



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 10

**ACCOUNTING
NOVEMBER 2006**

MARKS: 300

TIME: 3 hours

This question paper consists of 23 pages and an answer book.

INSTRUCTIONS AND INFORMATION

1. You are provided with a question paper and an ANSWER BOOK.
2. This question paper comprises FOUR compulsory questions. The compulsory questions are QUESTIONS 1, 2, 3 and 4. Answer ALL these questions.
3. You must also answer ONE other question; EITHER QUESTION 5 OR QUESTION 6.
4. Use the formats provided in order to reflect your answers.
5. Workings must be shown in order to achieve part-marks.
6. You must attempt to comply with the suggested time allocations.
7. Non-programmable calculators may be used.
8. You may use pencil or blue/black ink to answer the questions.

QUESTION 1: 40 marks; 25 minutes	
The topic of the question is:	The learning outcomes covered are:
Cost concepts and VAT	LO1 Financial information <ul style="list-style-type: none"> ▪ AS7 VAT LO2 Managerial accounting <ul style="list-style-type: none"> ▪ AS2 Identify basic cost concepts LO3 Managing resources <ul style="list-style-type: none"> ▪ AS6 Knowledge of internal control

QUESTION 2: 50 marks; 25 minutes	
The topic of the question is:	The learning outcomes covered are:
Bookkeeping entries and accounting equation	LO1 Financial information <ul style="list-style-type: none"> ▪ AS2 Use of source documents & ledger ▪ AS3 Accounting equation LO3 Managing resources <ul style="list-style-type: none"> ▪ AS4 Ledger for perpetual inventory system

QUESTION 3: 80 marks; 50 minutes	
The topic of the question is:	The learning outcomes covered are:
Salaries, budgets and ethics	LO2 Managerial accounting <ul style="list-style-type: none"> ▪ AS1 Financial and managerial accounting ▪ AS3 Budget concepts LO3 Managing resources <ul style="list-style-type: none"> ▪ AS2 Salaries and wages ▪ AS5 Ethics

QUESTION 4: 70 marks; 45 minutes	
The topic of the question is:	The learning outcomes covered are:
Financial statements and concepts	LO1 Financial information <ul style="list-style-type: none"> ▪ AS1 Accounting concepts ▪ AS5 Financial statements of sole traders

CHOOSE EITHER QUESTION 5 OR QUESTION 6.

QUESTION 5: 60 marks; 35 minutes	
The topic of the question is:	The learning outcomes covered are:
Interpreting financial statements	LO1 Financial information <ul style="list-style-type: none"> ▪ AS5 Financial statements of sole traders LO3 Managing resources <ul style="list-style-type: none"> ▪ AS6 Internal control

QUESTION 6: 60 marks; 35 minutes	
The topic of the question is:	The learning outcomes covered are:
Debtors and creditors	LO1 Financial information <ul style="list-style-type: none"> ▪ AS2 Use of source documents & ledger LO3 Managing resources <ul style="list-style-type: none"> ▪ AS6 Internal control

QUESTION 1: COST CONCEPTS AND VAT**(40 marks; 25 minutes)**

- 1.1 Jossie Jordan inherits R8 000 from her grandmother which she decides to use to start her own business. She receives a knitting machine as a birthday gift from her mother and decides to start a rug-making business.

During her first month of operation, September 2006, she bought wool and yarn to the value of R2 250 from a local supplier. She approaches a friend of hers, Samantha, to assist her in producing the rugs. She will pay Samantha R1 200 per month. She hires a garage from a next-door neighbour for R250 per month to produce and store her products and materials. The neighbour charges her an amount of R300 per month for electricity. She purchases plastic containers in bulk at a price of R375 for 100 containers to package each rug. She purchases an initial number of 200 plastic containers.

During her first month she produced 150 rugs, which she and her assistant sold to friends, family and the local store at a price of R65. She used all the wool and yarn but she has 50 plastic containers left over. They managed to sell all 150 rugs.

REQUIRED:

- 1.1.1 Explain why rent is regarded as a fixed cost and the plastic containers as a variable cost. (4)
- 1.1.2 Using Jossie's costs listed above, give TWO examples of fixed costs and TWO examples of variable costs, other than those mentioned in QUESTION 1.1.1. (4)
- 1.1.3 Calculate the total cost of producing 150 rugs including the cost of the containers. (8)
- 1.1.4 Calculate what it costs Jossie to produce ONE rug, including the cost of the container. (4)

- 1.2 Because of the overwhelmingly good response to her product, Jossie and her assistant have decided to apply for a stall at the Port Elizabeth beachfront in October 2006. This stall costs Jossie R500 per month. She also advertises in the local community newsletter at a cost of R50 per week. She estimates that she can double her production.

