



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	
$\frac{\text{Profit after tax}}{\text{No. shares in issue}}$	$\frac{\text{Ordinary share dividends}}{\text{No. shares in issue}}$	
$\frac{\text{Fixed cost}}{\text{(selling price per unit – variable cost per unit)}}$	$\frac{\text{Total ordinary shareholders' equity}}{\text{No. shares in issue}}$	

QUESTION 1 ANALYSIS OF PUBLISHED FINANCIAL STATEMENTS**Information relating to Telkom Ltd**

The following information was extracted and adapted from the annual report of Telkom Ltd for the year ended 31 March 2011. Aspects relating to specific questions have been highlighted with the question number referenced.

Business Code of Ethics**Scope**

Telkom recognises the wide range of risks to which the Group is exposed.

- The purpose of the Business Code of Ethics is to support Telkom's vision and values by informing employees of acceptable and unacceptable conduct and or behaviour.
- Each and every employee is expected to apply sound judgement in deciding on the most ethical means of dealing with any given situation involving customers, competitors, suppliers, the public, fellow employees and Company matters in general.
- Violation of any part of the Business Code of Ethics could result in ... (1.1)

Audit and Risk Committee report**Legal Responsibilities**

The legal responsibilities of the Audit and Risk Committee (ARC) are set out in the Companies Act of South Africa.

Role of the Audit and Risk Committee (ARC)

The ARC assists the Board in discharging its duties including:

- to monitor the integrity of the financial statements of the Company;
- to review the Company's internal financial control system;
- to monitor and review the effectiveness of the Company's internal audit function;
- to make recommendations to the Board in relation to the appointment of the external auditor;
- to monitor the effectiveness of the external auditor's performance and their independence and objectivity;

External auditors

The ARC is satisfied that Ernst & Young Inc. is independent in accordance with section 270A of the Corporate Laws Amendment Act, and nominated the re-appointment of Ernst & Young Inc. as registered auditors for the 2012 financial year.

PCS Luthuli

Chairman of the Audit and Risk Committee

Non-executive director

15 July 2011

Statement of income (income statement) <i>for the year ended 31 March 2011</i>	2011 Rm
Income/Operating revenue	31 712
Other income	A
B	(29 132)
Employee expenses (salaries)	9 366
Selling, general and administrative expenses	6 060
Other expenses	8 896
Depreciation	4 810
Operating profit	3 114
Investment income	470
Finance charges (interest expense)	(1 226)
Profit before taxation	C
D	(793)
Profit for the year	1 565

Statement of financial position (balance sheet) <i>at 31 March 2011</i>	2011 Rm	2010 Rm
ASSETS		
E	42 978	42 841
Property, plant and equipment (tangible assets)	36 861	37 109
Financial and other non-current assets	6 117	5 732
Current assets	?	10 818
Inventories	1 005	1 034
F	G	6 105
Cash and cash equivalents	H	3 679
		–
Total assets	52 368	53 659
EQUITY AND LIABILITIES		
Capital and reserves	27 992	?
Share capital and reserves	4 433	6 093
Retained earnings/income	23 559	I
Non-current liabilities	14 986	14 097
Loans (interest rate 14%)	8 189	7 858
Other non-current liabilities	6 797	6 239
Current liabilities	9 390	11 545
Trade and other payables	9 214	9 751
Shareholders for dividends	21	23
Current portion of loans	155	1 771
Total liabilities	24 376	25 642
Total equity and liabilities	52 368	53 659

Retained earnings	
<i>for the year ended 31 March 2011</i>	
	Rm
Balance at 1 April 2010	21 924
Profit for the year	J
Dividends (R11 848m in 2010)	(1 562)
Other changes and transfers	1 632
Balance at 31 March 2011	K

