



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION MARCH 2017

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 12 pages and an Information Booklet of 6 pages (i–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: Budgets and Problem solving (35 minutes)	30			
Question 2: Reconciliations (35 minutes)	29			
Question 3: Company Analysis (50 minutes)	41			
TOTAL	100			

QUESTION 1 BUDGETS AND PROBLEM SOLVING (30 marks; 35 minutes)

Study page ii and iii of the Information Booklet and answer the following questions.

- 1.1 1.1.1 Calculate how many units (ten-litre buckets) they intended to manufacture in December 2016.

(1)

- 1.1.2 Calculate how many buckets they anticipated to sell in December.

(1)

- 1.1.3 Discuss how Funzo Ice Factory could plan to sell so much more than they manufactured in December. In your discussion mention what you think July's sales will be compared to December's and the reason for this.

(3)

- 1.2 By using the information given in the Information Booklet, calculate the purchase price of the new batch freezer.

(5)

- 1.3 1.3.1 Explain how the amount paid for the fruit in December was R47 200 but only R20 210 appears in the projected expenses. Where would the difference (R26 990) be recorded?

(2)

Problem solving:

- 1.3.2 Give two solutions to the problem of Funzo Ice Factory not being able to purchase enough fruit for their ice cream for the following year.

(2)

- 1.3.3 Funzo wants to expand their operations so they can make a bigger profit. Give one suggestion on how they should do this.

(2)

- 1.4 Complete the cash budget for the month of December 2016. Do not fill in amounts indicated with "?" as there are no marks awarded for them.

Cash budget for Funzo Ice Factory for December 2016

	December 2016
Receipts	
Cash sales	
Cash received from debtors	
Total receipts	
Payments	
Payments to creditors	
Fruit	
Packaging	20 640
Labour	
Insurance	430
Water and electricity	6 020
Other variable overhead costs	7 095
Administrative expenses	15 400
Selling and distribution costs	8 500
New batch freezer	
Total payments	210 351
Surplus/deficit for December	?
Bank on 1 December 2016	43 900
Bank on 31 December 2016	?

(9)

- 1.5 A lawsuit was brought against Funzo Ice Factory by Mr Claus stating that they had stolen a recipe from him on how to make delectable truffle ice cream. They are considering settling out of court for R50 000. Using December's figures calculate how many extra tubs of ice cream Funzo Ice Factory will need to sell to cover the extra cost.

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(5)

30

QUESTION 2 RECONCILIATIONS**(29 marks; 35 minutes)**

Study page iv of the Information Booklet and answer the following questions.

- 2.1 There is one mistake in the bank reconciliation statement that has **not** been mentioned in the additional information. Describe this mistake and where it should have been recorded instead.

(2)

- 2.2 Calculate the bank account balance on 30 November 2016 after taking the errors and additional information into account, and state whether it is favourable or unfavourable. Show your workings.

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(4)

- 2.3 Explain how cheque 1035 will be treated in the financial statements.

(2)

- 2.4 Tubby has heard that if a shop has credit sales they can sell much more than if they only sell for cash. He spoke to his sister about this and she advised him not to sell on credit. Give **three** reasons why his sister would advise him not to have credit sales.

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(3)

- 2.5 Tubby wonders if he should hire an internal auditor for a month because the business seems to be having problems with the accuracy of their recording of cash transactions.

2.5.1 Explain what an internal auditor does.

(2)

- 2.5.2 List **two** types of audit evidence that could be looked at by an internal auditor and explain what they would be compared to, to check the accuracy of the cash transactions.

(4)

- 2.6 Use the statement from The Cereal Factory to draw up the debtor's age analysis as it should have appeared on the statement. Do **not** take the additional information into account.

Current	30 days	60 days	90 days

(4)

- 2.7 Use the additional information to draw up the creditor's reconciliation.

Incorrect balance as per statement	16 850

(4)

- 2.8 How could cheque 1033 be in the bank reconciliation statement if it was received by The Cereal Factory on 28 November? (This is not a mistake.)

(1)

- 2.9 Tubby is upset that he never received the discount when he paid on 3 October. Explain to Tubby why he was not granted the discount.

(1)

- 2.10 The Cereal Factory are concerned that Tub's Groceries are not keeping to their credit terms, but they do not want to lose them as a customer, which they might do if they start charging them interest. Discuss **two** other procedures they can put in place to increase their chances of Tub's Groceries keeping to the credit terms.

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(2)

QUESTION 3 COMPANY ANALYSIS**(41 marks; 50 minutes)**

Study pages v and vi of the Information Booklet and answer the following questions.

- 3.1 List two reasons why a company would buy back their own shares.

(2)

- 3.2 3.2.1 Give one advantage of the directors owning a large amount of shares, and one disadvantage.

Advantage: _____

Disadvantage: _____

(2)

- 3.2.2 Before the directors bought and sold shares their intention to do so was published as a news item. Explain why this was done.

(1)

- 3.2.3 Mr Price Ltd wants to give R20 million of the treasury shares to the executive directors as a bonus. State which account will be debited and which will be credited.

Account debited: _____

Account credited: _____
(2)

- 3.3 Give a **detailed explanation** as to why the lease obligations are found under the non-current liabilities as well as the current liabilities.

(2)

- 3.4 3.4.1 Calculate the acid-test ratio for 2015 and discuss whether this ratio indicates a problem or not.

(3)

- 3.4.2 If the cost of sales for 2015 is R9 196 million, calculate the stock turnover rate for 2015.

(2)

- 3.4.3 Discuss, quoting a ratio or an amount, whether the decrease in the stock turnover rate has had a negative effect on the profitability of the business.

(2)

- 3.4.4 Calculate how many days Mr Price are taking to collect their debtors in 2015.

(5)

- 3.4.5 Compare the debtors' collection of 2015 to 2014. What impact could the change in days have on Mr Price's cash flow?

(1)

- 3.5 Give two advantages of the fact that 80% of Mr Price's sales are cash sales.

(2)

- 3.6 3.6.1 Explain how the Return on Shareholders' Equity decreased if the net profit after tax increased.

(1)

3.6.2 Should the shareholders be concerned with the decrease? Give two points.

(2)

3.6.3 Income tax was calculated at 28%. Calculate the income tax expense.

(2)

Study the extracts from the news articles on page vi of the Information Booklet then answer the following questions:

3.7 3.7.1 Reuters and Bloomberg report that the market price of shares are 7,5% lower this year valuing the company at R58 billion (R58 000 000 000). Explain how they would calculate this value.

(2)

3.7.2 The market value is higher than the actual value of Mr Price. Write down the actual value of the company and give two reasons for the market value being higher than the book value.

(3)

3.7.3 Explain, with regard to the deteriorating rand, whether you think opening stores in Australia is a good idea.

(1)

- 3.7.4 Explain, quoting figures or calculations, if you would advise the directors to take out a loan to finance the expansion into Australia when you **consider the risk**.

(2)

- 3.7.5 Give two factors against issuing shares to finance the expansion into Australia.

(2)

- 3.8 If you have R10 000 to spend on shares. Give two reasons why you would/would not invest in Mr Price shares at April's low of R204,40 a share.

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(2)

41

Total: 100 marks