



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION MARCH 2016

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 11 pages and an Information Booklet of 6 pages (i to vi) with a Ratio Sheet on 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 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 taken for each question are as follows:

	Possible marks	Actual marks	Marker signature	Moderator signature
Question 1: Analysis of published financial statements (55 minutes)	45			
Question 2: Reconciliations (30 minutes)	25			
Question 3: Asset Management (35 minutes)	30			
TOTAL	100			Checker

QUESTION 1 ANALYSIS OF PUBLISHED FINANCIAL STATEMENTS
(45 marks, 55 minutes)

Study the information relating to Shoprite Holdings Ltd. in the Information Booklet.

1.1 For each of the following statements, circle the most correct answer. You should circle only one answer.

1.1.1 AGM, as mentioned in the extract from the Directors' Report, stands for ...

- A Annual General Meeting.
- B Annual Gross Margin.
- C Approximate Growth Meeting.
- D Annual Gains Margin.

1.1.2 A professional opinion on the accuracy and reliability of the annual published financial statements, in accordance with the Companies Act, IFRS principles and King III, is offered by the ...

- A Internal Auditors.
- B External Auditors.
- C Board of directors.
- D Shareholders.

1.1.3 Sales for the 2014 financial year increased by ...

- A 9.54%.
- B 10.54%.
- C 90.46%.
- D 26.28%.

1.1.4 Borrowings appear under non-current liabilities and current liabilities. The difference between borrowings as a non-current liability and current liability is ...

- A the place that provided the loans.
- B the time period after which the loans will be repaid.
- C % interest that is charged on each loan.
- D what the loans will be used for.

1.1.5 Which of the following would **not** be considered 'finance costs' as seen in the Statement of Comprehensive Income?

- A Interest on Mortgage Loan
- B Interest on Overdraft
- C Interest on Loans
- D Dividends on ordinary shares

(5)

- 1.2 Consider the following ratios. Indicate whether the ratio represents a profitability (P), liquidity (L) or return (R) ratio. Abbreviations may be used in your answer.

	Ratio	Profitability (P) or Liquidity (L) or Return (R)
1.2.1	Operating Profit on Turnover	
1.2.2	Current Assets: Current Liabilities	
1.2.3	ROCE	
1.2.4	Acid Test Ratio	

(4)

- 1.3 Explain, naming two points, why Shoprite Holdings Ltd. would want to adhere to principles which are recommended by King III, even though King III does not legally govern companies.

- _____

- _____

(2)

- 1.4 Shoprite Holdings Ltd. has a bank overdraft and a substantial cash and cash equivalents balance in the Statement of Financial Position. Name two things that could be found in the cash and cash equivalents note of Shoprite Holdings Ltd. that could account for the cash and cash equivalents balance (at least one of your suggestions must be able to account for the high balance).

- _____
- _____

(2)

- 1.5 Consider the extract provided on the EeziCoupons, which will be introduced in Shoprite Checkers stores.

- 1.5.1 Explain how the introduction of these coupons will affect gross profit both negatively and positively.

Negative: _____

Positive: _____

(2)

- 1.5.2 In the light of the drop in most of their ratios in 2014, explain why it would be a good idea for Shoprite Holdings to include future initiatives (such as the EeziCoupons) in the notes to their financial statements.

(2)

- 1.5.3 When recording sales where coupons are used, why would it be important to record the value of the coupon separately to the initial sales amount **and** suggest where the coupon would be recorded in the Statement of Comprehensive Income.

(2)

- 1.6 Given that the current ratio for 2014 is 1.4 : 1.

- 1.6.1 Calculate the Acid Test Ratio for 2014.

(3)

- 1.6.2 Inventories have a substantial effect on the liquidity of a business. Explain what is meant by 'liquidity'.

(1)

- 1.6.3 Explain why, in the context of Shoprite Holdings Ltd, it is the norm for inventories (stock on hand) to be so high.

(1)

- 1.7 On 30 June 2014 additional shares were issued.

- 1.7.1 The price at which shares were issued on 30 June 2014 is 3 273c each. Show how this number was calculated.

(3)

1.7.2 Explain what the NAV indicates, and what it is usually compared to.

(2)

1.7.3 How does the NAV of Shoprite Holdings Ltd. on 30 June 2014 compare to the price at which the new shares were issued at on 30 June 2014?

(1)

1.7.4 Based on a decision made at the 2012 AGM, the business needed to source capital in order to settle amounts owing to the Shoprite Holdings Executive Share Plan. Explain why Shoprite Holdings Ltd. might have chosen to issue shares instead of considering taking out additional loans (borrowings).