Jossie has hired another assistant, Peter, to manage the stall while she and Samantha manufacture the rugs. She pays Peter R1 000 per month.

After the first month Jossie does a physical count of the rugs at the stall. Jossie had given Peter 225 rugs during the course of the month. She received R11 830 from Peter for the rugs sold. The physical count shows that there are 32 rugs on hand.

REQUIRED:

- 1.2.1 Jossie is convinced that Peter has not accounted for all the rugs entrusted to him.

Calculate the number of rugs which appear to be missing. (6)

- 1.2.2 In your opinion, do the costs of the stall make it worthwhile for Jossie to continue selling her rugs at the beachfront? Explain briefly. What advice would you offer her? (5)

1.3 VAT

Jossie realises that she has paid VAT on certain items that she has purchased. She also finds out that any business of which the turnover is more than R20 000 per annum and less than R300 000 per annum, may register as a VAT vendor, however, it is not compulsory.

REQUIRED:

- 1.3.1 Jossie has decided to register as a tax vendor as she feels that this would allow her to charge 14% VAT on the rugs (R9,10) and that this would lead to an extra profit of R9,10 per rug. Is this correct? Explain. (5)

- 1.3.2 Explain why many people feel that VAT is a fair system of taxation. Provide TWO points. (4)

[40]

QUESTION 2: BOOKKEEPING ENTRIES AND ACCOUNTING EQUATIONS
(50 marks; 25 minutes)

Thando Yawa started her own business, TT Stores, selling stationery. She uses the perpetual inventory system.

Some of the transactions that occurred in May 2006, are as follows:

- May 1 Thando opened a current bank account and deposited R50 000 as a capital contribution.
- 4 TT Stores purchased stock on credit from TNA Stationers, R3 500. TNA Stationers also charged a delivery fee of R420 on the invoice.
- 10 Returned defective stock to TNA Stationers, R255.
- 15 Sold stationery on credit to N Roman, R910. The mark-up percentage on cost is 40%.
- 20 Bought a computer for office use from Incredible Computers and paid by cheque, R6 500.
- 22 N Roman returned stationery to the value of R336. The secret cost code used on these goods was AKB/BB. The code used by the business is BLACKHORSE where B = 0.
- 25 N Roman settled her account by cheque. Allowed her 5% discount for early settlement of her account.
- 27 Thando took stationery off the shop shelves for her sons to use at school. The selling price of the stationery is R315 and the cost price is R225.
- 30 Settled the account of TNA Stationers by cheque.

REQUIRED:

- 2.1 Analyse the transactions in the answer book provided to reflect the ACCOUNT DEBITED, ACCOUNT CREDITED and AMOUNT. The first transaction has been done for you as an example. (35)
- 2.2 Name the journal and source document and show the net effect on the accounting equation for the transactions dated the 15th, 25th and 27th. The transaction on 1 May has been done for your as an example. (15)

[50]

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QUESTION 3: SALARIES, BUDGETS AND ETHICS**(80 marks; 50 minutes)****3.1 SALARIES**

Jack Mashego owns a number of businesses, one of which is Ubuntu Security Services. He works at this business for approximately one hour per day, but he employs his brother Gary to manage the business for him. He also employs an administration assistant, Sarah Patudy, and 6 security workers.

Information on deductions and benefits:

- * PAYE deductions are made from the earnings of each employee at their marginal tax rates.
- * UIF deductions are made from the earnings of each employee at 1% - the employer contributes a further 1%.
- * Gary belongs to a medical aid - the employer contributes on a basis of R2 for every R1 deducted.
- * Both Gary and Sarah belong to a pension fund. The deduction is 7,5% of gross salary, while the employer's contribution is 10,5%.
- * The security guards do not get medical aid and pension benefits.

**UBUNTU SECURITY SERVICES
SALARY JOURNAL FOR SEPTEMBER 2006**

Name	Gross salary	Deductions				Total deductions	Net salary
		PAYE/SITE	Medical Aid	Pension	UIF		
Sarah Patudy	3 750,00	675,00	Nil	281,25	37,50	993,75	2 756 25
Gary Mashego	12 500,00	3 125,00	1 100,00	?	?	?	?
	16 250,00	3 800,00	1 100,00	?	?	?	?

