

ST PETER'S



COLLEGE

1998 - 2023

INFORMATON BOOKLET – GR. 12 – ACCOUNTING PAPER 2 – 2 AUGUST 2023**QUESTION 1****BUDGETS / VAT****40 MARKS; 50 MIN**

This question consists of **THREE** parts, Part A, Part B and Part C. The three parts must be seen independently of each other.

PART A**20 marks; 26 min**

Refer to the information relating to Bestmed Pharmacy.

1. The following balances appeared, amongst others, in the financial records of Bestmed Pharmacy on 28 February 2023, the last day of the financial year.

	R
Debtors' control	324 000
Creditors' control	270 750
Income received in advance (rent income)	25 000
Accrued expenses (rates and taxes)	17 500

2. Projected total sales and cost of sales.

TOTAL SALES		COST OF SALES	
March 2023	R2 100 000	March 2023	R1 312 500
April 2023	R2 750 000	April 2023	R1 718 750

3. **Cash sales** amount to 70% of total sales.

4. Debtors' collection

- 40% of debtors settle their debts within the month that the transaction took place in order to take advantage of a 4% settlement discount.
- 55% of debtors settle their debts in the month following the sales transaction.
- The outstanding balance is written off as irrecoverable at the end of the 2nd month following the sales transaction.

5. Rent income

- Rent amounts to R25 000 per month. This will increase to R27 500 per month as of 1 April 2023.
- The rent for April 2023 was received on 28 March 2023.

6. Trading stock

- Bestmed Pharmacy always maintains a fixed-base level of stock.
- The owner, James West, withdraws R40 000 per month for his personal use. R20 000 a month is in cash and the remainder is in trading stock.
- R150 000 worth of goods (cost price) will be donated to various charities during April 2023.
- 80% of all goods are purchased and paid for in cash to take advantage of a 10% cash discount offered by suppliers.
- 20% of all goods are purchased on credit. Creditors for credit purchases are paid in full in the month following the purchase transaction.

7. Rates and taxes

- Rates and taxes are R17 500 per month.
- Bestmed Pharmacy has decided to pay the rates and taxes quarterly as from April 2023. The first payment will be made on 1 April 2023. No new land or buildings are expected to be purchased during the financial year.

PART B**12 marks; 14 min****Information relating to Quella Stores.**

Quella Stores is a general dealer situated in the central business district (CBD). They specialise in groceries, cleaning materials and other household items, but also stock some hardware and stationery items.

Cash Budget of Quella Stores**Budget period: 1 April 2023 to 31 May 2023**

	APRIL 2023		MAY 2023	
RECEIPTS	BUDGETED	ACTUAL	BUDGETED	ACTUAL
Cash sales	600 000	960 000	480 000	480 000
Rent income	20 000	0	20 000	20 000
Loan	–	–	240 000	200 000
Sundry incomes	80 000	80 000	72 000	72 000
Total cash receipts	700 000	1 040 000	812 000	772 000
PAYMENTS				
Payments to creditors	400 000	500 000	320 000	300 000
Salaries and wages	88 000	164 000	109 600	109 600
Managers (2 managers earning R32 000 per month each)	64 000	128 000	83 200	83 200
Shop assistants (6 shop assistants earning R4 000 per month each)	24 000	36 000	26 400	26 400
Loan repayment and interest	18 400	18 400	28 000	28 000
Vehicles	–	288 000	–	–
Office stationery	20 000	20 000	20 000	14 000
Other expenses	68 000	68 000	100 000	82 000
Total cash payments	682 400	1 222 400	687 200	643 200
Cash surplus (shortfall)	17 600	(182 400)	124 800	128 800
Bank opening balance	(48 000)	(48 000)	(230 400)	(105 600)
Bank closing balance		(230 400)	(105 600)	23 200

C. VAT**8 marks; 10 minutes**

Delham Ltd is registered for VAT, although the annual turnover is less than R1 000 000. The standard VAT rate is 15%. The business is owned by Rachel.

INFORMATION:

VAT-related transactions for the period ended 30 April 2023:

Balance owed to the business by SARS on 1 April 2023	R2 600
Purchases of trading stock (excluding VAT)	59 000
Cash and credit sales (including VAT)	87 400
VAT on drawings of trading stock by Rachel	1 200
VAT on returns from debtors	2 820
VAT on discount received from suppliers	3 360

QUESTION 2**COMPANY ANALYSIS****40 MARKS; 48 MIN**

Shoprite Holdings Ltd is Africa's largest supermarket retailer, operating 3,152 stores across Africa. The company's headquarters are in Brackenfell in the Western Cape province of South Africa.

**Extract from the Audit Opinion:**

"In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Shoprite Holdings Ltd and its subsidiaries as at 3 July 2022..."

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 Shoprite Holdings Ltd for 40 years.

PricewaterhouseCoopers Inc

Source: [Shoprite Ltd. Published Financial Statements – 2022]

Article A: *Published date: 2022-11-14*

Including LiquorShop sales, its South African supermarkets delivered 18% growth in the year-ending 2022. (Supermarket sales in the rest of the Africa grew by 17.6%). Shoprite's average selling prices were 8.2% higher than a year before.

The group opened 46 stores in South Africa during the 2022 financial. It also acquired a 50% shareholding in Pingo Delivery (Pty) Ltd, to which Checkers 60-60 deliveries have been outsourced. This joint venture (investment) has yielded immense dividend returns.

