



**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 6 pages (i–vi) with 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
<b>Question 1: Budgets (40 minutes)</b>	<b>33</b>			
<b>Question 2: Company analysis (50 minutes)</b>	<b>42</b>			
<b>Question 3: Reconciliations (30 minutes)</b>	<b>25</b>			
<b>TOTAL</b>	<b>100</b>			

**QUESTION 1 BUDGETS**

**(33 marks; 40 minutes)**

Read the article on Amzi Manufacturers Ltd in the Information Booklet and then answer the following questions.

- 1.1 Complete the projected Debtors Collection Schedule for February and March 2019, including the credit sales amounts for November and December 2018.

**Debtors Collection Schedule for February and March 2019**

	<b>Credit sales</b>	<b>February</b>	<b>March</b>
November		358 000	
December			
January	1 870 000		
February	2 040 000		612 000

(8)

- 1.2 Calculate the missing amounts labelled A–H. **Show calculations. Do not calculate the amounts indicated by a ?.**

A	
B	
C	
D	
E	
F	
G	
H	

(12)

- 1.3 They are expecting the factory overheads to increase by 12% in February.

- Explain what the main item is that will change and cause this increase.
- Calculate how much (rand value) this item will add to the factory overheads.

Item: \_\_\_\_\_  
 \_\_\_\_\_

Amount: \_\_\_\_\_  
 \_\_\_\_\_

(2)

1.4 Use February's interest on the loan to calculate what percentage interest Amzi Manufacturers Ltd will be paying on their loan.

(4)

1.5 Looking at the deficit for February, explain whether Amzi Manufacturers Ltd needs to be worried about this.

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(2)

1.6 (a) Amzi Manufacturers Ltd plans to replace the other 100 direct factory workers with robotic arms and 10 factory supervisors in August. Use the **figures in the Cash Budget** and explain in detail **two cost benefits** should Amzi Manufacturers Ltd go ahead with this plan.

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(4)

(b) In keeping with good corporate governance as per the King Code, write down a point they need to consider when making the decision to use the robotic arms in the factory.

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(1)

**QUESTION 2 COMPANY ANALYSIS**

**(42 marks; 50 minutes)**

Read the article on Aspen in the Information Booklet and then answer the following questions.

2.1 The article seems to see Aspen's high gearing as a problem.

(a) Explain what gearing refers to.

\_\_\_\_\_  
 \_\_\_\_\_ (2)

(b) Give one advantage and one disadvantage of Aspen financing its assets through loans.

Advantage: \_\_\_\_\_

\_\_\_\_\_

Disadvantage: \_\_\_\_\_

\_\_\_\_\_ (2)

(c) State whether Aspen has high risk. Calculate a ratio to back up your answer.

Calculation:     High risk?
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(2)

(d) Explain whether this is a problem.

\_\_\_\_\_  
 \_\_\_\_\_ (1)

2.2 During 2017 and 2018 Steinhoff has been investigated to see if its management committed fraud amounting to billions of rands despite the company having an internal audit committee. According to the King Code on Good Corporate Governance, a company should have an internal audit committee aimed at reducing the risk of fraud.

(a) Give **two activities** that the internal audit committee should be responsible for in order to reduce the risk of fraud.

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(2)

(b) The media has reported on the increasing amount of fraud taking place in the corporate world. Explain why company fraud committed over a couple of years reflects badly on the external auditing profession.

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(2)

2.3 (a) Aspen's net profit increased from 2016 to 2017. Discuss **two** items in the Statement of Comprehensive Income, besides sales and gross profit, that led to this increase.

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(4)

(b) Saad explains the tension between providing reasonably priced medicine versus making a profit. Explain whether, in your opinion, the fine was justified. Give two points.

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(2)

2.4 The analyst said that Aspen ought to have disclosed what percentage of its growth was due to acquisitions and what percentage was due to existing sales. Write down which generally accepted accounting principle (GAAP) would suggest the same, and explain why it is important for shareholders to have this information.

