



PRELIMINARY EXAMINATION

GRADE 12 – 16 SEPTEMBER 2024 – SESSION 2

EXAMINER: MS S. MEYER

MODERATOR: MS C. LOVELL

ACCOUNTING: PAPER 2

Time: 2 hours

100 marks

INFORMATION BOOKLET

NAME:

QUESTION 1**BUDGETS; DEBTORS****43 MARKS; 50 MIN**

The information for Coach Galore is supplied. The business has a store in a Lifestyle Centre in Tswane. It sells furniture and related items for cash and on credit. The financial year-end is 30 September.

INFORMATION:

1. 40% of sales are on credit.

Expected sales: July R750 000; August R700 000; September R625 000

2. The business uses a mark-up of 100% on cost. Stock is replenished by the end of each month.

The directors decided that, as from July 2024, **the company will no longer buy all stock for cash.**

Only 25% of purchases will be paid for in cash to earn the 6 % discount.

Creditors will allow 30 days credit.

3. Debtors are expected to pay as follows:

- 50% in the month following the sales transaction (30 days)
- 30% in the second month (60 days)
- 18% in 90 days. The balance is written off in the third month.

4. **EXTRACT** from Debtors' Age Analysis on 30 September 2024:

Each of the debtors mentioned below has been given a credit limit of R8 000 and 'terms' of 30 days.

Name	Total	Current month	30 days	60 days	90 days
					
G. Everest	8 000	8 000			
G. Gomma	10 550	-	5 800	4 750	
B. Lazy	4 250	-	-	-	4 250
....					
W. Back	3 200	600	2 600		
T. Carpet	8 300	2 900	2 650	2 750	
	457 000	250 000	140 200	61 000	5 800

5.

OTHER INFORMATION ON 30 SEPTEMBER	2024	2023
Sales of the year	6 576 000	5 480 000
Cost of sales	3 288 000	2 740 000
Debtors' control	?	364 000

6. CASH BUDGET FOR THREE MONTHS ENDED 30 SEPTEMBER 2024

	JULY	AUGUST	SEPTEMBER
RECEIPTS (extract)			
Cash sales	450 000	420 000	375 000
Collection from debtors	259 300	282 900	[1]
Interest on debtors' overdue accounts	700	600	800
.....			
Loan from Tshwane Bank (9% p.a.)	A		
TOTAL RECEIPTS			658 000
PAYMENTS (extract)			
Cash purchases of stock	B	83 125	74 219
Payments to creditors	271 875	281 250	C
Directors' fees	15 000	15 000	15 000
Sundry operating expenses			
School feeding scheme	2 500	2 500	2 500
Staff training		13 000	
Income tax			67 500
Repayment of loan		10 000	10 000
Interest on loan		2 025	1 950
Renovation of store		112 500	
TOTAL PAYMENTS	714 500	783 500	684 400
Cash Surplus (deficit)	265 500	(80 000)	D
Balance at beginning of month	112 500	378 000	
Cash on hand at end of month	378 000	298 000	E

QUESTION 2 VAT ; RECONCILIATIONS 30 MARKS; 50 MIN

This question consists of a Part A and Part B.

PART A: VAT

VAT is calculated at 15%. Study the given VAT Control account in the books of Smart IT and answer the following questions:

Dr					VAT CONTROL					Cr				
Jun	22	Bank (A)	CPJ	750 870	Jun	1	Balance	b/d	750 870					
	31	Debtors control	DAJ	2 598		31	Drawings (E)	GJ	580					
		Bank	(C)	75 000			Creditors control	(D)	3 756					
		Creditors Control	CJ	245 450			Debtors control	DJ	684 680					
		Petty Cash	PCJ	500			(B)	CRJ	520 875					
		Bad debts	GJ	110										
		Balance	c/d	886 233										
				1 209 891					1 209 891					
					Jul	1	Balance	b/d	886 233					