REQUIRED:

- 3.1.1 Explain the difference between the terms *gross salary* and *net salary*. (2)
- 3.1.2 Why do the security guards not appear in this journal? (2)

- 3.1.3 Complete Gary Mashego's payslip by filling in the missing figures and details:

PAYSLIP: GARY MASHEGO		Date: Sept 2006
Gross salary		12 500,00
PAYE deduction		- 3 125,00
Medical aid deduction		- 1 100,00
?	?	
?	?	
NET SALARY		?

(8)

- 3.1.4 Calculate the amount contributed by the employer in respect of the medical aid for Gary Mashego for the entire year.

(4)

- 3.1.5 After negotiation with Sarah Patudy, Jack Mashego has decided to introduce the following salary scale for her with effect from 1 October 2006:

54 000 x 6 000 - 72 000 x 8 000 - 96 000 x 10 000 - 126 000

- (a) What is the minimum monthly salary on this scale? (3)
- (b) How long will it take Sarah to advance to the next notch? (2)
- (c) Calculate the % annual salary increase that she will receive in 2016 when she reaches her maximum salary. (4)

3.2 BUDGETS AND BUSINESS ETHICS

The business hires out the services of security guards to their clients at R70 per hour. Jack Mashego has decided to increase this rate to R74 per hour for the next financial year. The security guards all work the same number of hours in a year and they are paid weekly for each hour that they work.

The security workers of Ubuntu Security Services have been on strike for the past month. They are unhappy about their working conditions and the proposed budget for 2007.

Jack and Gary have been discussing the budget for the following financial year. They already own a vehicle which is used to transport the security guards, and they have budgeted for a new car for Jack Mashego.

It has also been decided to send Gary Mashego, the manager, to a FIVE-day conference in the USA to learn more about security measures. This trip will cost approximately R60 000.

Below is the cash budget for the year ending 30 September 2007 together with the corresponding budget and actual figures for 2006. This cash budget also indicates the % change in the budgeted figures.

**UBUNTU SECURITY SERVICES
CASH BUDGET FOR YEAR ENDING 30 SEPTEMBER 2007**

	2006		2007	
	BUDGET	ACTUAL	BUDGET	% CHANGE IN BUDGET
RECEIPTS				
Fee income from security services	823 200	823 200	870 240	+ 6%
Rent income	12 000	12 000	14 400	+ 20%
Interest on fixed deposit	5 000	4 000	4 320	- 13%
Loan from Sharks Lenders	50 000	50 000	70 000	+ 40%
	890 200	889 200	958 960	+ 8%
PAYMENTS				
Salary of office administrator (Sarah Patudy)	45 000	45 000	54 000	+ 20%
Salary of manager (Gary Mashego)	130 000	150 000	225 000	+ 73%
Wages of six security guards	141 120	141 120	152 410	+ 8%
Employer's contribution to medical aid, pension fund & UIF	50 236	50 236	60 009	+ 19%
Training courses for security guards	12 000	8 000	8 800	- 27%
Office telephone & electricity	20 000	16 500	16 500	- 18%
Motor vehicle running expenses	36 000	35 000	70 000	+ 94%
Interest on loan	7 000	7 000	13 200	+ 89%
Refreshments for office staff	8 400	8 500	9 000	+ 7%
Costs of Ubuntu Security Soccer Club	2 000	10 000	10 000	+ 500%
Bank charges	15 000	19 000	15 500	+ 3%
Overseas trip - conference	0	0	60 000	Not applicable
Uniforms for security guards	6 000	8 000	3 000	- 50%
Maintenance of building	18 000	14 000	19 800	+ 10%
Drawings by Jack Mashego	164 000	200 000	240 000	+ 46%
Purchase of new vehicle for Jack Mashego	0	0	340 000	Not applicable
	654 756	712 356	1 297 219	+ 98%
Cash surplus (deficit) for the year	235 444	186 844	(338 259)	
Cash in bank at beginning of year	160 075	160 075	346 919	
Cash in bank at end of year	395 519	346 919	8 660	

REQUIRED:

