



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2019

**ACCOUNTING: PAPER II**

Time: 2 hours

100 marks

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**INFORMATION BOOKLET**

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**QUESTION 1      BUDGETS****(30 Marks; 36 Minutes)**

Thabo was retrenched from his job. He is good at woodworking and would like to start a business manufacturing kitchen cupboards instead of looking for another job. He will call it High-Class Cupboard Designs (HCC Designs for short).

The challenge is that the bank will not loan him start-up capital or grant him an overdraft facility in the first three months until he has proven that his business will work.

His plan is to hire and train 4 workers. He predicts that they will be able to manufacture 15 sets of cupboards in the first month, then as many as 20 sets per month as they become more efficient and skilled. He will build up stock in March and start selling them in April.

Thabo plans to sell each set of kitchen cupboards at a selling price of **R42 000**. He plans to use a 25% mark-up on cost. He hopes to supply the following potential customers:

- He has a potential contract supplying 10 sets of kitchen cupboards per month to Kitchen Wizard (Pty) Ltd. Kitchen Wizard will pay in the **second month** after delivery.
- Do It Yourself Empire has told him that they will stock 4 sets from **1 April 2020**. When all 4 sets have been sold they will pay him and buy 4 more. Thabo is hopeful that they will sell all 4 sets in a month, so he budgeted on receiving the money in the month after supplying them.
- Thabo is hopeful that he will be able to sell a further 6 sets of kitchen cupboards per month to various other shops and has budgeted his sales accordingly as cash sales from **1 April 2020**.

Thabo hopes to launch his business on 1 March 2020, and he hopes to start trading on 1 April 2020, so he drew up the following cash budget:

**Cash budget of HCC Designs for the two months ending April 2020**

	March	April
<b>RECEIPTS</b>	<b>400 000</b>	<b>??</b>
Cash sales	0	<b>A</b>
Cash from debtors	0	0
Capital	400 000	0
<b>PAYMENTS</b>	<b>??</b>	<b>??</b>
Raw materials	450 000	600 000
Direct wages	24 000	24 000
Wood working equipment	220 000	0
Truck	<b>B</b>	0
Rent of factory	<b>C</b>	35 000
Total insurance	10 275	<b>D</b>
Vehicle expenses	<b>E</b>	2 660
Office stationery	<b>F</b>	700
Office telephone	??	??
Factory municipal costs	6 800	<b>G</b>
<b>Surplus / deficit</b>	<b>(804 920)</b>	<b>(431 441)</b>
<b>Accumulated surplus / deficit</b>	<b>(804 920)</b>	<b>(1 236 361)</b>

**Additional information**

- The wood working equipment is depreciated at 15% p.a.
- Since Thabo cannot get a loan he has planned to buy the truck with cash to deliver the sets of cupboards to his customers. The depreciation on the truck is calculated at 8% per annum. The depreciation on the truck for April was R2 800.
- HCC Designs had to pay double rent in March: Rent for the month plus the deposit.
- Thabo started the insurance policy late, so he only paid for  $\frac{3}{4}$  of March. From April he will pay the full amount. The insurance is split in a ratio between the factory and the office. The office insurance for April is R2 740.
- Thabo is expecting the vehicle expenses to increase by 40% from 1 April onwards.
- Part of the office stationery costs in March are business cards that cost R800. There should be enough cards to last until the end of July. Thabo estimates that the rest of the stationery costs will be similar every month.
- The factory municipal costs are going to go up by 2% in April due to an increase in electricity tariffs.

**QUESTION 2 RECONCILIATIONS**

**(28 Marks; 34 Minutes)**

PeaceOfPocket (POP) is an insurance company that insures cars. They employ 20 consultants in their call centre to help their clients record and sort out claims, and one person, Udesh, in the finance office.

The telephone consultants refer the clients to the appropriate panel beater or garage, depending on what is wrong with the client’s car. POP then waits for the panel beater or garage to send them an invoice once the job is finished, which they then record in their creditors journal.

POP’s financial year-end is 31 December.

**PART A**

The following statement was received from one of the panel beaters.

<b>BUMPLESS (PTY) LTD</b>					
76 Kruger Lane Lyttelton Hights 0357			Statement no: 98  Date: 30 November 2019		
Date		Transactions	Debit	Credit	Balance
2019					
Aug	5	Invoice P77	34 000		34 000
	7	Invoice P79	45 750		79 750
Sept	18	Invoice P83	39 780		119 530
	20	Credit note P02		3 870	115 660
	30	EFT		32 300	83 360
		Discount		1 700	81 660
Oct	6	Invoice P87	28 660		110 320
	31	EFT		34 200	76 120
Nov	15	Invoice P90	35 900		112 020
	30	Interest	462		112 482
<b>Terms:</b>		<ul style="list-style-type: none"> <li>• 5% discount granted if paid within 30 days of statement date.</li> <li>• ? % per month interest charged on 90 days overdue.</li> </ul>			
<b>Age analysis:</b>		90 Days	60 Days	30 Days	Current
		??	??	??	??

**When comparing the statement received from Bumpless (PTY) Ltd, to the creditors ledger, the following differences were found:**

- POP has no copy of invoice P79 and when questioned, Bumpless could not find a copy of it. POP insisted that it is an error and must be cancelled. Bumpless agreed.
- Bumpless made a mistake when recording credit note P02. The correct amount was R3 780.
- Since invoice P79 is a mistake, Bumpless has omitted to record the discount on the EFT dated 31 October.
- Due to the erroneous invoice P79, no interest should have been charged. This needs to be cancelled.
- Invoice P90 was recorded in the Creditors journal as R39 500. This is an error.
- On 30 November POP made a payment via EFT to pay invoice P87 less the 5% discount they should receive.

