



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION – MARCH 2019

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 12 pages and an information booklet of 5 pages (i–v) with a formula sheet included as a separate insert. 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. The allocation of marks and appropriate time to be spent on each question are as follows:

	Possible marks	Actual marks	Marker signature	Moderator signature
Question 1: Budgets (36 minutes)	30			
Question 2: Reconciliations (36 minutes)	30			
Question 3: Financial statements (48 minutes)	40			
TOTAL	100			

QUESTION 1 BUDGETS

(30 marks; 36 minutes)

Refer to the information regarding Stripy Pencil in the Information Booklet to answer the following questions.

- 1.1 Fill in the missing amounts labelled A–H in the Cash Budget. The ?? do not need to be filled in. Show your calculations.

A	
B	
C	
D	
E	
F	
G	
H	

(11)

- 1.2 Below is a projected Income Statement for Stripy Pencil for the month of December 2018. The ?? do not need to be filled in.

Stripy Pencil

Projected Income Statement for December 2018

	December
Sales	
Cost of sales	
Gross profit	??
Operating expenses	??
• Rent expense	50 000
• Wages	
• Water and electricity	
• Advertising	10 500
• Administration	
Operating profit	106 500
Interest expense	(3 045)
Net profit for December	103 455

(6)

1.3 In which month would you expect Stripy Pencil to have the most cash sales for stationery? Explain why you have chosen this month.

Month: _____

Reason: _____

_____ (2)

1.4 Explain the main cause of **December's** overdraft.

_____ (1)

1.5 Explain the main reason that **January** had a deficit.

_____ (1)

1.6 Discuss two actions that Stripy Pencil could take to avoid the overdraft.

• _____

• _____

_____ (2)

1.7 Using figures, discuss whether Stripy Pencil should follow the budget and supply Lakeside College with stationery packs. In your discussion, mention two detailed points **for or against** the contract. In your conclusion, say what Stripy Pencil should do.

• _____

• _____

Conclusion _____

_____ (5)

1.8 Explain two actions Stripy Pencil could take in future to grow their profits.

- _____

- _____

(2)

30

QUESTION 2 RECONCILIATIONS

(30 marks; 36 minutes)

Refer to the information regarding Carey's Cases in the Information Booklet to answer the following questions.

2.1 When Carey's Cases received their statement from P&V Factory, it did not match the balance in their Creditors Ledger.

(a) Write down three procedures Carey's Cases should follow to reconcile the balance in the Creditors Ledger with the balance from the Statement.

- _____
- _____
- _____

(3)

(b) Study the statement and explain the mistake that P&V Factory made on the statement.

(2)

(c) Use the figures that appear on the statement to fill in the age analysis as it would have appeared at the bottom of the statement. Do NOT change any figures.

90 Days	60 Days	30 Days	Current

(5)

(d) Discuss whether P&V Factory are controlling their debtors well. Give three reasons for your opinion.

Opinion: _____

Reasons:

- _____
- _____
- _____

(3)

- (e) P&V Factory are considering writing off all debt older than 60 days as their bookkeeper has no idea how to collect the debts. Write a 4-step debt collection policy that P&V Factory could use to ensure that debts are collected timeously.

(4)

- 2.2 Using the errors listed in the Information Booklet, reconcile the statement received from P&V Factory with their account in the Creditors Ledger. Calculate the erroneous opening balance in the Creditors Ledger.

	P&V Factory Statement	Creditors Ledger
Erroneous balances	89 640	?

(8)

- 2.3 Study the Bank Reconciliation Statement in the Information Booklet, then answer the following questions.

- (a) Explain how you know whether the balance from the Bank Reconciliation Statement is a positive or negative balance.

(1)

- (b) Discuss two entries from the Bank Reconciliation Statement that will need an adjustment in the financial statements on 28 February 2019. **Explain why this is so.**

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(2)

- (c) Explain what action Carey's Cases should take when they draw up the Bank Reconciliation Statement on 31 March 2019, if the following cheques **do not** appear on March's Bank Statement.

No. 54: _____

No. 85: _____

(2)

30

QUESTION 3 FINANCIAL STATEMENTS

(40 marks; 48 minutes)

Refer to the information regarding Nu-world in the Information Booklet to answer the following questions.

3.1 Study the financial statements then answer the following questions.

- (a) Explain whether the increase in the cost of sales is a problem for Nu-World.

(2)

- (b) Discuss whether Nu-World controlled their expenses well. Quote figures or calculations in your discussion.

Were Nu-World's expenses well controlled? Yes/No.

(3)

3.2 Study the share performance and ratio information, then answer the following questions.

- (a) Calculate the number of shares that were in issue on 31 August 2017.

(2)

- (b) Calculate the dividends expense for the year ended 31 August 2017.

(1)

- (c) Give a possible reason why fewer shares were traded on the JSE, as well as the reason for the share price climbing during the 2017 year.

(2)

- (d) In the *Business Report*, Amelia Morgenrood states that Nu-World shares are undervalued by investors. Do you agree with this assessment? Justify your answer by quoting figures/calculations.

(4)

- (e) Calculate the return on shareholders' equity for 2017.

(4)

- (f) Discuss whether the investors should be pleased with their investment. Explain four different points, quoting figures or calculations.

They should/should not be pleased

- _____

- _____

- _____

- _____

(8)

- (g) The directors were given 169 800 shares as year-end bonuses on 31 August 2017. Calculate the market value of the shares they were given, and explain an advantage, from the directors' point of view, to receive shares instead of a cash bonus, as well as from the company's point of view.

Calculation:

Advantage for the directors: _____

Advantage for the company: _____

(3)

3.3 (a) Study the current ratio and acid test ratio. Explain the main cause for these ratios being so high.

(2)

(b) Discuss the increase in trade and other receivables. Give two points explaining whether this increase is a problem or not.

- ---

- ---

(2)

3.4 (a) Read the general disclosure. Give a reason Nu-World had to disclose this information before the potential loss in Dick Smith Holdings Ltd had been calculated.

(1)

(b) Write down the maximum potential loss (**in rand**) that Nu-World could experience from Dick Smith Holdings Limited being liquidated.

(1)

(c) Explain whether Nu-World is likely to suffer the maximum loss or not. (Will they lose the entire amount they have invested in Dick Smith Holdings Limited?) Justify your answer.

(2)

3.5 Study the independent auditor's report and then answer the following questions.

(a) Write down why it is important for an independent auditor to audit the financial statements.

(1)

(b) One of the key areas that the independent auditor identified is the stock in transit. Discuss two actions that the independent auditor can take to audit the stock in transit.

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(2)

40

Total: 100 marks