- 3.2.1 Explain what is meant by the following:
- (a) Financial accounting
 - (b) Managerial accounting (4)
- 3.2.2 Why is it important for Jack to prepare a cash budget for each financial year? (3)
- 3.2.3 Jack also wants to prepare a code of business ethics to be displayed in the office. Briefly explain why this is a good idea and list THREE points that he should include in the code of ethics for this business. (8)
- 3.2.4 Was it necessary for this business to take out a loan in 2006 and to budget for an increase in the loan in 2007? Explain briefly. Provide TWO reasons for your answer. (5)
- 3.2.5 Gary is very happy that the salaries, wages and employer's contributions for 2006 have been well controlled. Identify THREE other operating expenses that were well controlled in the 2006 financial year and quote figures to support your opinion. (9)
- 3.2.6 Calculate the following for 2006:
- (a) The number of hours worked by each security guard
 - (b) The wages that they earned per hour (8)
- 3.2.7 Jack wants to resolve the dispute regarding the strike as soon as possible. He approaches you for advice.
- You tell him that he should meet with the guards, but that he will have to acknowledge their grievances, while stating his own point of view.
- Write a report for him on:
- * Points that would support his opinion
 - * Points that the guards are likely to raise
 - * Points he should consider when redrafting the budget
- You will be assessed on your ability to:
- * Understand Jack's perspective
 - * Understand the guard's perspective
 - * Think creatively about the budget
 - * Identify and evaluate relevant information (18)
- [80]**

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QUESTION 4: FINANCIAL STATEMENTS**(70 marks; 45 minutes)**

Christy Chetty owns a shoe shop called Trendy Shoes. You have been provided with the Trial Balance as prepared by the bookkeeper after some adjustments have been processed.

REQUIRED:

- 4.1 Explain what is meant by *GAAP*. (2)
- 4.2 There is an amount for Sundry Expenses which contains 10 different items such as refreshments and newspapers in the Trial Balance. Which GAAP principle is applied here? Name and explain the application of this principle. (3)
- 4.3 The Income Statement was drafted from the Trial Balance provided before the additional information below was taken into account. The draft Income Statement revealed a net profit of R112 604.
- Calculate the correct net profit, taking into account the additional information. (10)
- 4.4 Use the Trial Balance as well as the information given below to prepare the following notes to the Balance Sheet on 30 September 2006:
- * Owner's equity (Capital) (8)
 - * Trade and other payables (9)
- 4.5 Use the Trial Balance as well as the information given below to prepare the Balance Sheet on 30 September 2006. Show calculations in brackets to earn part-marks. (34)
- 4.6 Do you agree that the value of land and buildings, vehicles and equipment should be shown at cost price in the financial statements? Explain. (4)

INFORMATION:**CHRISTY CHETTY TRADING AS TRENDY SHOES
TRIAL BALANCE AT 30 SEPTEMBER 2006**

	Debit	Credit
Balance Sheet accounts section	R	R
Capital		620 000
Drawings	28 000	
Land and buildings at cost	450 000	
Vehicles at cost	145 000	
Equipment at cost	45 000	
Fixed deposit: Stanlip Bank (7,5%) matures in 2008	10 000	
Trading stock	110 000	
Debtors' control	18 750	
Bank	8 831	
Cash float	850	
Loan: Credbank (12%)		70 000
Creditors' control		13 565
Accrued expenses		682
Prepaid expenses	420	
Nominal accounts section		
Sales		943 376
Cost of sales	589 610	
Debtors allowances	1 230	
Rent income		16 500
Cellphone expenses	825	
Salaries	210 000	
Rates	14 590	
Stationery	2 840	
Sundry expenses	138	
Water and electricity	14 892	
Bank charges	4 107	
Bad debts	890	
Interest on loan	8 400	
Interest on current bank account		250
	1 664 373	1 664 373

ADDITIONAL INFORMATION:

1. Christy Chetty transferred a vehicle valued at R50 000 into the business on 1 May 2006. This has been properly recorded.
2. After some investigation you discovered that the bookkeeper did not take the following transactions into account, some of which will affect the net profit:
 - 2.1 A stock count on 25 September 2006 revealed shoes to the value of R108 500 on hand.
 - 2.2 On 28 September 2006, after the physical stocktaking, Christy took shoes for her personal use at cost price, R2 600. This has not been recorded.
 - 2.3 R25 000 of the loan will be paid to Credbank on 31 December 2006.
 - 2.4 Three months' rent income was received in advance.
 - 2.5 The rates account has been overpaid by R637. This will be offset against the amount due for the next year.
 - 2.6 An amount of R580 has been incorrectly credited to the Debtors Control Account. This amount was received from B Schoeman, a debtor, whose account was written off in 2004.