**PART B**

**Bank reconciliation statement on 31 October 2019**

Balance according to the bank statement	?
Outstanding deposits	11 420
Outstanding cheques:	
No. 99 (17 May 2019)	3 160
No. 115 (25 July 2019)	1 130
No. 127 (28 October 2019)	2 665
No. 128 (5 January 2020)	2 408
Debit balance according to the bank account	992

**Other information relating to the bank account on 30 November 2019**

The following cheques appeared on the bank statement on 30 November 2019:

- No. 115
- No. 127

**Transactions to be used to fill in Question 2.8.**

- Show how cheque no. 99 will be dealt with on 30 November.
- Show how cheque no. 128 will be dealt with on 30 November.
- A cheque for R3 700, dated 1 December 2019, was received from A. Brown to pay for the excess on replacing his car door.
- The bank statement showed an unpaid cheque from a client for R2 160. This was in settlement of a debt of R2 400.

**QUESTION 3 COMPANY ANALYSIS****(42 Marks; 50 Minutes)**

**Tiger Brands**, a Top 40 JSE company, is one of the largest manufacturers and marketers of fast moving consumer products and South Africa's largest food company.

**Tiger Brands**

Adapted from the **Condensed consolidated income statement for the year ended 30 September**

	Notes	2018 Rm	2017 Rm
Revenue		28 473,9	31 297,9
Cost of sales		(19 229,5)	(20 856,4)
Gross profit		9 244,4	10 441,5
Operating expenses		(5 923,7)	(5 807,2)
Sales and distribution expenses		3 675,8	3 596,4
Marketing expenses		844,7	771,4
Other		1 403,2	1 439,4
Operating income before abnormal items	1	3 320,7	4 634,3
Costs associated with VAMP product recall		(422,1)	–
Other		(343,5)	(693,6)
Operating income after abnormal items		2 555,1	3 940,7
Finance costs		(31,7)	(206,6)
Investment income		730,7	533,3
Profit before taxation		3 254,1	4 267,4
Taxation		(837,0)	(1 234,4)
Profit for the year		2 417,1	3 033,0

**Note 1: Breakdown of operating income per department**

	2018 Rm	2017 Rm
<b>Operating income before abnormal items</b>		
<b>Domestic operations</b>	<b>3 050,8</b>	<b>4 235,5</b>
Grains	1 886,0	2 361,2
Foods	827,9	1 280,2
Value Added Meat Products (VAMP)	(252,0)	104,2
Other	1 079,9	1 176
Home, Personal Care and Baby	345,9	651,1
<b>Exports and international</b>	<b>269,9</b>	<b>398,8</b>
Exports	289,7	272,9
International – Central Africa	159,0	147,2
International – West Africa (Deli foods)	(50,5)	(34,5)
Deciduous Fruit	(128,3)	13,2
<b>Total operating income</b>	<b>3 320,7</b>	<b>4 634,3</b>

**Extracts from the financial report**

- The suspension of operations of Value Added Meat Products (VAMP) at two Enterprise factories due to the Listeria outbreak, had a material impact on the results.
- Despite the closures, Tiger Brands has maintained its 1 600 permanent employees. The Enterprise factory facilities were used for training the employees and they started manufacturing again in November 2018.

Adapted from the **Condensed consolidated statement of financial position on 30 September**

<b>ASSETS</b>	<b>2018 Rm</b>	<b>2017 Rm</b>
<b>Non-current assets</b>	13 165,4	13 237,5
<b>Current assets</b>	10 763,0	10 377,0
Inventories	5 064,0	4 812,0
Trade and other receivables	4 117,9	4 631,6
Cash and cash equivalents	1 581,1	933,4
Assets classified as held for sale	–	364,7
<b>Total assets</b>	23 928,4	23 979,2
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	17 465,2	<b>A</b>
<b>Non-current liabilities</b>	1 062,2	<b>C</b>
<b>Current liabilities</b>	5 401,0	<b>B</b>
Trade and other payables	3 841,0	?
Other	1 560,0	1 497,9
<b>Total equity and liabilities</b>	23 928,4	23 979,2

**Listeria update:**

Tiger Brands set aside R10 million to launch the country’s first Centre of Food Safety in collaboration with Stellenbosch University.

The Centre will conduct research, and help government ensure that food safety regulations are based on sound scientific evidence.

**Glossary**

- Listeria: a type of bacterium which infects humans and causes food poisoning.

**Ratios for the year ended 30 September**

	<b>2018</b>	<b>2017</b>
Number of issued shares	189 820 000	189 820 000
Net asset value	9 201 cents	9 000 cents
Market price on 30 Sept	26 560 cents	37 735 cents
Earnings per share	1 273 cents	1 597 cents
Dividends per share	1 080 cents	1 080 cents
Return on capital employed	13,12%	17,4%
Interest rate on the loan	9,5% p.a.	
Current ratio	2 : 1	1,8 : 1
Acid test ratio	?	1,05 : 1
Debtors collection period	53 days	54 days
Stock turnover rate	3,8 times	4,3 times