Principle: \_\_\_\_\_

Explanation: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (3)

Study the ratios given and then answer the following questions.

2.5 Calculate the missing amounts in the 2016 Statement of Financial Position numbered A–E. **Show your calculations.**

A \_\_\_\_\_

B \_\_\_\_\_

C \_\_\_\_\_

D \_\_\_\_\_

E \_\_\_\_\_

(5)

2.6 (a) Calculate the percentage of earnings per share that was retained by Aspen in 2017.

(1)

(b) Write down two reasons why Aspen may have decided to retain such a large percentage of their earnings.

- \_\_\_\_\_

- \_\_\_\_\_

(2)

(c) Describe what the net asset value (NAV) represents?

\_\_\_\_\_

(1)

(d) Study the one-year share price graph.

- Write down the approximate share price on 30 June 2017.
- Explain how the NAV compares to the share price on 30 June.
- Give a possible reason for the difference in value.

Approximate share price: \_\_\_\_\_

Compare: \_\_\_\_\_

\_\_\_\_\_

Reason: \_\_\_\_\_

\_\_\_\_\_

(3)

2.7 (a) Calculate the stock turnover rate for 2017. Write down whether you think this rate is acceptable. Give two reasons to support your opinion.

Calculation:
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Acceptable? \_\_\_\_\_

Reason 1: \_\_\_\_\_

\_\_\_\_\_

Reason 2: \_\_\_\_\_

\_\_\_\_\_

(5)

(b) Explain the main cause of the steep decrease in the current ratio from 2016 to 2017.

\_\_\_\_\_

(1)

(c) Provide two reasons why Aspen might not be able to repay their short-term debts.

• \_\_\_\_\_

\_\_\_\_\_

• \_\_\_\_\_

\_\_\_\_\_

(2)

2.8 List two financial benefits that management will receive if they are given shares as an incentive.

- \_\_\_\_\_
- \_\_\_\_\_

(2)

42



**QUESTION 3 RECONCILIATIONS**

**(25 marks; 30 minutes)**

Study the information relating to the Creditors Statement from Vet Med in the Information Booklet and then answer the following questions.

3.1 After reading the errors or omissions relating to Vet Med, make the applicable corrections in either the Creditors Reconciliation or the Creditors Ledger.

	<b>Creditors Ledger</b>	<b>Creditors Reconciliation</b>
Incorrect balances on 30 November 2018	35 844	41 580

(6)

3.2 What is the purpose of a Creditors Reconciliation Statement?

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(1)

3.3 (a) Explain in detail what **Vet Med** should have done when they received the post-dated cheque described in point 4.

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(2)

(b) Describe how the above post-dated cheque should be treated in the financial statements of **Ed's Animal Clinic**. Also explain why this should be done.

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(3)

3.4 Not many people use cheques as a method of payment these days. Give two reasons why businesses prefer alternative methods of payment.

- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_

(2)

Study the information relating to the Debtors Age Analysis, then answer the following questions.

3.5 Use the information given in points 6 to 9 to draw up the corrected Debtors Age Analysis. The totals given are before the errors or mistakes were taken into account.

**Age analysis of Paws Rescue Centre on 30 November 2018**

90 days	60 days	30 days	Current
R100 720	R22 160	R15 130	R34 020

(4)

3.6 Explain whether you think Ed's Animal Clinic is controlling its debtors well. Give two reasons to back up your opinion.

- \_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
  - \_\_\_\_\_  
\_\_\_\_\_

(2)

3.7 Explain one possible consequence, besides possible bad debts, if debtors are not properly controlled.

\_\_\_\_\_  
\_\_\_\_\_

(1)

3.8 Write down **four** accounting control measures Ed's Animal Clinic **does not seem to have in place**, but will need to introduce to manage the debtors in future.

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

(4)

25

**Total: 100 marks**