



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY EXAMINATION MARCH 2016

**ACCOUNTING: PAPER II**

Time: 2 hours

100 marks

**INFORMATION BOOKLET**

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax + interest expense}}{\text{Average capital employed}} \times \frac{100}{1}$	
Current assets : Current liabilities		(Current assets – inventories) : Current liabilities
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Closing inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	Current assets – Current liabilities
Non-current liabilities : Shareholders' equity		Total assets : Total liabilities
$\frac{\text{Profit after tax}}{\text{No. shares in issue}}$		$\frac{\text{Ordinary share dividends}}{\text{No. shares in issue}}$
$\frac{\text{Fixed cost}}{(\text{Selling price per unit} - \text{variable cost per unit})}$		$\frac{\text{Total ordinary shareholders' equity}}{\text{No. shares in issue}}$

## QUESTION 1

## ANALYSIS OF PUBLISHED FINANCIAL STATEMENTS

(45 marks, 55 minutes)

Shoprite Holdings (Ltd) is listed on the Johannesburg Stock Exchange Limited (JSE) in the 'food retailers & wholesalers' sector. They serve a broad customer base through their Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave outlets.

The following information has been extracted and adapted from the Published Annual Financial Statements of Shoprite Holdings Ltd, for the year ending 30 June 2014.



### Extract from the Directors' Report:

On 30 June 2014, the Company issued an additional 11 000 000 ordinary shares to settle amounts owing regarding The Shoprite Holdings Executive Share Plan, as approved by shareholders at the AGM on 29 October 2012. No shares were bought back during the year. The issued share capital now totals 401 560 000 shares.

### Extract from the Risk Committee Report:

The main purpose of the Audit Committee is to assist the Board in monitoring the integrity of financial statements. It is also responsible, as required by the Companies Act and recommended in King III, to oversee the effectiveness of the Group's internal financial controls as well as the internal and external audit functions.

### RATIO ANALYSIS:

		2014
Operating Profit on Turnover (2013: 5.83%)	↓	5.58%
Net Profit Margin (2013: 3.91%)	↓	3.66%
Current Ratio (2013: 1.51 : 1)	↓	1.4 : 1
Solvency Ratio (2013: 1.84 : 1)	↓	?
Return on Capital Employed (2013: 38.9%)	↓	36.47%
Interest on Borrowings (2013: 13%)	↓	12.85%
Earnings per share (2013: 675c)	↓	698c
Dividends per share (2013: 338c)	↓	350c
Net Asset Value (2013: 3 905c)	↓	4 304c
ROSHE (2013: ?)	↓	22.99%

### Shoprite & Checkers announce an African first with Instant Shopping Discounts on cellphones

The new, innovative mobile coupons, EeziCoupons, are set to revolutionise outdated paper coupons. They are available to all South Africans to enhance the consumers' shopping experience and bring considerable savings to South Africans. To get the mobile coupon, simply view coupons on your cellphone, purchase those products in store and enter the one unique code, called a WiCode at the till's pin pad. Consumers will have access to R1 500 worth of coupons at one point in time.

### Statement of Comprehensive Income

Shoprite Holdings Ltd for the year ended June 2014

	June 2014 Rm	June 2013 Rm
Sale of merchandise	102 204	92 457
Cost of sales	(80 936)	(73 156)
<b>GROSS PROFIT</b>	<b>21 268</b>	<b>19 301</b>
Other operating income	2 840	2 607
Other operating expenses	(18 400)	(16 516)
<b>OPERATING PROFIT</b>	<b>5 708</b>	<b>5 392</b>
Interest received	225	259
Finance costs	(466)	(460)
<b>PROFIT BEFORE INCOME TAX</b>	<b>5 467</b>	<b>5 191</b>
Income tax expense	(1 727)	(1 576)
<b>PROFIT FOR THE YEAR</b>	<b>3 740</b>	<b>3 615</b>

### Statement of Financial Position

Shoprite Holdings Ltd as at June 2014

	June 2014 Rm	June 2013 Rm
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>	<b>15 730</b>	<b>13 304</b>
Property, plant and equipment	13 576	11 652
Financial assets	2 154	1 652
<b>CURRENT ASSETS</b>	<b>24 643</b>	<b>20 119</b>
Inventories	12 344	10 310
Trade and other receivables	4 138	3 687
Cash and cash equivalents	8 161	6 122
<b>TOTAL ASSETS</b>	<b>40 373</b>	<b>33 423</b>
<b>EQUITY</b>		
<b>CAPITAL AND RESERVES</b>		
Ordinary share capital	4 679	4 319
Retained income	12 604	10 933
<b>TOTAL EQUITY</b>	<b>17 283</b>	<b>15 252</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>	<b>5 531</b>	<b>4 847</b>
Borrowings	5 531	4 847
<b>CURRENT LIABILITIES</b>	<b>17 559</b>	<b>13 324</b>
Trade and other payables	17 180	12 982
Borrowings	311	328
Bank overdrafts	61	8
Shareholders for dividends	7	6
<b>TOTAL LIABILITIES</b>	<b>23 090</b>	<b>18 171</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40 373</b>	<b>33 423</b>

## QUESTION 2 RECONCILIATIONS

(25 marks, 30 minutes)

Sally Fitzhenry runs a small bakery called *Fitz Bakery* in Edenvale, Johannesburg, which doubles up as a coffee shop. She provides baked goods to various school tuck shops in the area, which have entered into credit agreements with her. All her raw materials are purchased on credit from Micra Wholesalers, Pete's Baking Supplies and The Plastic Warehouse. Sally banks with CBM Bank.

