net profit for 2019 decreased by 55,4%. Identify the two **most material** reasons for this.

- _____
 - _____
- (2)

2.1.4 (a) Stor-Age revalues their investment properties annually. Write down the name of the GAAP principle that seems to contradict this revaluation.

(1)

- (b) Write down one advantage and one disadvantage for Stor-Age to adjust the fair value of their investment properties every year.

Advantage:

Disadvantage:

(2)

- (c) During an external audit the investment properties would be audited. Write down the reason this would be audited, and give two pieces of audit evidence the auditor could use.

The reason this is audited:

Two pieces of audit evidence:

- _____
- _____

(3)

- 2.2 2.2.1 (a) Show how the return on total capital employed was calculated to be 6,44%.

(5)

- (b) Besides the drop in profit, write down two other factors that caused the percentage return to decrease from 13,46% in 2018.

- _____
- _____

(2)

2.2.2 In article A, Stor-Age said that its low gearing left it with headroom to pursue more development and acquisition opportunities. Explain what Stor-Age means by this.

(2)

2.2.3 With reference to positive or negative gearing, discuss whether Stor-Age should acquire further properties using loans. Quote figures or calculations.

(2)

2.3 All tenants need to pay one month's rental as a deposit, which they get back once their rental term is finished. Write down under which item in the Financial Statements the deposits would be recorded at year-end.

(1)

2.4 In article B, Stor-Age states that they always have sufficient liquidity to meet their liabilities when due.

2.4.1 Calculate the current ratio for 2019.

(2)

2.4.2 **By analysing the individual current assets and current liabilities,** discuss three reasons they **may be able** to pay their debts timeously.

- ---

- ---

- ---

(3)

2.5 2.5.1 Study Stor-Age's dividend history for the past two years. Explain two reasons as to whether you agree with their dividend policy. Quote figures.

- _____

- _____

(3)

2.5.2 Explain what a zero percent growth in the market share price means and give a possible reason for this happening.

0% means:

Possible reason:

(2)

2.5.3 Altogether, seven different investment companies own 42% of Stor-Age. Explain why they may consider Stor-Age to be a good investment. Give two points.

- _____

- _____

(2)

2.5.4 Discuss two reasons why the investment companies may consider selling their shares in Stor-Age for the 2020 financial year.

- _____

- _____

(2)

2.6 Explain why it is good for Stor-Age's reputation to follow the principles laid out in the King Code.

(2)

40

QUESTION 3 RECONCILIATIONS

(34 marks; 41 minutes)

3.1 Pablo has drawn up his age analysis for **all his debtors** together on 30 November 2020. Some errors and omissions were discovered, and the age analysis must still be adjusted. Correct the debtors age analysis given below with the errors found in the Information Booklet.

150 + days	120 days	90 days	60 days	30 days	Current
345 000	86 300	74 650	82 170	79 330	88 490

(6)

Calculation box for interest:

(2)

3.2 Calculate the total debtors owing on 30 November 2020.

(1)

3.3 Calculate the average number of days the debtors are taking to pay back The Polka Dot Chair.

(3)

3.4 Pablo has come to the conclusion that his customers are not managing to pay off their debt within the 4 months that he has given them. He is thinking of changing to a hire-purchase method where he will add 20% interest onto the total credit amount, and then make them sign a debit order so that they pay it off in equal instalments over 12 months. He will advertise the furniture as a monthly amount rather than the full amount.

Explain in detail two advantages of the hire-purchase method.

- _____

- _____

(4)

- 3.5 Should Pablo decide to go ahead with the hire-purchase method, suggest what payment terms Pablo would now need to negotiate with his creditors. Explain why you have suggested these payment terms.

Payment terms:

Reason:

(2)

- 3.6 Complete the Creditors Reconciliation Statement on 30 November 2020.

Creditors Reconciliation Statement on 30 November 2020

Incorrect balance on 30 November	
	Do not calculate

(5)

- 3.7 There is a cause for concern in the Bank Reconciliation Statement as well as a mistake. Study the bank reconciliation statement and then answer the following questions.

- 3.7.1 Describe what item Pablo should be concerned about. Give a reason.

Item:

Reason:

(2)

- 3.7.2 Explain the error made in the Bank Reconciliation Statement and describe what should have been done instead.

(2)

3.7.3 Calculate the amount of cheque 92.

(1)

3.7.4 Explain the entry that would be made in the December Bank Reconciliation Statement in the following instances:

(a) If cheque 92 appears in the Bank Statement in December.

(1)

(b) If cheque 92 does not appear in December's Bank Statement.

(1)

3.7.5 (a) Explain why, although cheque 99 was given to Leather Worx on 20 November along with cheque 98, it does not show in the Creditor's Statement from Leather Worx.

(1)

(b) Explain how cheque 99 will be treated in the financial statements at the year-end.

(2)

3.7.6 Explain why the bank statement shows a positive balance, yet The Polka Dot Chair's bank balance is in overdraft.

(1)

34

Total: 100 marks