



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2011

ACCOUNTING: PAPER II

Time: 2 hours

100 marks

INFORMATION BOOKLET

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

QUESTION 1 CREDITORS' RECONCILIATION**Information relating to Bell Beadworx:**

1. The following Creditor's Statement was received from Tladi Trading (Pty) Ltd, suppliers of beads and other jewellery parts:

<p>Tladi Trading (Pty) Ltd Boso Rd, Millville Tel 011 783 4707 VAT Reg no. 4410266784 STATEMENT</p>				
To: Bell Beadworx Sandtown VAT Reg no. 4410430987			Date: 30 June 2011	
		Debit	Credit	Balance
11.06.01	Balance			12 990,00
11.06.04	Invoice 7918	3 780,00		16 770,00
11.06.15	Credit note 190 – 10% discount omitted on invoice 7918		78	16 692,00
11.06.20	Invoice 7923	1 150,00		17 842,00
11.06.29	Invoice 7935	3 400,00		21 242,00

2. The following invoice was received during June 2011:

<p>Tladi Trading (Pty) Ltd Boso Rd, Millville Tel 011 783 4707 VAT Reg no. 4410266784 Invoice No. 7923 4349</p>				20 June 2011
To: Bell Beadworx Sandtown VAT Reg no. 4410430987				
Item	Qty	Excl. Price	Amount	
Basic bead selection	5 kg	R200,00	R1 000,00	
Clips and clasps	1 kg	R50,00	R50,00	
Leather thong	50 m	R2,00	R100,00	
Subtotal			R1 150,00	
VAT at 14%			R161,00	
Total due			R1 311,00	
E&OE				

3. Invoice 7935 was for goods that were delivered late afternoon on 30 June 2011.

4. The following cheque no.1978 accompanied the bank statement for June 2011, having been cashed:

Best Bank	BetterPlan	905-045
MILLVILLE		Date <u>2011-06-09</u>
Pay	<i>Millar Manufacturers</i>	or bearer
The sum of <i>Twelve thousand nine hundred</i> <i>and ninety rands only</i>		R <i>12 990,00</i>
Best Bank 2011-06-13		BELL BEADWORX 42 489 129 5 <i>A Millar</i>
1978 905-045 42 489 129 599		

5. Based on your investigations into the many differences between the statement and the entries in the Creditors' Ledger, and in particular who could have cashed cheque 1978, Leonie made an electronic funds transfer (EFT) of the correct amount of R21 103 to Tladi Trading (Pty) Ltd on 5 July 2011 to settle the amount owing to them.

QUESTION 2 MANUFACTURING AND INVENTORY

Information relating to Sechaba's Socks:

Sechaba's Socks has a factory based in Johannesburg and produces socks from cotton yarn obtained from a number of local suppliers, depending on availability. Prices vary between suppliers, although the cotton is all sourced from the same manufacturer in Cape Town and is supplied in identical cones.

Sechaba, the owner, is not able to do everything on his own. He manages the orders, administration and marketing, and employs Brandon to manage the factory and prepare the cost accounting records.

1. Stock records:

- 1.1 The weighted average method is used to value the inventory of cotton yarn (raw materials). Inventory is recorded using the perpetual inventory system.
- 1.2 The following table was prepared by the cost accountant, Brandon, to show the movement of stock for June 2011.

Date		Movements in/(movements out)			Balance		
		Quantity (cones)	Unit price	Value	Quantity (cones)	Unit price	Value
2011 June	1				500	R50,00	R25 000
	2	200	R57	R11 400	700	R52,00	R36 400
	3	(400)	R50	(R20 000)	300	R54,67	R16 400

- 1.3 The internal auditor identified that Brandon had in fact moved 600 cones of cotton to the factory on 3 June 2011. No cones were stolen from the storeroom or the factory.

2. Production costs

- 2.1 Brandon prepared the following additional cost information for the month of June 2011:

2.1.1 The direct labour cost was correctly calculated as R15 000.

2.1.2 Manufacturing overhead costs

Depreciation on machinery (fixed)	500
Factory rental (fixed)	8 000
Brandon's salary (fixed)	4 600
Brandon's bonus for keeping cost per pair of socks less than R10 per pair (fixed)	1 400
Employee training (fixed)	1 000
Consumable stores (variable)	300
Water and electricity (variable)	1 200
	17 000

2.1.3 6 000 pairs of socks were produced and sold.

- 2.2 Sechaba produces batches of socks on order. Each batch of socks is started and finished in the same month, and they are delivered as soon as they are completed. As a result the factory does not have opening or closing stock of work-in-progress nor finished goods stock.
- 2.3 Sechaba has discovered that he can buy the cotton directly from the manufacturer in Cape Town at R500 per box of 20 cones. However, he will have to buy a minimum of 25 boxes at a time and pay delivery costs of R1 000 per delivery.
- 2.4 Productivity improved 10% since the start of the employee training programme.
- 2.5 The machinery is old but reliable. Sechaba plans to invest in new machinery in two years' time.
- 2.6 The small factory is situated in Wynberg (Johannesburg), which is close to most of Sechaba's customers who have shops in Sandton. Sechaba has been offered alternative premises in Springs at R6 000 per month. Springs is approximately 60 km away from Sandton.

3. **Other operating expenses:**

- 3.1 Variable marketing costs amounted to R1 000 for June 2011.
- 3.2 Fixed administrative costs total R1 620 per month.

