



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY 2014

ACCOUNTING: PAPER II

EXAMINATION NUMBER

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Time: 2 hours

100 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This paper consists of 11 pages and an Information Booklet of 7 pages (i – vii) with a ratio sheet on 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 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. Please hand in this question paper.
8. 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: Analysis of published financial statements (60 minutes)	50			
Question 2: Budgeting (36 minutes)	30			
Question 3: Reconciliations (24 minutes)	20			
TOTAL	100			Checker

QUESTION 1 ANALYSIS OF PUBLISHED FINANCIAL STATEMENTS

(50 marks, 60 minutes)

Refer to the information sheet for information relating to the accounting records of Edcon Holdings (Pty) Ltd.

Required:

1.1 1.1.1 Why would shareholders be interested in reading the Independent Auditor's Report on page ii of the Information Booklet?

(2)

1.1.2 Explain one source of audit evidence that an auditor can use to determine if the rent expense figure is correct.

(1)

1.1.3 If after auditing the financial statements the auditors are of the opinion that proper controls have not been adequately applied and there is therefore a high risk that the information given might not fairly represent the position and results of the business, what action are they required to take/apply?

(2)

1.1.4 Who would be held responsible for this situation?

(1)

1.2 Determine the missing information and amounts labelled A to E in the Information Booklet on page iii. Refer to the financial statements on page iii and the note on page iv. Write your answers in the space provided below. Give amounts in Rm (millions of Rands).

A	R	m	
B	R	m	
C			
D	R	m	inflow/outflow
E	R	m	

(5)

1.3 Has the mark-up on cost achieved by Edcon Holdings (Pty) Ltd been consistent in 2011 and 2012? Explain, showing calculations in support of your answer.

Calculations:

(5)

Conclusion: _____

1.4 1.4.1 Ordinary share dividends have not been paid since 2006. What is the reason for this?

(1)

1.4.2 What do you think is the **main** reason for Edcon's losses?

(1)

1.4.3 What is the effect of this on Edcon's shareholders' equity?

(1)

1.4.4 Give two reasons why shareholders would be concerned about this situation.

(2)

1.5 1.5.1 Calculate the Debt: Equity ratio on 31 March 2012.

(2)

1.5.2 Imagine if Edcon's directors approached you, as their bank manager, to apply for a loan to improve their cash flow situation. Give a reason for and a reason against, providing them with the loan.

Reason for: _____

Reason against: _____

(4)

1.6 1.6.1 Calculate Edcon's average stock turnover period in days for 2012.

(5)

1.6.2 Is this stock turnover period acceptable for Edcon stores? Explain.

(2)

1.7 Consider the note for Trade and Other Receivables on page iv in the Information Booklet.

1.7.1 Calculate the percentage of debtors provided for bad debts in 2012.

(3)

1.7.2 One of the shareholders feels that Edcon is being overly cautious in setting this percentage so high. Provide your comment, offering two points.

(4)

1.7.3 Suggest ONE item that might be included in "Other Receivables".

(1)

1.8 The Statement of Cash Flows on page iii shows an outflow of cash due to an investment in working capital. Give TWO examples of what this might have included. For each, specify if it would have been an increase or a decrease to result in this negative cash flow.

Increase/decrease in _____

Increase/decrease in _____

(4)

1.9 Edcon has recently introduced the Thank U loyalty programme, whereby customers are rewarded with redeemable points for spending money at Edcon stores.

1.9.1 How do you think Edcon might account for these loyalty points when they are earned by a customer? When suggesting an account, also indicate clearly the type of account for each, (i.e. asset, income, expense, liability etc.)

Debit: _____

Credit: _____

(2)

1.9.2 Give one example of how a customer can abuse/misuse the Thank U loyalty programme and give one control that can be implemented to prevent this from happening.

(2)

50

QUESTION 2 BUDGETING

(30 marks, 36 minutes)

Refer to the Information Booklet for information relating to the accounting records of Koala Clothing.

Required:

2.1 Complete the cash budget for the month of October 2013.

Koala Clothing: Cash budget for October

Receipts	
Debtors' collections	275 580
Payments	(512 705)
Rent expense	20 000
Salaries and wages	175 000
Sundry expenses	
Cash surplus/shortfall	
Cash balance on 1 October 2013	(120 000)
Cash balance on 31 October 2013	

(9)

2.2 Use October's figures to calculate the percentage of total sales usually made for cash.

(2)

2.3 Koala Clothing Fashions allow debtors 30 days to settle their accounts.

2.3.1 What percentage of debtors is expected **not** to adhere to these terms?

(2)

2.3.2 How does this business encourage debtors to pay back timeously, or discourage late payments? Show your calculations using October sales.

(3)

2.4 2.4.1 Complete the age analysis on 30 September 2013, based on the actual transactions. Some information has been filled in – you need only add the remaining September transactions that have not been analysed (given in the information booklet) and totals below. The total column on the right is correct.

	Credit Limit	61 – 90 days (July)	31– 60 days (August)	0 – 30 days (September)	Total
Truewomans	R80 000	53 000	66 000	72 000	131 000
Forshe’s	R60 000	22 000	73 200	65 000	160 200
Elegants	R20 000		2 400	16 000	13 500
Ourladies	R40 000			32 700	32 700
The Designers	R10 000		1 800	3 000	7 300
Totals	210 000				344 700

(6)

2.4.2 Identify two separate problems relating to the control of debtors. In each case, provide proof by mentioning the name of the debtor concerned.

	Description of problem	Proof (mention debtor)
Problem 1		
Problem 2		

(4)

2.4.3 Mike, the owner, feels that they should reduce the fixed base stock amount. What recommendations would you make? Mention two factors that they need to take into account.

(2)

2.4.4 Explain, giving examples related to Koala Clothing, why it might be a good idea to allow different debtors, different credit terms.

(2)

30

3.2.3 List in detail THREE control measures that you suggest they put in place to prevent this from happening again.

(6)

3.3 When preparing the Financial Statements on 31 January 2014, an adjustment needs to be made whereby R2 750 must be added to Bank and Creditors. Explain the reason why this adjustment must be made and why the R2 750 must be added.

(2)

20

Total: 100 marks