Statement of cash flows (cash flow statement)	
<i>for the year ended 31 March 2011</i>	
	2011
	Rm
Cash flows from operating activities	L
Cash generated from operations	9 311
M	(664)
Taxation paid	(941)
Dividend paid	(1 564)
Cash flows from investing activities	(5 632)
Cash flows from N activities	(2 479)
Net change in cash and cash equivalents	O
Cash and cash equivalents at beginning of the year	P
Cash and cash equivalents at end of the year	1 710

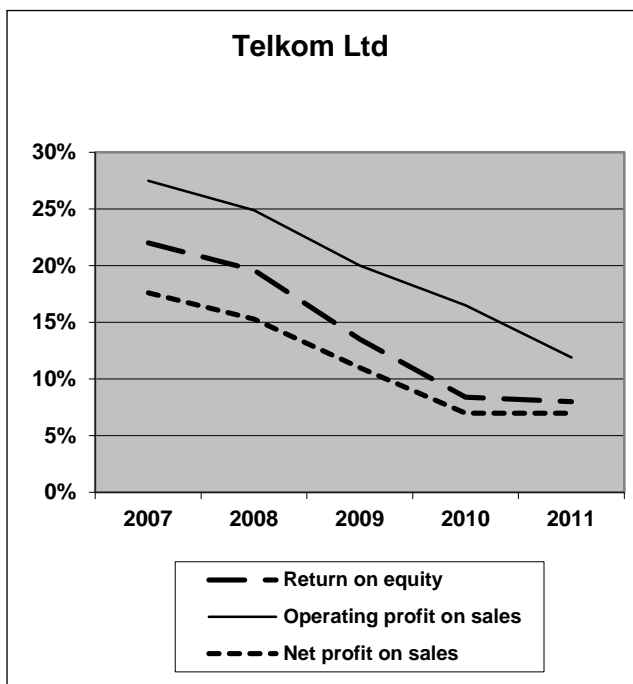
Dividends and dividend policy

Telkom's current dividend policy aims to provide shareholders with a competitive return on their investment, while assuring sufficient reinvestment of profits to enable us to achieve our strategy.

2011

Dividends per share (cents) 300

The calculation of dividend per share is based on dividends of R1 562 million (2010: R11 848m) and 520 783 900 ordinary shares on the date of dividend declaration.



QUESTION 2 BUDGETING

Information relating to Beautillicious:

Beutillicious is a relaxation and beauty spa. Customers enjoy spoiling themselves with the wide range of treatments on offer.

The following Debtors' Collection Schedule was prepared by Jane on 31 July 2012 for August to October 2012:

		Credit sales	Cash budget 2012			Outstanding balance 31 October 2012
			August	September	October	
Sales	June	50 000	2 500			-
	July	55 000	19 250	2 750		-
	August	60 000	36 000	21 000	3 000	-
	September	65 000		39 000	22 750	3 250
	October	70 000			42 000	28 000
			57 750	62 750	67 750	31 250

Unfortunately Jane (the owner) is feeling the effects of rising costs. Her electricity expense has increased as a result of the recent rates increase and her suppliers have had to increase the costs of the products she uses due to the impact of the new fuel prices on delivery costs.

Jane is experiencing liquidity problems as a result of these increased costs combined with poor debtors' collections.

The following schedule shows the actual credit sales and collections received from debtors during this period.

		Actual Credit sales	Actual receipts 2012			Outstanding balance 31 October 2012
			August	September	October	
Sales	June	50 000	1 250			(B Miller) 1 250
	July	55 000	11 000	8 250	1 375	1 375
	August	42 000	16 800	8 400	6 000	10 800
	September	34 000		13 000	7 000	14 000
	October	40 000			15 000	25 000
			29 050	29 650	29 375	52 425

Additional information:

- Jane has informed her debtors in advance that:
 - Credit terms are strictly 30 days from statement date.
 - No settlement discounts are offered.
- The Debtors' Control account had a balance of R24 500 on 1 August 2012.
- Actual credit sales for the period 1 August to 31 October 2012 amounted to R116 000.
- Creditors' terms are 30 days, and these are complied with.
- R13 400 was owing to creditors on 31 October 2012.
- As a result of the improved marketing, Jane hopes to increase her debtors' collections for November to R40 000. Purchases of stock will therefore also increase.

