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INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
MAY 2023

ACCOUNTING: PAPER II

Time: 2 hours

100 marks

INFORMATION BOOKLET

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QUESTION 1 BUDGETS

[30 MARKS; 36 MINUTES]

The following information relates to Royal Swazi Sun Hotel and Spa.

This question consists of two parts, Part A and Part B. They should be treated independently from each other.

Part A

The Royal Swazi Sun Hotel and Spa is situated outside Mbabane in Eswatini (Swaziland). Their customers are mainly businesspeople and traveling salespeople.

All their rooms are the same size and rentals are the same. There is no variation in the price for different times or seasons of the year.

Meals in the dining room are included in the room rental price, but beverages/drinks are excluded. Besides the small dining room for the residents/guests, it also has a very popular restaurant and bar that are open to the public.

The hotel has a gym and a swimming pool. The gym equipment is seven years old and many pieces are broken and need to be replaced. The management have decided to replace a piece of equipment every month.

Cash Budget for Royal Swazi Sun Hotel and Spa for March 2023 to May 2023

	March 2023		April 2023	May 2023
	Actual R	Budgeted R	Budgeted R	Budgeted R
RECEIPTS				
Room rentals paid in cash	1 020 000	930 000	C	697 500
Restaurant and beverages sales	187 500	165 000	231 250	D
Total receipts	1 207 500	1 095 000	?	?
PAYMENTS				
Salaries	592 200	592 200	E	F
Electricity	81 600	55 800	27 900	41 850
Cash purchases of food and beverages	263 000	245 000	320 000	183 500
Payment to creditors	57 300	57 300	?	?
Admin and Wi-Fi costs	9 150	9 000	5 000	7 200
Security	25 000	25 000	25 000	25 000
Sundry other expenses	3 100	3 100	3 286	3 484
Maintenance	63 700	68 000	68 000	68 000
Replacement of gym equipment	17 000	17 000	14 500	23 000
Total payments	(1 112 050)	(1 072 000)	?	?
Surplus/(deficit)	A	22 600	(253 124)	?
Bank balance – beginning	33 400	33 400	?	?
Bank balance – end	B	56 000	?	?

Additional information relating to Royal Swazi Sun Hotel and Spa

- The budgeted amounts for March 2023 to May 2023 were drawn up in February 2023 and therefore not influenced by the actual figures provided for March 2023.
- Royal Swazi Sun Hotel and Spa buys all their food and beverages on credit. They buy nothing else on credit.

The average mark-up maintained on the beverage and restaurant sales is 150%.

They have negotiated the following terms to pay back creditors:

- 80% will be paid back in the month after purchase and will be given a 4% discount.
 - the remaining 20% will be paid back in the month thereafter.
- It was budgeted that, on average, rooms would be filled for 20 nights (two-thirds of the month) in March, only 10 nights in April and 15 nights in May.
 - It was budgeted that there would be an increase in beverage and restaurant sales in April 2023, but this would then drop by 30% from April to May 2023.
 - All staff would receive a 40% bonus over and above their monthly salaries at the end of March to celebrate the end of the summer season. An 8% salary increase was allocated to staff in May 2023.

Part B

Lindokuhle, the manager, did research into saving electricity costs and revealed the following:

- It is expected that the total electricity expense for 2024 will be R780 000.
- The accountant estimates that electricity is used across the hotel as follows:
 - 20% is used by lighting
 - 15% is used by the air conditioners
 - 35% is used by the geysers
 - 30% is used by the kitchen and miscellaneous items.
- LED lights last much longer than their current light bulbs, use 75% less energy and produce less heat, therefore saving on air-conditioning costs. To replace the light fittings will cost R235 000.
- There are new thermostats available with motion sensors that will turn off the air-conditioning/ heater when the guests are not in their rooms. The accountant estimates that this should save about 30% of what is currently being spent on air-conditioning. To replace the thermostats currently in the rooms will cost R102 500.
- Replacing all the geysers with solar energy geysers will cost a total of R640 000.

QUESTION 2**COMPANY ANALYSIS****[50 MARKS; 60 MINUTES]****The information below relates to Rhodes Food Brands Group Limited.**

Rhodes Food Brands Group Limited (RFG Ltd) is a leading producer of fresh, frozen and long-life convenience-meal solutions for customers and consumers across South Africa, sub-Saharan Africa and major global markets. RFG's balanced portfolio of market-leading brands, which includes Rhodes, Bull Brand, Magpie, Squish and Hinds, is complemented by private-label product ranges packed for all major South African retailers and international customers.