The following information was taken from the financial records of Fitz Bakery as at 31 January 2015:

	31 January 2015	CREDIT TERMS
Debtors Control	86 521	→ 30 days, less 5% discount
Creditors Control	178 624	→ 60 days, less 3% discount
Creditors List		<b>DEBTORS AGE ANALYS (31 Jan)</b>
Micra Wholesalers	31 895	Current R11 648
Pete's Baking Supplies	33 150	30 days R26 452
The Plastic Warehouse	74 481	60 days R31 430
		90+ days R16 991

Sally's bookkeeper had resigned and worked her notice period in December. Sally therefore took it upon herself to manage the recording and reporting of the financial information for January 2015, despite her limited knowledge of Accounting. As a result, Sally misplaced and lost some source documents, other entries were omitted or entered incorrectly in her journals and ledgers, which have caused the Creditors Control account and Creditors List to **not** balance.

The following totals were taken from the journals on 31 January 2015:

Total of the Creditors Control column in the CJ	42 360
Total of the Creditors Control column in the CAJ	8 110
Total of the Creditors Control column in the CPJ	18 762
Total of the Debtors Control column in the DJ	21 640

Adjustments for January 2015 that were not entered into the Creditors Control account and/or individual accounts of the creditors in the Creditors Ledger:

- The Creditors Control column in the CJ was posted to the Creditors Control ledger account as R40 360. (It was understated.)
- The CAJ's totals were never posted to the General Ledger.
- The Creditors Control column in the CPJ was **incorrectly** posted to the credit side of the Creditors Control account.
- Cheque no. 24 given to Pete's Baking Supplies, valued at R5 000, was never entered into the journals or Creditors Ledger for Pete's Baking Supplies. A 5% discount was granted.

**All transactions that follow will not affect the Creditors Control ledger account.**

- Stock was returned to Micra Wholesalers valued at R1 350. This was not entered into their account in the Creditors Ledger, but all other entries were correctly recorded.
- Credit purchases of stock from The Plastic Warehouse were never recorded. The stock had a selling price of R18 460 and a 10% trade discount was received.
- A C/N received from The Plastic Warehouse for R600 was entered into the Creditors Control but incorrectly recorded in their account in the Ledger as R800.
- Fitz Bakery reduced their debt with The Plastic Warehouse by R20 000. Sally had negotiated a 2% discount before paying the balance. This transaction was never recorded in the Creditors Ledger of The Plastic Warehouse.

**QUESTION 3 ASSET MANAGEMENT**

**(30 marks, 35 minutes)**

Selwyn's Shoe Store is a sole trader situated in Durban. The owner, Selwyn Naicker, started his business on 1 March 2009 and has since grown to include two branches, one in Umgeni Road and the other in Westville. The business's financial year ends on 28 February annually. They use the **Weighted Average** method of stock valuation and the **periodic inventory system** across both stores. Shoes are bought in bulk from China Town and sold at a standard price of **R125 each**. Sales of stock are recorded in the books of the business once at the end of the year. Inventory is replenished through observation of stock levels. Selwyn employs one financial manager that looks after the finances of both stores. Each store has a store manager and hires a number of temporary staff, of which two are on duty at all times.

The following was extracted from the financial statements as at 28 February 2015:

Umgeni Store		Westville Store	
	R		R
Sales	1 087 430	Sales	919 500
Cost of Sales	736 864	Cost of Sales	?
Gross Profit on Cost of Sales	47.6%	Gross Profit on Cost of Sales	?
Operating Profit margin	26.1%	Operating Profit margin	13.5%
Net Profit margin	19.4%	Net Profit margin	4.2%
Salaries and Wages	158 600	Salaries and Wages	213 560

Information relating to inventory of the Westville Store:

Westville Store		
		R
01/03/2014	Opening Stock (4 960 units)	316 960
	2 540 units at R60 each	152 400
	2 420 units at R68 each	164 560
	Purchases for the year (8 044 units)	667 230
01/06/2014	2 500 units at R75 each	187 500
01/09/2014	1 620 units at R80 each	129 600
01/12/2014	2 265 units at R85 each	192 525
01/02/2015	1 659 units at R95 each	157 605
	Purchases returns for the year (691 units)	57 170
01/09/2014	565 units at R80 each	45 200
01/02/2015	126 units at R95 each	11 970
	Carriage on sales	13 240
01/08/2014	Drawings of stock (156 units)	?
28/02/2015	Closing Stock	?