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INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2023

ACCOUNTING: PAPER II

Time: 2 hours | 100 marks

INFORMATION BOOKLET

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QUESTION 1 BUDGETS (36 marks; 43 minutes)

The following information relates to Biker Barn (Pty) Ltd.

Biker Barn (Pty) Ltd is one of Namibia's leading custom motorcycle building and servicing companies. Biker Barn (Pty) Ltd maintains a profit mark-up on cost of 60%.

The business has recently seen a drop in spare parts and helmet sales due to global shortages and port delays but has experienced huge growth in their motorcycle servicing department due to the state of urban roads. Clients are aiming to extend the useful life of their motorcycles through regular servicing. Biker Barn (Pty) Ltd charge cash upfront for this service. For sales, however, they offer both cash and credit options to their customers.

Biker Barn (Pty) Ltd
Extract from the Cash Budget for the 3 months ending March 2024

	January R	February R	March R
Receipts			
Cash sales	**E**	572 000	
Cash received from debtors		?	
Repair fee income	621 000	745 200	894 240
Loan: Namib Bank (10,5% p.a.)			**F**
Payments			
Cash purchase of spares		**G**	
Payment to spares creditors			**H**
Rent	**I**	87 000	87 000
Wages	850 000	850 000	850 000
Repayment of loan			6 750
Interest on loan (10,5% p.a.)	700	700	1 575
Donations	5 000	5 000	5 000
Oil disposal fee	7 500	7 500	7 500

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Additional information

1. Due to the global shortage of spares, Biker Barn (Pty) Ltd is expecting its sales of spares to decrease by 20% in February but then increase by 5% in March.

2. Credit to cash sales are split in the ratio 4:1 respectively.

   - A percentage of their debtors pay in the same month as the transaction to receive a 5% early settlement discount.
   - A certain percentage of debtors pay in the month following the transaction and the rest will pay in the second month following the transaction.
   - 2% of debtors are expected to be written off as bad debts in the third month.

3. Biker Barn (Pty) Ltd will take out an **additional loan** on 1 March 2024 to fund expansion of the business. The increased loan repayment will be effective from 1 March 2024.

4. Biker Barn (Pty) Ltd aims to maintain a fixed-base level of stock.

   - R1 000 worth of spares are donated to a local pothole repair organisation each month.
   - 50% of spares are purchased for cash in order to take advantage of a 10% cash discount.
   - 50% of spares creditors are paid in the month following the transaction and the other half in the month thereafter.

5. Due to the increased demand from clients for motorcycle servicing, Biker Barn (Pty) Ltd is considering expanding its operations in Windhoek. The business will need to employ additional wage-earning staff and will have to expand its premises and consequently its rent by an additional 45% per month. This is expected to take place in February 2024.

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QUESTION 2 COMPANY ANALYSIS (37 marks; 44 minutes)

Information relating to Motus Holdings Limited.

Motus Holdings Limited (Motus) is South Africa's leading automotive group with a selected international presence in the UK, Australia, Southeast Asia and Southern and East Africa. In 2023 they aim to expand their footprint in Africa.

Their integrated business model consists of:

- Import and distributing of passenger and light motor vehicles for Hyundai, Kia, Renault and Mitsubishi.
- Retail new and preowned passenger and commercial vehicles through Motus dealerships.
- Rental of vehicles through Europcar and Tempest brands mainly situated at airports and large metropolitan areas. This income is classified as rental fee income.
- Provision of fleet management services.
- Distribution and retailing of spare parts.

Motus Holdings Ltd
Adapted Statement of Financial Position as at 30 June:

	2022 R' million	2021 R' million
ASSETS		
Non-current assets	33 160	32 557
Current assets	29 126	25 168
Inventories	18 723	15 188
Cash and cash equivalents	1 481	1 729
Trade and other receivables	8 922	8 251
TOTAL ASSETS	**62 286**	**57 725**
SHAREHOLDERS' EQUITY	33 392	31 434
Share capital	20 638	21 804
Reserves and retained income	12 754	9 630
LIABILITIES		
Non-current liabilities	8 088	6 332
Current liabilities	20 806	19 959
TOTAL EQUITY AND LIABILITIES	**62 286**	**57 725**

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Motus Holdings Ltd
Adapted extract from the Statement of Comprehensive Income for the year ended 30 June:

	2022 R' million	2021 R' million
Finance cost (interest)	(495)	(544)
Net profit before tax	9 238	6 059
Income tax expense	(1 135)	(718)
Net profit after tax	8 103	5 341