[70]

**ANSWER EITHER QUESTION 5 OR QUESTION 6.
DO NOT ANSWER BOTH QUESTIONS.**

QUESTION 5: INTERPRETATION OF FINANCIAL INFORMATION

(60 marks; 35 minutes)

Cynthia Malopo owns a gift shop called Malopo Curios that depends largely on the tourism industry. Below are extracts of the financial statements on 30 June 2006, as compiled by her accountant. Comparative figures for the previous years are also provided.

	2006	2005
Turnover (Sales)	270 000	144 000
Cost of sales	150 000	90 000
Gross profit	120 000	54 000
Operating expenses	35 000	30 000
Operating profit	85 000	24 000
Interest income	5 000	4 000
Net profit	90 000	28 000
Owner's equity	250 000	250 000
Non-current liabilities	15 000	10 000
Non-current assets	240 000	215 000
Current assets (including trading stock)	75 000	60 000
Current liabilities	50 000	15 000
Trading stock	42 000	22 000

The accountant has done calculations for some of the financial indicators.

	Refer to question:	2006	2005
Gross profit on sales	(5.1.1)	?	37,5%
Gross profit on cost of sales		80%	60%
Operating expenses on sales		12,9%	20,8%
Operating profit on sales	(5.1.2)	?	16,7%
Net profit on sales		33,3%	19,4
Return on equity	(5.1.3)	?	11,2%
Current ratio		1,5:1	4:1
Acid-test ratio	(5.1.4)	?	2,5:1
Solvency ratio	(5.1.5)	?	11:1

REQUIRED:

- 5.1 Calculate the missing financial indicators (ratios/percentages) for 2006. Insert your workings and answer on the table provided. Calculate to ONE decimal place.
- NOTE: Marks will be allocated for your calculations. (26)
- 5.2 Cynthia Malopo does not understand the financial indicators very well and has asked you the following questions: (In all cases mention ratios, percentages or figures and the comparisons of the previous year to support your answers.)
- 5.2.1 Should she be satisfied with the operating profit and the control of the operating expenses? Explain. (7)
- 5.2.2 Is the business able to pay off short-term debts without a problem? (8)
- 5.2.3 Compare the mark-up in 2005 with the mark-up in 2006. How has the change in the mark-up affected the trading results of Malopo Curios? Has the change in the mark-up been a wise decision? Explain. (7)
- 5.2.4 Is Cynthia earning a reasonable return on her investment in the business? Explain. (6)
- 5.3 Cynthia is unsure of how much stock she should keep in her business. Name THREE factors she should take into account when deciding how much stock to keep on hand. (6)
- [60]**

**ANSWER EITHER QUESTION 5 OR QUESTION 6.
DO NOT ANSWER BOTH QUESTIONS.****QUESTION 6: DEBTORS AND CREDITORS****(60 marks; 35 minutes)**

You are provided with information from the books of Umgaba Furnishers.

6.1 REQUIRED:

Debtors Control Account for June 2006. Show workings in brackets to earn part-marks. Also show folio references for journals. (29)

INFORMATION FOR JUNE 2006:

1. The debtors list on 1 June reflected a total of R31 570 comprising the following:
 - * Twenty debtors with debit balances of R32 600
 - * Three debtors with credit balances totalling R1 030:
K Kim, R740; H Hill, R250; N Nel, R40
2. Furniture was sold as follows:
 - * For cash, R45 500
 - * On credit, R55 350
3. Receipts totalling R44 460 were issued to credit customers on settlement of their accounts. This included R660 received from the insolvent estate of H Hendry - his estate paid out 60 cents in the rand and the balance is to be written off. Cash discount of R2 040 was granted on the payments from the credit customers.
4. It was decided to treat the debtors with credit balances as follows:
 - * Kim was refunded by cheque, R740
 - * H Hill's account is to be transferred to the creditors ledger
 - * Nel's account will be offset against further credit sales
5. Total of goods returned:
 - * To suppliers, R2 500
 - * By cash customers, R890
 - * By credit customers, R3 700
6. Cheques issued to suppliers on settlement of accounts, R39 600.

7. The bank statement received on 25 June reflected the following:
 - * Direct transfer by a debtor, J James, R5 660
 - * Dishonoured cheque, R540 (this cheque was originally supplied by a credit customer, B Boddie, in settlement of his account of R610)
8. A debtor, B Luyt, is to be charged interest for 4 months at 12% per annum on his overdue account of R2 700.
9. A credit customer, T Thabo, complained that she had been sold a table which was the wrong size. The invoice total of R1 645 is already included in information 2 (above). It was agreed to let her have the table at cost. The mark-up was 75% on cost. The appropriate document was issued on 30 June 2006.
10. The Petty Cash Journal reflects R350 paid to KK Deliveries in respect of delivery expenses paid on behalf of a debtor.

