

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, an Information Booklet of 8 pages (i–viii) and a Formula Sheet of 1 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 to 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 (36 minutes)	30			
Question 2: Reconciliations (24 minutes)	20			
Question 3: VAT (18 minutes)	15			
Question 4: Company Analysis (42 minutes)	35			
TOTAL	100			

QUESTION 1 BUDGETS

(30 marks; 36 minutes)

1.1 Complete the debtors' collection schedule.

Debtors' collection schedule for November 2017 to January 2018

	Credit sales	November	December	January
September	334 800	133 920		
October				
November				138 240
December				
			339 120	

(8)

1.2 Considering that The Running Foot may have a drop in sales in January, what else can they do to earn more income once they move into the house? Come up with two ideas.

- _____

- _____

(2)

1.3 Calculate the mark-up that The Running Foot uses.

(2)

1.4 Complete the first two lines from the Projected Income Statement for January 2018. Also calculate the wages amount that would appear in the Projected Income Statement.

Extract from the Projected Income Statement of The Running Foot for January 2018

	January 2018
Sales	
Cost of sales	
Wages	

(4)

1.5 The interest on loan for January will come to R12 000. Calculate the cost price of the house.

(4)

1.6 Give an advantage of moving into the house.

(1)

1.7 Give a disadvantage of moving into the house.

(1)

1.8 Discuss two things that Robbie can do to encourage customers to come to his new location and buy his shoes in January.

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(2)

1.9 Robbie is not sure about the best way to move from the shopping centre to the house, and is concerned about boxes of shoes going missing in the move. Discuss two things that Robbie can do when moving to ensure that the shoes do not go missing.

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(4)

1.10 Robbie has decided, since a pair of running shoes is in the region of R1 800 per pair, he is going to start selling gift vouchers, so even if a person can't afford to buy their friend a pair of shoes, they can give them a gift voucher towards a pair of shoes.

He knows that if someone buys a gift voucher "Bank, an asset" will be debited, but is clueless about what should be credited. Think about what account you would credit, and write down what type of account it is, with an explanation as to why it is this type of account (A/OE/L/income or expense).

Type of account: _____

Explanation for type of account: _____

(2)

30

QUESTION 2 RECONCILIATIONS

(20 marks; 24 minutes)

2.1 Calculate the correct amount that Rose Boutique owes Judy.

Incorrect balance	R12 250
Correct balance	

(5)

2.2 On which source document will Rosalie record the discount for the handbags?

(1)

2.3 Use the Debtors' Ledger account to draw up an age analysis for L Pike that would be shown on his statement of account on 31 October 2017.

Current	30 + days	60 + days	90 + days

(4)

2.4 Fill in the correct letter next to the number for the multiple choice question.

2.4.1	
2.4.2	
2.4.3	
2.4.4	

(4)

2.5 Analyse the transactions for Rose Boutique under the column headings by writing down the amount under the correct column.

Note: If the entry goes under the Bank Reconciliation Statement column you need to choose whether it would be a debit or credit entry.

Example:

Bank charges of R234 appeared on the Bank Statement of Rose Boutique.

No.	Entry in the Cash Receipts Journal	Entry in the Cash Payments Journal	Entry in the Bank Reconciliation Statement		No entry
			Debit entry	Credit entry	
E.g.		R234			
2.5.1					
2.5.2					
2.5.3					
2.5.4					
2.5.5					
2.5.6					

(6)

20

QUESTION 3 VAT

(15 marks; 18 minutes)

- 3.1 Calculate the amount of VAT that Coffee Country needs to pay over to SARS on 25 November 2017 for the two months ending 31 October 2017. **Show all amounts that you add or subtract to get your answer.**

(10)

- 3.2 Coffee Country is experiencing cash flow problems and has an overdraft of R30 000. Peter, the owner, has asked his bookkeeper not to record the sale of coffee bean packets for September and October and instead record them as sales for November. If you were the bookkeeper explain whether you would agree to this request and why.

(2)

- 3.3 Coffee Country had received and recorded an invoice for R8 208 including VAT, from a supplier of coffee beans during September 2017. They were later informed by SARS that this business was not a registered VAT vendor. Explain, showing the amount, how this will affect the amount they owe SARS.

(2)

- 3.4 What should Coffee Country be doing to stop this situation from happening again?

(1)

15

QUESTION 4 COMPANY ANALYSIS

(35 marks; 42 minutes)

4.1 4.1.1 Warren Buffett said that it is important to invest in companies with high profit margins.

Calculate the operating profit on sales for 2016.

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(1)

4.1.2 Explain the danger of investing in a company with a low profit margin.

(1)

4.2 Discuss the **profitability** of RCL during the year ended 30 June 2016, giving three different items that had the most impact on the profitability.

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(6)

4.3 Read the article from Fin24. Name two issues that will impact the profitability of RCL in the 2017 Financial Year and explain the effect they will have on the profit.

Issue 1:

Effect:

Issue 2:

Effect:

(4)

4.4 Discuss one other brand name, besides Rainbow and Farmer Brown Chicken, belonging to RCL Foods that will be impacted negatively by the increase in the wheat import duties.

(2)

4.5 4.5.1 Calculate the **average** shareholders' equity for 2016.

(2)

4.5.2 Use your answer for Question 4.5.1 above to calculate the shareholders' equity for 2016, if the shareholders' equity for 2015 was R10 113 499 000.

(3)

4.5.3 Give two reasons that could cause the equity to decrease from the previous year.

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(2)

4.6 Explain why the trading share price is far more volatile than the NAV. (What makes the share price shoot up and down far more than the NAV?)

(2)

4.7 4.7.1 Why would the Board want to continue paying dividends even if their profitability is poor?

(1)

4.7.2 How was the company able to declare a final dividend, even though their profitability was poor?

(1)

4.8 4.8.1 Calculate the current liabilities on 30 June 2016.

(1)

4.8.2 Discuss how three of the current assets have affected the **liquidity ratios** in 2016, and then explain what would have led to the **drop in the current ratio** from 2015 to 2016.

Effect of the current assets on liquidity ratios

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What led to the drop in the current ratio?

(7)

4.9 Study the extract from the sustainability report then answer the following questions:

4.9.1 What is the reason for RCL Foods to be concerned with the community?

(1)

4.9.2 If you had to suggest one CSR program for RCL Foods to implement that would line up to their core values, what would it be?

(1)

35

Total: 100 marks