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**TOTAL
MARKS**

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INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2022

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 16 pages, an Information Booklet of 9 pages (i–ix) and a Formula Sheet of 1 page (i). Please check that your question paper is complete.
2. Read the questions carefully.
3. **Answer ALL the questions on the question paper and hand this in at the end of the examination. Remember to write your examination number in the space provided above.**
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 should be rounded off to **two decimal places**.
7. FOUR blank pages (page 13 to 16) are included at the end of the paper. If you run out of space for a question, use these pages. Clearly indicate the number of your answer should you use this extra space.
8. 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: Company Analysis (60 minutes)	50			
Question 3: Reconciliations (24 minutes)	20			
TOTAL	100			

QUESTION 1 BUDGETS**(30 marks; 36 minutes)****Refer to the information relating to Tank's Sportswear.**

1.1 Complete the debtors' collection schedule for the period 1 January to 31 March 2023.

	January 2023 R	February 2023 R	March 2023 R
Collection of debts outstanding on 31 December 2022	45 000	42 300	
January 2023	*	38 880	
February 2023	—	43 092	*
March 2023	—	—	44 460
	Do not calculate		

Calculations:

(4)

1.2 Calculate A–C on the cash budget. Show all calculations to obtain part-marks.

A:	(2)	
B:		(4)
C:		

(2)

1.4 You have established that Tank's Sportswear will encounter **liquidity problems** during the budget period.

1.4.1 Identify the **THREE** main reasons for this by referring to the cash budget and the information provided.

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1.4.2 What advice can you give Tankiso to improve the liquidity of the business?

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•

1.5 Calculate the percentage increase that Tankiso applied to the average monthly sales of the previous year to determine the January 2023 budgeted sales figure.

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(2)

- 1.6 Tank's Sportswear had a Debtors Control balance of R90 000 on 31 December 2022.

Refer to 1.1 and determine what the percentage debtor's collection expectations (trends) are for this amount.

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(3)

- 1.7 Calculate the original loan amount due **before** the loan repayment.

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(2)

- 1.8 At the end of February 2023 Tankiso compared certain budgeted figures for January and February 2023 to the actual figures achieved.

As planned, 50% of these sales were on credit.

	January 2023		February 2023	
	Budgeted	Actual	Budgeted	Actual
Cash sales	86 400	103 680	90 720	108 864
Cash from debtors	86 040	82 740	124 272	122 625

Critically analyse the figures and trends above.

(4)

QUESTION 2 COMPANY ANALYSIS**(50 marks; 60 minutes)****Refer to the information relating to Shoprite Holdings Limited.**

- 2.1 Sales of merchandise in South Africa increased by 8,5% while the sales of merchandise in the rest of Africa decreased by 7,5%.

Provide **TWO** possible reasons for the decrease in the rest of Africa.

•
•

(2)

- 2.2 Due to the challenges brought about by Covid-19 lockdowns and closing of borders, Shoprite adapted their supply chain in non-RSA countries to use more local suppliers versus 'importing' from their warehouses in South Africa. In South Africa they also increased their local supply basis. In most cases this had a favourable effect on gross profit.

Provide a year-on-year calculation to prove how adapting where they buy their stock from, benefited their profitability. Also comment on your finding.

Comment:

(3)

2.3 Identify if Shoprite might experience disruptions in their supply chain, i.e. having **goods** from their **suppliers** available on the shelves for their **customers**.

- Identify and compare the **results** of the **THREE** relevant supply chain financial indicator results.
- Then come to an overall conclusion.
- Also make **ONE** suggestion based on your conclusion.

Identify THREE relevant financial indicator results:
•
•
•

Compare the financial indicators:
•
•
•

Overall conclusion:

Suggestion:

- 2.4 You were one of the shareholders that decided to sell back your shares to Shoprite on 31 December 2020.

Explain, using calculations, why you were happy to sell your 50 000 shares at the time.

(4)

- 2.5 If Shoprite decide to buy back more shares in July 2021, name and calculate the most important ratio they would have to consider before the buy-back of shares.

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(2)

- 2.6 Calculate the net asset value (NAV) per share on 30 June 2021.

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(2)

- 2.7 Suggest **TWO** possible reasons why there would be such a variance between the net asset value per share and the trading price on the JSE for Shoprite.

(2)

2.8 2.8.1 Calculate the earnings per share (EPS) for 2021.

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(2)

2.8.2 Analyse the dividend policy applied in 2021.

Substantiate your arguments with appropriate calculations/percentages/ratios.

(4)

2.9 If the company did not buy back shares during the year, what effect would it have had on the shareholders come dividend time?

(1)

2.10 Calculate and comment on the return on shareholders' equity for 2021.

Calculation:
Comment:

(5)

2.11 Calculate the return on capital employed as at 30 June 2021.

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(5)

2.12 Shortly after the end of the 2021 financial year, protest action broke out and 47 stores owned by Shoprite Holdings were burnt. In order to rebuild these stores, they would need R950 million additional funding.

Determine the effect on the debt-equity ratio should they decide to make use of loan facilities to raise the R950 million.

Before:
After:

(4)

2.13 Based on your findings in Questions 2.10–2.12, would you recommend Shoprite issue additional shares or raise loans to cover the R950 million? Substantiate your reasoning by providing at least **THREE** detailed points.

☐ Issue additional shares

☐ Raise loans

•
•
•

(6)

QUESTION 3 RECONCILIATIONS**(20 marks; 24 minutes)****Refer to the information relating to Jack's Shisa Nyama.**

3.1 It is clear that the age analysis on the statement received from AAA Meats is incorrect.

3.1.1 Draw up the correct age analysis as at 31 July 2022.

DO NOT take transactions listed under additional information into account.

SHOW ALL CALCULATIONS.

60+ days	30+ days	Current
Do not total	Do not total	Do not total

(6)

3.1.2 When confronting AAA Meats, they claim that they record client payments against the current (newest) debt.

Provide **TWO** reasons why this is not standard accounting practise.

•
•

(2)

- 3.2 Reconcile the statement received from AAA Meats to the records of Jack's Shisa Nyama by making the appropriate entries in the table below.

Indicate a negative by using brackets () and a dash – for no entry.

	Creditors Ledger	Creditors Reconciliation Statement
1. Incorrect balances	R5 800	R18 730
2.		
3.		
4.		
5.		
6.		
7.		
8.		
Do not calculate		

(7)

- 3.3 Refer to additional information number 8 (the online banking payment).

- 3.3.1 Why should Jack be concerned that this was only discovered when the bookkeeper mentioned this?

(2)

- 3.3.2 What **corrective** measure should be actioned for this transaction?

(1)

3.3.3 Suggest **TWO preventative** control measures the internal auditor should implement so this does not happen again in future.

•
•

(2)

20

Total: 100 marks

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