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INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2024

ACCOUNTING: PAPER II

Time: 2 hours

100 marks

INFORMATION BOOKLET

QUESTION 1 BUDGETS**[27 marks; 32 minutes]**

The information relates to Outdoor Adventures, owned by T Gariseb. The business specialises in the sale and repair of camping equipment.

Outdoor Adventures
Cash budget for the THREE months ending 31 January 2025

	November	December	January
Cash receipts			
Cash sales	527 040	A	305 970
Receipts from debtors	216 000	351 360	?
Repair income	310 000	123 000	21 000
Total Receipts			
Cash payments			
Cash purchases of stock	976 000	452 750	283 306
Advertising cost	B	?	10 199
Payment on loan	50 000	0	0
Interest on loan	1 500	1 000	C
Salaries and wages	37 000	42 000	30 000
Other operational expenses	?	6 300	D
Drawings by owner	E	?	?
Surplus/deficit		865 054	
Opening bank balance	(10 430)	(102 579)	F
Closing bank balance	(102 579)		1 390 291

Additional information:

1. The expected forecast sales are:

November	December	January
878 400	?	509 950

2. A mark-up of 80% on cost applies to all sales transactions.

Stock purchases are on a cash-only basis.

- End of November 2024 stock purchases are expected to be double the November sales.
- 50% of the December 2024 stock sales will be replaced at the end of December.
- January sales will be replaced at the end of January 2025.

3. Advertising cost is calculated as a percentage of total sales for the specific month. The same percentage is used to calculate the advertising cost from January to October every year. When calculating the advertising cost for November and December the percentage will be three times the percentage used in other months.
4. Other operational expenses are expected to increase by 5% after December.
5. Loan repayments are done on 30 November every year.
6. The owner's drawings for November will be R50 000 which consists of goods with a cost price of R28 000 and the balance in cash.
7. The business forecast an unfavourable bank account balance at the end of November. The financial manager is considering the following available options:

OPTION 1	OPTION 2
Apply for an overdraft facility at the bank. This overdraft will carry an interest rate of 1,9% per month.	Open an account with a supplier to buy stock on account. The credit terms are: • 30 days. • 5% interest per month charged on 60 days or more. Half of the November and December purchases will be on account.

QUESTION 2 COMPANY ANALYSIS**[48 marks; 58 minutes]**

Vivo Energy is a petroleum company which operates in 24 countries throughout Africa. Vivo Energy is a Shell and Engen licensee. They source and distribute fuels and lubricants.

Until 2019 Vivo Energy was a Shell licensee who operated in 16 African countries. In March 2022 they also completed negotiations with Engen Petroleum to be taken over by Vivo Energy, adding eight new countries and 230 Engen-branded service stations.

A. Vivo Energy has three sections in which they operate

	2023	2023	2023	2022	2022	2022
	Retail Fuel	Commercial Fuel	Lubricants	Retail Fuel	Commercial Fuel	Lubricants
Volumes sold (million litres)	6 370	4 258	149	6 090	4 063	149
Gross Profit (R million)	8 265	3 990	1 653	8 284	3 192	1 691

B. Vivo Energy

**Summary of the Statement of Comprehensive Income
for the year ending 31 December**

	2023 R million	2022 R million
Turnover	208 411	160 702
Cost of sales	?	?
GROSS PROFIT	?	?
Shopping space rentals	785	513
GROSS OPERATING INCOME	14 693	13 680
OPERATING EXPENSES	(9 088)	(7 752)
Selling and marketing expenses	4 693	4 218
General and administrative costs	4 028	3 515
Other expenses	367	19
NET PROFIT BEFORE INTEREST	5 605	5 928
Interest on loans	(1 653)	(1 121)
NET PROFIT BEFORE TAXATION	3 952	4 807
Income tax	(1 957)	(1 919)
NET INCOME	1 995	2 888

Vivo Energy
Summary of the Statement of financial position on 31 December

	2023 (R million)	2022 (R million)
ASSETS		
Non-current assets	24 694	33 972
Property, plant and equipment	17 480	17 822
Financial assets	7 214	16 150
Current assets	44 897	36 347
Trade and other receivables	22 153	14 231
Inventory	13 054	10 716
Cash and cash equivalents	9 500	11 153
Income tax receivables	190	247
TOTAL ASSETS	69 591	70 319
EQUITY AND LIABILITIES		
Shareholders' equity	3 781	16 777
Share capital	12 035	12 035
Retained earnings/profit (Distributable funds)	(8 254)	4 742
Non-current liabilities	17 094	15 808
Lease liabilities	9 139	11 120
Loans (16,5% p.a.)	7 955	4 688
Current liabilities	48 716	37 734
Lease liabilities	703	817
Trade and other payables	48 013	36 917
TOTAL EQUITY AND LIABILITIES	69 591	70 319

