



TOTAL MARKS

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NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2019

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 10 pages, an Information Booklet of 7 pages (i–vii) 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 must 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 (34 minutes)	28			
Question 3: Company analysis (50 minutes)	42			
TOTAL	100			

QUESTION 1 BUDGETS

(30 Marks; 36 Minutes)

1.1 Use the information given in the additional information to calculate the missing figures denoted with the letters A–G. The "??" must not be calculated. Show your calculations on the appropriate line.

A.	
B.	
C.	
D.	
E.	
F.	
G.	

(9)

1.2 Calculate the ratio that is used to show factory insurance versus the office insurance.

(3)

1.3 Calculate the factory overheads for April 2020.

(5)

1.4 Complete the projected income statement for HCC Designs for April 2020. Do not fill in the "??".

Sales	*
Cost of Sales	*
Gross profit	Do not fill in
Operating expenses	Do not fill in
Depreciation: Truck	2 800
Office Insurance	2 740
Vehicle expenses	2 660
Office telephone	??
Office stationery	*
Net profit for April	159 385

(6)

1.5 Thabo has come to you for advice. He is very excited about the profit he can make per month and wants to go ahead with HCC Designs rather than looking for another job. Unfortunately, he does not have the money, and banks will not lend him the money nor allow him to go into overdraft.

1.5.1 Explain in detail, two different reasons why HCC Designs can have a profit of R159 385 in April, yet have an accumulated cash deficit of R1 236 361 in the same month.

- _____

- _____

(4)

1.5.2 Thabo has calculated that he will need just over R1 230 000 extra to start HCC Designs. He does not have this. Carefully study the budget and write down three solutions he can implement to solve his cash flow problems.

- _____

- _____

- _____

(3)

QUESTION 2 RECONCILIATIONS

(28 Marks; 34 Minutes)

PART A

2.1 Complete the debtors age analysis as it should have appeared on the statement. Do **not** do any of the corrections but use **only** the numbers as they appear on the statement. The first three invoices have been filled in for you.

90 Days	60 Days	30 Days	Current
34 000 + 45 750	39 780		

(5)

2.2 Calculate the interest rate per month that Bumpless charged on the outstanding debts that were 90 days overdue.

(2)

2.3 Taking into consideration the differences, prepare the Creditor’s Reconciliation and calculate the correct amount owed by PeaceOfPocket on 30 November 2019.

Creditors Reconciliation on 30 November 2019

Incorrect balance	112 482
Correct amount owed by PeaceOfPocket	

(7)

2.4 PeaceOfPocket has a payment policy that it adheres to. Study the information and explain its policy.

(1)

2.5 Write down the best method that PeaceOfPocket should use to get its clients to pay their monthly insurance premiums. Explain what makes this the most suitable method for collecting the money.

(2)

2.6 Udesh, the bookkeeper at PeaceOfPocket, knows the person whose car was fixed belonging to invoice P90 on 15 November. Someone had reversed into their car at the shops, denting their back bumper. The job was for Bumpless to replace the back bumper. Udesh also knows that the general cost of a back bumper for this car is R4 700. Udesh suspects the following:

- Instead of sending an invoice for the exact job that was done on the car, Bumpless is adding work and parts to each invoice.
- Bumpless is also sending extra invoices for which there was no work hoping PeaceOfPocket will not notice and pay the extra invoices (invoice P79).

Explain a control system with two points that PeaceOfPocket can implement to stop the above from happening.

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(4)

PART B

2.7 Study the bank reconciliation on 31 October 2019 then calculate the bank balance as it would have appeared on the **Bank Statement** on 31 October 2019. Write down whether it is a **favourable** or **unfavourable** balance.

Positive or negative: _____

(2)

2.8 Show how the transactions in the information book should be dealt with on 30 November by entering the given **amounts** into the table below.

Transaction	CRJ	CPJ	General Journal	Bank reconciliation		No entry
				Debit	Credit	
(a)						
(b)						
(c)						
(d)						

(5)

QUESTION 3 COMPANY ANALYSIS

(42 Marks; 50 Minutes)

3.1 Study the extract from the Income Statement and the Breakdown of operating income per department then answer the following questions.

3.1.1 The operating expenses on profit increased from 191,5% in 2017 to 245,1% in 2018. Explain the main cause of this increase.

(1)

3.1.2 Write down an area in the Income Statement that has improved.

(1)

3.1.3 Tiger Brands withdrew all ready-to-eat meat products and closed the two Enterprise factories manufacturing these products. The factories closed at the beginning of March 2018.

(a) Even though the product recall loss was not part of the value added meat products, they still showed a loss. Discuss two expenses VAMP had that could have caused the loss.

- _____

- _____

(4)

(b) The financial report stated that VAMP had a material impact on the results. Describe the impact VAMP had on the profits and explain why this is material. Show necessary calculations.

(4)

3.2 Calculate the figures A–C in the statement of financial position. Show the calculations.

	Rm
A	
B	
C	

(4)

3.3 3.3.1 Calculate the acid test ratio for 2018. Explain why Tiger Brands would calculate this ratio and comment on their ratio for 2018.

(4)

3.3.2 Explain a possible reason why the stock turnover rate decreased in 2018, and provide two reasons whether this rate is suitable for Tiger Brands.

Reason it dropped:

Is the rate suitable? Yes / no

-

-

(6)

3.4 Does Tiger Brands run the risk of going insolvent? Justify your answer by providing a calculation.

(2)

3.5 Coronation Asset Management (Pty) Ltd invests money on behalf of their clients. Coronation is one of Tiger Brands' biggest shareholders, owning 3,5% of Tiger Brands.

3.5.1 Calculate the number of Tiger Brands shares that Coronation owns.

(1)

3.5.2 Calculate the total market value of the Tiger Brands shares that Coronation owns on 30 September 2018.

(1)

3.5.3 Discuss two factors that would have contributed to the decrease in the **demand** for Tiger Brands shares on the JSE.

- _____

- _____

(2)

3.5.4 Should Coronation want to sell their Tiger Brands shares, they have the option of either selling the shares directly back to Tiger Brands or selling them on the JSE. Explain why it would be disadvantageous for Coronation to sell their shares on the **JSE**.

(2)

3.5.5 Discuss the financing options available should Tiger Brands want to repurchase their shares directly from Coronation.

- (a) With reference to risk, return and gearing, explain whether Tiger Brands could finance the repurchase with a loan. (Show applicable calculations.)

(4)

- (b) By using an appropriate figure, comment on whether Tiger Brands could finance the repurchase without the loan.

(2)

- (c) If Coronation offered to sell their Tiger Brands shares back to Tiger Brands for R250 per share, discuss why this would not be a sound business decision for Tiger Brands.

(2)

3.6 Explain whether Tiger Brands behaved ethically once the Listeria outbreak was discovered. Give two points.

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- (2)

42

Total: 100 marks