PART B: RECONCILIATIONS

One of the debtors R. Rambau, said he was not aware that his account was overdue. On investigation, the following errors and omissions were discovered:

- A. The Debtors Journal had been overcast by R28 800.
- B. R. Rambau purchased goods for R3 060 during June, but this had been incorrectly charged to the account of another debtor.
- C. R. Rambau had been issued with a credit note for goods returned during June R4 680. This has been correctly recorded in the Debtors Allowances Journal but posted as an invoice to R. Rambau’s account.
- D. R. Rambau made a payment of R82 800 in June, but this had been recorded as R8 280 in the Cash Receipts Journal.

QUESTION 3**COMPANY ANALYSIS****30 MARKS; 50 MIN**

You are supplied with information relating to ITALTILE LTD.



Founded in 1969, Italtile Limited is a proudly South African manufacturer, franchisor and retailer of tiles, bathroomware and other related home-finishing products. The Group's retail brands are CTM, Italtile Retail, TopT and U-Light represented by 216 stores in South Africa and the rest of Africa.

We have installed capacity to manufacture 52 million m² of tiles and 2 million pieces of sanitaryware annually, producing one out of every two tiles, baths and toilets purchased in South Africa.

Our tile factories rank among the most energy efficient in the world. We generated 2 667 MWh of solar power for the period and are installing at least a further 2,3 MW in the year ahead. We target continued reduction of our carbon footprint through extensive Group-wide initiatives.

Extract from Auditor's Report:

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Italtile Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Italtile Limited for four years.

PricewaterhouseCoopers Inc.

Director: T J Howatt

Registered Auditor

Johannesburg, South Africa

22 September 2023

<https://italtile-reports.co.za/annual-reports/iar-2023/downloads.php>

SUMMARY EXTRACTED FROM FINANCIAL STATEMENTS:

1. Consolidated Statement of Comprehensive Income for the year ended 30 June:

	2023 Rm	2022 Rm
Sales	9 136	8 981
Cost of sales	(5 185)	(4 867)
Gross profit	3 951	4 114
Other income	396	471
Operating expenses	(2 034)	(1 867)
Operating profit	2 318	2 717
Interest income	65	39
.....		
Interest expense (interest rate 14,5%)	(82)	(63)
Profit before tax	2 310	2 700
Profit after tax	1 656	1 935

2. Consolidated Statement of Financial Position on 30 June:

	2023 R'000	2022 R'000
Assets		
Non-current assets	6 434	6 112
Current assets	3 335	2 637
Inventories	1 315	1 286
Trade and other receivables	971	920
Cash and cash equivalents	1 049	431
Total assets	9 769	8 749
Equity and Liabilities		
Ordinary shareholders equity	7 768	6 998
Non-current liabilities	1 066	1 026
Current liabilities (all trade and other payables)	935	725
Total equity and Liabilities	9 769	8 749

3. Consolidated Statement of Cash Flow on 30 June

	2023 R'000	2022 R'000
Cash flow from operating activities	1 541	693
Cash flow from investing activities	(628)	(1 010)
Additions to property plant and equipment	(671)	(1 024)
Proceeds on disposal of property, plant and equipment	63	17
.....		
Cash flow from financing activities	(295)	(333)
Increase in loans		645
Repayment of loans	(52)	(600)
.....		...
Net movement in cash and cash equivalents	618	(650)
Cash and cash equivalents beginning of year	431	1 081
Cash and cash equivalents at end of year	1 049	431

4. Financial indicators

	2023	2022
Current ratio	3.59:1	3.64:1
Acid-test ratio	2.16:1	1.86:1
Debt-equity ratio	?	0,1:1
Return on shareholders' equity (ROSHE)	?	10,2%
Earnings per share	132,6 cents	152,0 cents
Dividends per share (DPS)	53 cents	61 cents
Net asset value per share (NAV)	587.74 cents	529.49 cents