- 6.2 You are provided with the Creditors Control Account which appeared in the Ledger of Umgaba Furnishers in June 2006. It is their policy to try to settle creditors' accounts as quickly as possible even though the creditors grant 30 days' credit.

REQUIRED:

Study the following account and answer the questions that follow.

CREDITORS CONTROL

2006 Jun	30	?	CPJ	47 000	2006 Jun	1	Balance	b/d	28 000
		?	CAJ	6 900			?	CJ	34 500
		Sundry accounts	GJ	200			Sundry accounts	GJ	500
		Balance	c/d	8 900					
				63 000					63 000
					2006 Jul	1	Balance	b/d	8 900

QUESTIONS:

- 6.2.1 Name the document which supports the entry of R34 500 on the credit side. (2)
- 6.2.2 Give ONE possible explanation for the entry of R500 on the credit side. (2)
- 6.2.3 Creditors granted Umgaba Furnishers cash discount of R420 for early payment. How much was paid to them? (2)
- 6.2.4 The creditors list on 30 June reflects a total of R12 200. What action should the bookkeeper take? Explain briefly. (2)
- 6.2.5 Umgaba Furnishers is not happy with the quality of furniture it is getting from its suppliers. Provide a figure with an explanation to support your answer. (3)
- 6.2.6 The creditors are being paid too quickly. Explain briefly, quoting figures to support your answer. (3)

6.3 You are provided with an extract from a newspaper article.

REQUIRED:

Read the article and answer the questions that follow:

<p>EDCON PRAISED FOR DEBTORS BOOK DISCLOSURE By Tom Robins <i>Business Report, 13 July 2006</i> (article shortened)</p> <p>Cape Town – The debtors book at Edgars Consolidated Stores (Edcon) deteriorated marginally in the quarter to June compared with a year earlier, following the company's aggressive strategy to acquire new credit clients.</p> <p>Edcon said '84% of the debtors book was current and able to buy, compared with 86% in June last year'.</p> <p>In the year to March, Edcon, which owns Edgars and Jet, acquired 585 000 new account holders, bringing the total to 4,1 million.</p> <p>National credit regulator chief executive Gabriel Davel said last week that current levels of indebtedness were unsustainable. He said 80 000 default judgments were granted a month and argued that this was a result of reckless lending and consumer dishonesty.</p> <p>But Neill Young, a Coronation Fund Managers portfolio manager, said the deterioration in the debtors book was</p>	<p>expected considering the proactive move to gain new accounts. It was 'not a huge concern' and he believed the book would stabilise by the end of September.</p> <p>Edcon said sales growth for the quarter had slowed to 15%, but stressed that profit growth had outperformed sales growth and that it expected this trend to continue for half-year results to September.</p> <p>Young said the only disappointment in the trading update was slower growth in the discount division, mainly composed of the Jet chain. Sales for the division rose 15%.</p> <p>Newsagent CNA, part of the department store division, was the star revenue performer with sales up 31%.</p> <p>Gross profit growth was ahead of sales growth, reversing an earlier trend that Edcon ascribed to a higher proportion of sales of low-margin products, particularly cellphones.</p> <p>The company said this year's winter stock had been sold. This followed complaints by Edcon that last year's unseasonably warm winter had hurt sales.</p> <p>Edcon shares closed 20c higher at R27,45 yesterday. The general retailers sector rose 0,97%.</p>
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QUESTIONS:

- 6.3.1 This article mentions two well-known companies which form part of the Edcon group.
- (a) Apart from Edgars, which company had the best results in the group?
- (b) Which company reflected the most disappointing results in the group? (2)
- 6.3.2 According to this article, why did Edgars have disappointing trading results in the winter season last year? (2)
- 6.3.3 Edgars describes one of the products, cellphones, as low margin. Why does Edgars continue to sell this product if it is low margin? (2)
- 6.3.4 Edcon appears to be happy with the fact that 84% of their debtors is current and able to buy. In your opinion, why does Edcon have good debtors when other businesses might battle to get their debtors to pay on time? Explain briefly. (4)
- 6.3.5 According to the article, 80 000 judgments were issued in respect of bad debts nationwide. Assuming that 25% of these bad debts are Edcon customers, would this be a major concern for Edcon? Explain briefly, quoting figures to support your answer. (7)
- [60]**
- TOTAL: 300**