QUESTION 3 BANK RECONCILIATION

The following cash journals were prepared by the bookkeeper of Bhagaloo Traders (Pty) Ltd for the month of February 2012:


Cash receipts journal of Bhagaloo Traders (Pty) Ltd – February 2012 CRJ12

Doc	Day	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Sundry accounts		
									Amt	Details	F
EFT	3	T Soni			2 500			2 500			
CRR	7	Cash sales		20 000		20 000	10 000				
Rec43		C Munanga		3 000	23 000			3 000			
CRR	10	Cash sales		7 100	7 100	7 100	3 550				
CRR	21	Cash sales		6 400	6 400	6 400	3 200				
Rec44	28	T Soni		4 200				4 200			
CRR		Cash sales		11 000	15 200	11 000	5 500				
					54 200	44 500	22 250	9 700			

Cash payments journal of Bhagaloo Traders (Pty) Ltd – February 2012 CPJ12

Doc	Day	Name of payee	Fol	Bank	Trading stock	Stationery	Sundry accounts		
							Amount	Details	F
749	5	Pascoe Papers		1 000		1 000			
750	13	Kelvin Suppliers		8 000	8 000				
751		Dean's Deliveries		500	500				
752	20	Supernet		900			900	Internet costs	
753	22	Kelvin Suppliers		12 500	12 500				
754	25	Pascoe Papers		2 400		2 400			
755	26	Real Rentals		5 600			5 600	Rent expense	
				30 900	21 000	3 400	6 500		

The following bank statement was downloaded by Bhagaloo Traders on 29 February 2012:

			
Tran.	Date	Transaction Description/Narrative	Payments Deposits Balance
CCYY-MM-DD			
		Statement Opening Balance	- R 35 650
2012-02-03		IB Payment from T Soni	R 2 500 - R 33 150
2012-02-06		Cheque 749	R 1 000 - R 34 150
2012-02-07		Cash deposit	R 23 000 - R 11 150
2012-02-08		Cheque dishonoured – C Munanga	R 3 000 - R 14 150
2012-02-15		Cheque 751	R 500 - R 14 650
2012-02-17		Cheque 750	R 800 - R 15 450
2012-02-20		Cheque 752	R 900 - R 16 350
2012-02-20		D Rosevear – Invoice 2098	R 7 500 - R 8 850
2012-02-21		Cash deposit	R 13 500 R 4 650
2012-02-26		Cheque 754	R 2 400 R 2 250
2012-02-29		Service fees	R 150 R 2 100
		Statement Closing Balance	R 2 100

Additional information:

1. The Bookkeeper has calculated a provisional bank balance of R12 350 (cr) on 29 February 2012 before the bank statement was analysed.
2. The bank statement was received together with the cheque from C Munanga (for which Receipt 43 had been issued). The cheque had been returned as the figures did not match the written numbers. C Munanga has not yet been contacted in this regard.
3. On investigation it was discovered that the bank had incorrectly recorded the amount of cheque 750. The bank has been notified.
4. Cheque 755 was issued on 26 February 2012 to Real Rentals post-dated 7 March 2012, when the rent is due.
5. The following invoice no. 2098 had been issued to D Rosevear on 2 February 2012:

<i>Bhagaloo Traders (Pty) Ltd</i>			
Suheena St, Redstead, RSA Tel 011 783 4707			
Reg No. 2005/015341/09			
Tax invoice No. 2098 2 February 2012			
VAT Reg no. 4412345678			
To: D Rosevear			
P O Box 102, Mbabane			
H100, Swaziland			
Item	Qty	Excl. Price	Amount
Goods X087	1	2 000	2 000
Goods Z242	2	2 750	5 500
Subtotal			7 500
VAT at 14%			1 050
Total due			8 550
E&OE			