(2)

1.8 EPS and DPS have increased since 2013.

1.8.1 What happens to the balance of the money that is earned per share but not paid out in dividends?

(1)

1.8.2 Will shareholders be happy with the return they are earning on their investment? Extract details from the information provided to support your decision.

(2)

1.9 You heard on the morning news report that, based on the 2014 financial year-end, Shoprite Holdings showed high risk and a decreased solvency ratio, which is affecting shareholder confidence negatively.

1.9.1 Calculate the solvency ratio for 2014.

(2)

1.9.2 Determine the debt : equity ratio for 2014.

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(2)

1.9.3 By referring to the solvency ratio, debt : equity ratio and ROCE, comment on whether you agree with the news report.

(4)

1.9.4 If Shoprite Holdings wanted to take out additional loans, would you advise them to go ahead with the decision? Substantiate your decision by extracting relevant information from the information booklet.

(2)

QUESTION 2 RECONCILIATIONS**(25 marks, 30 minutes)**

Refer to the information regarding Fitz Bakery in the Information Booklet.

- 2.1 Complete the Creditors List for the month ending January 2015.

Creditors List of Fitz Bakery

Micra Wholesalers (31 895	
Pete's Banking Supplies (33 150	
The Plastic Warehouse (74 481	
	129 740

(8)

- 2.2 Show how the Creditors Control balance is adjusted and that its balance is the same as the total of the Creditors List (descriptions of the adjustments are not required).

Creditors Control Balance (31 January 2015):

Creditors Control Balance after adjustments:

(8)

- 2.3 Name **two** internal controls that Sally could put in place to ensure that source documents are not lost or misplaced, resulting in inaccurate financial records.

(2)

- 2.4 Comment on how well Fitz Bakery is managing their debt, both from debtors and to creditors. Quote specific figures to substantiate your comments.

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- ---

(4)

- 2.5 Fitz Bakery sends their debtors' statements each month and makes telephonic calls to the tuck shops when a payment is not received every month. She applies the credit terms, as noted in the Information Booklet, accurately. Suggest one other thing that Fitz Bakery could do in order to get their debtors to pay more regularly.

(1)

- 2.6 Sally Fitzhenry is of the opinion that she does not need to reconcile her bank account with the statement received from CBM Bank on a monthly basis.

- 2.6.1 Explain to her why it is essential for her to do a bank reconciliation.

(1)

- 2.6.2 Provide one example of information that would only be found on the bank statement, which the business would not know of unless they did a bank reconciliation.

(1)

QUESTION 3 ASSET MANAGEMENT

(30 marks, 35 minutes)

Refer to the Information Booklet for information relating to Selwyn's Shoe Store.

- 3.1 Suggest why Selwyn's Shoe Store might apply the periodic inventory system to their stocks.

(1)

- 3.2 Using the information relating to the inventory of the Westville Store, answer the questions that follow: (Round off amounts to the nearest cent.)

- 3.2.1 Show that the weighted average cost per unit is equal to R75.29.

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(4)

- 3.2.2 According to the stock take at the end of the year there were 3 600 units on hand. Calculate the value of the Closing stock on 28 February 2015.

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(2)

- 3.2.3 Calculate the cost of Sales for the year.

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(3)

- 3.2.4 Calculate the number of units that must have been sold.

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(2)

- 3.3 Using the information extracted from the financial statements of Westville Store, **calculate the following:**

3.3.1 The number of units that were **actually sold**.

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(2)

3.3.2 **The number** of units that were either stolen or damaged and needed to be thrown away.

--

(2)

3.3.3 The cost of the units stolen or damaged.

--

(2)

3.3.4 The gross profit percentage achieved by the Westville Store.

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(3)

- 3.4 On investigation it was found that the lost stock was not stolen but instead had been thrown out as it was damaged. Suggest one way in which Selwyn might recover some of this money in the future.

(1)

3.5 Selwyn's Shoe Stores's net profit margin for the two branches differs greatly. Selwyn is considering closing down the Westville store as it does not seem to be a profitable business. You are asked to assist him by solving the following problems.

3.5.1 Suggest two internal controls that Selwyn's Shoe Store could implement that could reduce the risk of theft and/or damages of stock in the Westville Store.

- _____
- _____ (2)

3.5.2 Suggest two other ways in which Selwyn might improve the Westville branch's profitability. Quote figures to support your suggestion.

- _____

- _____
_____ (4)

3.6 Selwyn's Shoe Stores aim to make an average of a 50% profit margin on the sale of all its products. Both stores have achieved mark-ups that are slightly lower than this. Suggest two reasons why the achieved mark-up is lower than the intended mark-up.

- _____
- _____ (2)

30

Total: 100 marks