QUESTION 3 ANALYSIS OF PUBLISHED FINANCIAL STATEMENTS

The following extracts were taken from the 2010 annual report of Woolworths Holdings Limited. All amounts are stated in millions of Rands.

This annual report is the first document to be printed on Sappi's Masuga paper, which is made with 90% sugar cane waste sourced from previously disadvantaged local suppliers, and 10% wood fibre from sustainable forests. It supports our good business journey goals of protecting the environment and empowering our people.

GROUP REVIEW

	2010	2009
RETURNS		
RETURN ON ORDINARY SHAREHOLDERS' EQUITY (%)	38,9	26,3
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)		
NET ASSET VALUE	447,2	390,4
SHARE PRICE (CLOSING)	2 520	1 295

CORPORATE GOVERNANCE**AUDIT COMMITTEE**

The main purpose of the audit committee is to ensure the integrity of the financial statements and oversee the effectiveness of the internal financial controls and the external and internal audit functions.

The audit committee consists of four independent non-executive directors.

REPORT OF THE INDEPENDENT AUDITORS**OPINION**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and Company as of 27 June 2010, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

ERNST & YOUNG Inc.

REGISTERED AUDITOR

25 August 2010

Cape Town

SAB&T

SAB&T Inc.

REGISTERED AUDITOR

25 August 2010

Cape Town

GROUP STATEMENT OF COMPREHENSIVE INCOME/INCOME STATEMENT

	52 weeks to 27 June 2010 Rm
Profit before tax	1 759
Tax	491
Profit for the period	1 268

GROUP STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

	at 27 June 2010 Rm	at 28 June 2009 Rm
ASSETS		
Non-current assets	3 633	3 436
Property, plant and equipment/tangible assets	1 991	1 937
Other non-current assets	1 642	1 499
Current assets	5 377	4 869
Inventories	1 676	1 723
Trade and other receivables	778	751
Tax	6	4
Cash	2 917	2 391
Total assets	9 010	8 305
EQUITY AND LIABILITIES		
Total shareholders' interest/equity	3 453	3 072
Non-current liabilities	1 362	2 342
Current liabilities	4 195	2 891
Trade and other payables	2 876	2 765
Tax	285	111
Overdrafts and short term interest-bearing borrowings	1 034	15
Total equity and liabilities	9 010	8 305

NOTES

17. INVENTORIES

	2010 Rm
Merchandise/Trading inventory	1 738
Provision for losses on trading inventory	(73)
Consumables on hand	4
Raw materials on hand	7
	1 676
Inventories carried at net realisable value included above	224

32. DISTRIBUTIONS/DIVIDENDS TO ORDINARY SHAREHOLDERS

	2010 Rm
Distribution (dividend) no. 25 of 53,5 cents per share was declared on 26 August 2009 and paid on 28 September 2009	429
Distribution (dividend) no. 26 of 38,0 cents per share was declared on 17 February 2010 and paid on 6 April 2010	318

39.1 SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

	2010 – SA Retail			2009 – SA Retail		
	Clothing and general merchandise Rm	Food Rm	2010 Country Road* Rm	Clothing and general merchandise Rm	Food Rm	2009 Country Road* Rm
OPERATING RESULTS						
Turnover	8 253	12 227	2 496	7 423	11 126	2 235
Cost of sales	4 943	9 389	1 063	4 692	8 616	875
Gross profit	3 389	2 838	1 433	2 731	2 510	1 360
Other revenue/income	21	65	52	38	58	17
Expenses	2 321	2 461	1 362	2 075	2 167	1 237
Operating profit	1 089	442	123	694	401	140

*Country Road represents the group's results of its Australian subsidiary converted to SA Rands and does not represent South African operating results.

ANALYSIS OF SHAREHOLDERS**Major shareholders****Beneficial shareholders**

	Shares held	% of total
Government Employees Pension Fund	147 771 821	17,43
Liberty Life Association of South Africa	49 037 862	5,78
E-Com Investments 16 (Pty) Ltd	43 763 861	5,16
	240 573 544	28,37%

DIRECTORS' REPORT**NATURE OF BUSINESS**

Woolworths Holdings Limited is an investment holding company, listed on the JSE Limited securities exchange and operates mainly through two subsidiaries, Woolworths (Proprietary) Limited and Country Road Limited, and through a joint venture, Woolworths Financial Services (Proprietary) Limited.

Woolworths (Proprietary) Limited is a retail chain of stores offering a selected range of clothing, food and general merchandise, mainly under its own brand name. Woolworths has 259 corporate and 160 franchise stores throughout South Africa, Africa and the Middle East.

Woolworths Financial Services (Proprietary) Limited is operated jointly with Absa and provides our customers with a credit offering.

Country Road Limited, listed on the Australian Securities Exchange, offers a range of clothing and homeware. Country Road Limited has 78 retail stores and 82 concession retail outlets across Australia and New Zealand and is sold in selected Woolworths stores and two stand-alone retail stores in South Africa.

CHAIRMAN'S REPORT**ECONOMIC ENVIRONMENT**

The global economic recession continued throughout the company's 2010 financial year and brought with it uncertain economic conditions in both South Africa and Australia.

Nevertheless, the South African economy has been more resilient to the world economic conditions with many of the key retail indicators showing a positive outlook for growth.

In Australia, trading conditions were extremely challenging. Customers felt the pressure of additional interest rates and retailers had to discount heavily in order to stimulate customer spending. Turnover was up despite the tough conditions. However, profits were down, affected by both heavy discounting and start-up costs of the new brand Trenergy.