



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY EXAMINATION MARCH 2017

**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 BUDGETS AND PROBLEM SOLVING

(30 marks, 35 minutes)

Funzo Ice Factory is a factory that sells gourmet ice cream to hotels and convention centres in **ten-litre buckets**. The real fruit in their ice cream is mainly purchased in the summer months and then frozen.

Funzo Ice Factory has not been able to purchase the needed amounts of fruit for the following year due to the earlier drought that affected the fruit crops in South Africa.

### Forecast/predicted Income and Expenses of Funzo Ice Factory

	November 2016 R	December 2016 R	December Unit amounts R
<b>INCOME</b>			
Sales	198 000	222 000	370
Discount received	9 400	1 134	
<b>EXPENSES</b>			
<b>Direct materials:</b>			<b>158</b>
Fruit	16 937	20 210	
Ice-cream mix	22 680	27 090	
Packaging cost	17 280	20 640	
<b>Direct labour costs</b>	<b>19 440</b>	<b>23 220</b>	<b>54</b>
<b>Manufacturing overheads</b>			<b>84</b>
Depreciation	12 600	12 900	
Insurance	430	430	
Variable costs: electricity	5 040	6 020	14
Other variable overhead costs	11 880	14 190	33
Loss on sale of batch freezer	-	2 580	
<b>Administrative expenses (fixed)</b>	15 000	15 400	
<b>Selling and Distribution costs (fixed)</b>	8 400	8 500	

### Additional information

- 25% of their sales are cash. The credit sales are expected to be paid back in the month following the sale.
- The ice-cream mix is all bought on credit. Funzo Ice Factory plan to pay their debt back in the following month in order to take advantage of the discount that their supplier gives them according to the credit terms. This is the only purchase that they make on credit.
- The fruit purchased is paid for with a credit card on the date of purchase. R23 450 worth of fruit is expected to be purchased in November, and R47 200 in December 2016.
- A factory worker has asked if he could be paid R300 of his January 2017 wage in December. This was agreed to.
- On 30 November the total cost price of all their equipment was R840 000. They depreciate equipment at a fixed rate of 18% p.a.

- They intend to buy a new batch freezer on 1 December 2016 for cash. The old batch freezer will be sold on the same date to Fridge Dealers. It had the following details:
  - Cost price: R40 000
  - Accumulated depreciation on 1 November 2016: R29 000
  - Depreciation for November 2016: R600
  - Fridge Dealers will pay via EFT into Funzo Ice Ltd's bank account on 1 December.

## QUESTION 2 RECONCILIATIONS

(29 marks, 35 minutes)

The information below belongs to Tub's Groceries, a store that sells everything edible from cereal, meat, fresh fruit and vegetables to sweets and chocolates. Tub's Groceries banks at Gold Bank Ltd and is owned by Tubby Edwards. Their year end is on 31 December.

Below is the November 2016 bank reconciliation statement that was drawn up by an inexperienced bookkeeper:

### Bank reconciliation statement on 30 November 2016

Debit balance as per bank statement	11 350
Outstanding deposit	33 000
Outstanding cheques No. 577 (18 April 2016)	7 800
No. 823 (31 July 2016)	600
No. 1033 (28 November 2016)	5 000
No. 1035 (20 January 2017)	750
Balance as per bank account	?

### Additional information relating to the bank reconciliation statement

- Cheque 823 was posted to Claws Alive, an animal shelter. The shelter closed down on 30 June due to lack of funding.
- Cheque 1033 was sent to a supplier, The Cereal Factory.
- Cheque 1035 was sent with a friend to Tubby's sister who is living in Canada. He dated the cheque for her birthday in January.

<b>The Cereal Factory</b> <b>Statement of account</b>					
Tub's Groceries Waterway Flats Lakeside Way			Acc no: 78 30 November 2016		
Date		Details / Document no	Debit	Credit	Balance
August	15	Invoice T57		7 500	7 500
September	28	Invoice T89		8 300	15 800
	29	Credit note C40	2 100		13 700
October	3	Receipt 895	7 300		6 400
November	10	Invoice T108		5 600	12 000
	12	Credit note C47	1 400		10 600
	19	Invoice T120		11 250	21 850
	28	Receipt 1055	5 000		16 850
			<b>Current</b>	<b>30 days</b>	<b>60 days</b>
			?	?	?
<b>TERMS: 30 days after date of statement</b> <b>5% discount if paid within 10 working days of date of invoice</b>					

### Additional information relating to the creditor's statement above:

- Invoice T108 was entered incorrectly on the statement. It was actually for R6 500.
- Invoice T120 was issued to Tub Furniture Store.
- Tub's Groceries paid R2 000 via EFT into the account of The Cereal Factory on 30 November.

**QUESTION 3 COMPANY ANALYSIS**

**(41 marks, 50 minutes)**



**MILADYS**

**Mr Price**

**sheet•street**

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[Source: <www.mrpricegroup.com>]

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

For the year ended 28 March 2015

	<b>2015 Rm</b>	<b>2014 Rm</b>
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 364</b>	<b>1 137</b>
Property, plant and equipment	938	818
Intangible assets	426	319
<b>Current assets</b>	<b>6 503</b>	<b>5 426</b>
Inventories	1 741	1 403
Trade and other receivables	1 998	1 771
Cash and cash equivalents	2 764	2 252
<b>Total assets</b>	<b>7 864</b>	<b>6 563</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>5 030</b>	<b>3 923</b>
Issued capital	263	198
Treasury share transactions	(1 235)	(1 311)
Retained income	6 002	5 036
<b>Non-current liabilities</b>	<b>213</b>	<b>220</b>
Lease obligations	164	179
Loans	49	41
<b>Current liabilities</b>	<b>2 633</b>	<b>2 421</b>
Trade and other payables	2 169	2 020
Lease obligations	56	47
Taxation	408	354
<b>Total equity and liabilities</b>	<b>7 867</b>	<b>6 563</b>

**Terminology:**

Lease obligations: This is a fixed-term (and usually noncancellable) rental agreement that the company has taken out, i.e. they have agreed to rent the property.

Treasury shares: Shares that have been repurchased or reacquired by the issuing company.

	<b>2015</b>	<b>2014</b>
Return on shareholders' equity	51,47%	53,07%
Current ratio	2,47 : 1	2,24 : 1
Acid test ratio	?	1,66 : 1
Debtors collection period	? days	38,42 days
Stock turnover rate	?	6,35 times
Earnings per share	917,3 cents	757,1 cents
Dividends per share	580 cents	482 cents

### **Extract from the Consolidated Income Statement**

	<b>2015 Rm</b>	<b>2014 Rm</b>
Retail sales	17 285	15 227
Interest on trade receivables	355	311
Airtime and related mobile revenue	163	120
Other operating revenue	192	159
Finance interest received	88	63
Net profit after taxation	2 304	1 967

Cash sales made up 80% of Mr Price's total sales.

### **Extracts from news articles**

#### **Reuters and Bloomberg: 2 June 2015**

Mr Price will open its first test store in Australia in time for peak festive season trade at the end of 2015.

#### **Reuters and Bloomberg: 1 September 2015**

The market price of shares are 7,5% lower this year valuing the company at R58 billion (R58 000 000 000).

South African consumer confidence dropped to a 14-year low as unemployment of 25%, power cuts, and rising fuel prices put pressure on shoppers.

#### **Financial Mail: 10 September 2015**

"Sales growth was impacted by low levels of consumer confidence, some poor fashion calls and the very late onset of winter," says a representative of the company.

Even though the market share price of Mr Price has dropped 27% since its R280 high in April, it is still relatively pricey when compared to its competitors.