Motus Holdings Ltd
Summary of the Cash Flow Statement for the year ended 30 June 2022:

	2022 R' million
Cash flow from operating activities	2 733
Cash flow from investing activities	(1 463)
Cash flow from financing activities	(1 363)

Motus Holdings Ltd
Additional information for the year ended 30 June:

	2022	2021
Current ratio	1,40 : 1	1,26 : 1
Acid-test ratio	?	0,50 : 1
Return on average shareholder's equity (ROSHE)	25%	17%
Return on average capital employed (ROACE)	?	15%
Debt equity	0,24 : 1	
Earnings per share	?	1 254 cents
Dividends per share	710 cents	415 cents
Number of shares in issue	426 025 000	
Net asset value per share	?	
Average interest rate on borrowed funds	12%	
Listed price on the JSE	10 700 cents	

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QUESTION 3 RECONCILIATIONS (27 marks; 33 minutes)

Information relating to Mbabane Merchants.

You are employed as a junior accountant of Mbabane Merchants. It is located in the city of Mbabane in Eswatini.

PART A

One of your responsibilities is the age analysis of debtors for the statements issued to debtors.

MBABANE MERCHANTS

To: Swazi Stores
No3 Mpaka Drive
Mpaka Town

Date: 30 November 2023

Summary of Debtors Account

2023		Transaction	Debit	Credit	Balance
Aug	01	Balance			6 600
	07	Invoice 403	52 500		59 100
	14	EFT		6 435	52 665
	14	Discount		165	52 500
Sept	11	Invoice 434	28 500		81 000
	11	Credit note 25		3 600	77 400
Oct	06	Invoice 460	44 100		121 500
	15	Interest	270		121 770
	22	EFT		55 100	66 670
Nov	03	Invoice 478	8 100		74 770
	15	EFT		22 600	52 170
		Total outstanding balance			52 170

Terms:
- Discount of 2,5% per month if payment is made within 30 days (the month after the sale).
- Interest of 2% per month will be charged on invoices more than 60 days overdue.

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PART B

Another one of your monthly duties is the reconciliation of creditors. Big Bend Wholesalers, a supplier of Mbabane Merchants, emailed their statement dated 31 October 2023 showing an outstanding amount of R459 159.

The Creditors List of Mbabane Merchants on 31 October 2023 indicated a balance of R338 839.

On comparing the statement from Big Bend Wholesalers and the Creditors Ledger you discovered the following:

A. Invoice number 270 for R95 600 has been debited on the statement twice.

B. Credit Note 101 for R2 700 had been correctly recorded in the Creditors Ledger but had been entered as an invoice on the statement.

C. Invoice number 350 for R226 000 was made out by Big Bend Wholesalers in respect of another business, Mbabane Stores, but incorrectly appeared on Big Bend Wholesaler's statement to Mbabane Merchants. The bookkeeper of Mbabane Merchants also incorrectly captured the invoice in the Creditors Journal.

D. Invoice number 246 was correctly captured in the Creditors Journal for R170 600 but on the statement was reflected as R107 600.

E. Credit Note number 106 for R15 300 was included on the supplier statement, but on the debit side.

F. Big Bend Wholesalers usually allows a 6,5% trade discount on purchases of R120 000 and above. While capturing Invoice number 285 for the amount of R120 000 the trade discount was not taken into account in the records of Mbabane Merchants but was treated correctly by Big Bend Wholesalers.

G. Invoice number 301 in respect of goods purchased on 31 October 2023 was correctly reflected on the debit side of the statement at an amount of R85 400 but Mbabane Merchants has not accounted for this transaction.

H. Invoice number 305 for an amount of R5 600 had been entered in the Creditors Journal as R6 500.

I. On 31 October 2023 Big Bend Wholesalers sold two second-hand colour printers to Mbabane Merchants for R10 200 each to be used in the office of Mbabane Merchants. No record has been made in this regard in both Big Bend Wholesalers and Mbabane Merchants' accounting records. Invoice number 314 was issued in this regard.

J. The statement reflects an Invoice number 320 in respect of an order placed on 31 October 2023 for R28 660. The goods will be received in November 2023.

K. The amount paid to Big Bend Wholesalers on 20 October 2023 amounted to R560 260. It was however recorded incorrectly in the Creditors Ledger as R506 620. The amount was recorded correctly in the books of Big Bend Wholesalers.

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