C. Additional information**1. Financial indicators as on 31 December 2022**

Return on capital employed	17,64%
Return on shareholders' equity	19,41%
Earnings per share	119,98 cents
Dividends per share	802 cents
Net asset value per share	697cents
Debt/equity ratio	0,94:1
Solvency ratio	1,31:1

2. Shops and restaurants

All shops and restaurants at the service stations are subject to a 5-year lease with monthly payments evenly distributed over the 5 years.

The only new lease agreements which were entered into by Vivo Energy were for the expanded service stations. No shops or restaurants are operated by Vivo Energy itself.

3. Directors' report

During 2023 Vivo Energy sold twelve old properties.

The increase in the loan was used to expand 60 small service stations which were not operational. After these expansions, all these service stations were fully operational by July 2023. No new premises were acquired during the year.

4. Share capital

Vivo Energy has an authorised share capital of 2 407 million shares. All shares were issued after the issue of shares to Engen shareholders.

5. Dividends

The agreement with Engen stipulated that 30% of Vivo Energy's authorised shares will be taken up by former Engen shareholders in 2022. These shareholders will also be entitled to an interim dividend in 2023.

Vivo Energy has declared an interim dividend of R2 per share on 1 July 2023 paid from distributable funds (retained earnings). Only the former Engen shareholders qualified for this dividend.

On 30 October 2023, a final dividend of R4,50 per share was declared by Vivo Energy to all shareholders on the shareholders' register.

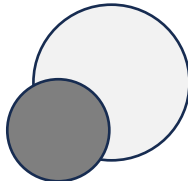
6. Lease liabilities

The lease obligations arose with the rental of premises for some of the service stations. These agreements are fixed for a period of 8 years with an amount payable yearly.

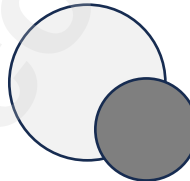
QUESTION 3 RECONCILIATIONS**[25 marks; 30 minutes]****PART A**

Spot On is a general dealer in Walvis Bay on the west coast of Namibia owned by Lenard Havenga. Mr Havenga appointed his cousin, Rita Rittman, as debtors clerk in July 2024 after she finished school. After the appointment of Ms Rittman, the business received a lot of complaints from debtors.

Spot On opened an account on 1 June 2024 for K Kavari. You are presented with K Kavari's October 2024 Statement that was emailed to him.



SPOT ON
 PO Box 982
 Walvis Bay
 Namibia



To: K Kavari
kkavari@fish.na

Statement date: 31 October 2024
 Terms: 30 days
 Credit limit: R5 500

Date	Description	Debit	Credit	Balance
July 1	Account Rendered			11 500
31	Invoice 172	2 400		13 900
Aug 19	Invoice 219	1 400		15 300
29	Invoice 289	3 100		18 400
Sept 3	Interest on overdue account	115		18 515
24	Invoice 301	8 440		26 955
28	Receipt 108		3 000	23 955
Oct 3	Interest on overdue account	154		24 109
15	Receipt 124		2400	21 709

Interest will be charged monthly at 12% p.a. on accounts outstanding for more than 60 days.

Additional information:

- A notice stating the following was sent with the Statement to K Kavari:
No further transactions will be allowed on account unless all debt older than 60 days is settled **and** the credit limit is adhered to.
- K Kavari questioned the accuracy of the statement. Evidence of the following transactions was provided by K Kavari to Mr Samata (Head Accountant of Spot On).
 - Credit note 120 issued on 1 August 2024, for R2 000.
 - Receipt 79 issued on 7 September 2024, for R10 015.
 - Credit note 139 issued on 25 September, for R3 400.

After investigating the above transactional documents, Mr Samata agreed that these documents were issued by Spot On.

PART B

PNA is a creditor of Spot On. The balance on the statement received from PNA shows a balance of R19 000, on 31 October 2024 and differs from the balance on the creditors' ledger of Spot On.

Stationery to the value of R5 000 was bought on account from PNA. The invoice is reflected as a debit on the statement received from PNA. Spot On debited this transaction to PNA's Creditor's Ledger account.

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