Source: [<https://www.news24.co-m/fin24/companies/shoprite-checkers-post-strong-sales-with-prices-up-more-than-8>]

Article B: *Published date: 2023-03-07*

Despite Shoprite's South African business increase in sales, profit growth was hit by relentless loadshedding which cost the retailer over half a billion rand in 2022. R560 million was spent on diesel to operate generators in its stores during power cuts.

In 2021 a large, unexpected cost totalling over R1.25 billion was incurred by Shoprite due to the looting that took place across South Africa. Further to this, in 2021, Shoprite's poultry division fell by over 50% due to a bird flu outbreak.

Source: [<https://shorturl.at/dl458>]

Article C: *Published date: 2022-09-06*

Speaking in terms of its retail store-based operations, Shoprite is targeting a record 275 store openings in 2023, across the group. "We have much to do in terms of executing our strategy to grow the business in the years ahead, this is just one of our initiatives, and we look forward to reporting on our progress on this and our other plans during 2023," Engelbrecht (Shoprite CEO) said.

Source: [<https://rb.gy/pkklx>]

Extract from: Consolidated Statement of Comprehensive Income for Shoprite Holdings.

	R'million	52 weeks 2022	52 weeks 2021	% change
Sale of merchandise		187 740	171 188	9,67%
Gross Profit		45 061	41 213	9,34%
Operating Expenses		(37 982)	(34 894)	8,85%
Operating Profit		10 807	9 664	11,83%
Profit before Income Tax		8 286	6 957	19.1%
Final Profit for the year		?	?	18,13%

**Income Tax for 2022 was calculated at 28% of annual profits.*

Extract from: Consolidated Statement of Financial Position for Shoprite Holdings.

R'million	52 weeks 2022	52 weeks 2021
Non-current Assets	51 782	45 009
Current Assets	39 673	32 057
Inventories	21 879	18 396
Trade Receivables	4 955	3 921
Cash and cash equivalents	12 839	9 740
TOTAL ASSETS	91 455	77 066
Shareholders' Equity	25 627	21 204
Non-current Liabilities	33 340	27 577
Current Liabilities	32 488	28 285
Trade Payables	21 325	22 143
Lease liabilities	6 165	4 921
Bank overdrafts	4 998	1 221
TOTAL EQUITY AND LIABILITIES	91 455	77 066

Calculated Ratios:

	52 weeks 2022	52 weeks 2021
Earnings per share (cents)	1 046.5	851.6
Dividends per share (cents)	450	444
Solvency Ratio	?	1,38 : 1
Current ratio	1.22 : 1	1,13 : 1
Acid test ratio	0.55 : 1	0,48 : 1
Period for which enough stock is on hand	51,52 days	48,23 days
Average Debtors Collection Period	8 days	7,8 days
Average Creditors Payment Period	56 days	55,13 days
Gearing	1.3 : 1	1,3 : 1
Return on average capital employed	17,36%	12,25%

QUESTION 3**RECONCILIATIONS****20 MARKS; 20 MIN****A. RECONCILIATION****Information:**

The creditors list of Reset Zone (Pty)Ltd showed the following information on 31 May 2023:

Creditor	Debit	Credit
Gym Co		23 680
FIT		30 731
Office Quip		28 960
Runners World	1 573	
TOTAL	1 573	83 371

The Creditors Control account of Reset Zone (Pty) Ltd showed a balance of R91 248 on 31 May 2023.

Errors and omissions:

Upon investigation, the following errors and omissions were found:

- A. An invoice for a purchase of goods from Gym Co for R3 840 was not recorded at all.
- B. The debit balance of Runners World must be transferred to their account in the Debtors' Ledger.
- C. Stationery purchased from Office Quip for R1 472 on credit was mistakenly recorded in the account of FIT.
- D. A debit note for goods valued at R4 480 returned to Gym Co was accidentally recorded as a purchase of stock.
- E. A discount of R450 received from FIT was accidentally recorded in the Creditors' List as R540. The amount in the General Ledger is correct.
- F. An EFT that had been received from Office Quip for R7 296, after they had been granted a 5% discount, was reversed by the bank due to insufficient funds. This transaction was accidentally posted to Office Quip's account in the Creditors' Ledger instead of to their account in the Debtors' Ledger.
- G. The bookkeeper discovered that a particular journal was overcast when it was posted to the General Ledger. To correct it, she debited only the Creditors Control Account with R1 600. Your investigation reveals that the correction she made is the correct one.

B. AGE ANALYSIS

This question is independent from section A.

The financial manager of Sportwear, a business that sells sports clothing, supplied you with the following information with regards to individual debtors, extracted from the records on 30 June 2023:

Debtor	Current	+ 30 days	+ 60 days	+ 90 days
Boipelo		R 800	R 1 200	R 5 400
Other Debtors	R 101 500	R 155 000	R 150 000	R 144 500
New Debtors	R 197 790			

Boipelo contacted the business and stated that she was not aware that her account was so overdue. On investigation, errors and omissions had been made on her account (shown below):

Errors and omissions discovered on the account of Boipelo

- A payment of R6 000 was made in March 2023, but this had been recorded as R600 in the Cash Receipts Journal. This payment is not subject to discount.
- Purchased a gym top during May 2023 for R570 but this had been incorrectly charged to the account of another debtor.
- A credit note was issued for gym shorts as it tore after Boipelo only wore it once, R370. No entry had been made.
- Interest is to be charged to the account at 4% per annum.