Adapted extract from the statement of comprehensive income for the year ended September.

	2021 R' million	2020 R' million
Turnover	5 950	5 864
Direct manufacturing costs	(4 015)	(3 839)
Manufacturing operating costs	(647)	(627)
Selling and distribution costs	(416)	(421)
Other operating costs	(527)	(598)
Other income	27	13
Operating profit	372	392
Interest expense	(73)	(95)
Net profit before tax	299	297
Income tax	(83)	(81)
Net profit after tax	216	216



Adapted extract from the statement of financial position for the year ended September.

	2021 R' million	2020 R' million
ASSETS		
Non-current assets	2 607	2 618
Current assets	2 511	2 279
Inventory	1 356	1 222
Trade and other receivables	1 109	1 001
Cash and cash equivalents	46	56
TOTAL ASSETS	5 118	4 897
EQUITY AND LIABILITIES		
Equity and reserves	2 752	2 610
Ordinary share capital	1 572	1 572
Retained income	1 180	1 038
Non-current liabilities and long-term leases	966	972
Current liabilities	1 400	1 315
Trade and other payables	905	760
Current portion of long-term loans	90	195
Short-term lease agreements	36	42
Bank overdraft	277	180
Other short-term liabilities	92	138
TOTAL EQUITY AND LIABILITIES	5 118	4 897

Additional financial indicators and information (adapted):

	2021	2020
Current ratio	?	1,73 : 1
Acid-test ratio	?	0,80 : 1
Average period stock on hand (days)	101	99
Average debtors collection period (days)	44	42
Average creditors payment period (days)	63	59
Debt–equity ratio	?	0,38:1
Number of shares in issue	247 422 680	247 422 680
Ordinary share dividends	?	R71 250 000
Earnings per share (EPS)	87,3 cents	86,4 cents
Dividends per share (DPS)	?	28,8 cents
Return on capital employed (ROCE)	?	10,94%
Return on shareholders' equity (ROSHE)	?	8,49%
Listed price on JSE on 30 September	1 301 cents	1 290 cents

QUESTION 3 RECONCILIATIONS**[20 MARKS; 24 MINUTES]****The following information relates to Tsumeb Packaging.**

Stephanie is the newly appointed bookkeeper of Tsumeb Packaging. She has problems preparing the monthly reconciliations as the statement of account received from a supplier does not correlate to the creditors ledger account. A debtor has also raised concerns about the statement of account they received from Tsumeb Packaging.

Part A: Creditors Reconciliation

- **Statement of account received from Windhoek Suppliers for February 2023.**

STATEMENT OF ACCOUNT WINDHOEK SUPPLIERS		
Tel. +26 33 345690 Mobile+26 62 3331455 Email: WindSupp@Kalahari.com		1498 Masukhane Street WINDHOEK 10005
Ref. 09/7412 Tsumeb Packaging PO Box 4310 TSUMEB 14002		26 Feb 2023
Date	Details	Amount R
1 Feb 2023	Account rendered/Balance brought forward	58 040
7 Feb 2023	Payment received	– 36 000
7 Feb 2023	Discount	– 3 600
15 Feb 2023	Invoice 5671	27 600
16 Feb 2023	Credit note 121 (returns)	– 2 800
20 Feb 2023	Invoice 5780	13 280
26 Feb 2023	Invoice 6011	23 200
	Account balance	79 720

Note:
This statement includes all transactions up to and including 26 February 2023.

- **Account of Windhoek Suppliers for February 2023 as displayed in the creditors ledger of Tsumeb Traders.**

Date		Details	Fol	Debit	Credit	Balance
Feb	01	Balance	b/d			58 040
	07	Electronic payment	CPJ	36 000		22 040
		Discount received	CPJ	1 800		20 240
	15	Invoice 5671	CJ		27 600	47 840
	16	Debit note 121	CAJ		3 600	51 440
	26	Invoice 6011	CJ		23 200	74 640

- **Additional information**

- The discount on 7 February 2023 is reflected incorrectly on the statement of account.
- After investigation, it was discovered that invoice 5780 on 20 February 2023 was in fact for Tsumeb Traders, not Tsumeb Packaging.
- The return of stock on 16 February 2023 was treated correctly by Windhoek Suppliers.
- The accountant pre-loaded an EFT payment of R40 000 for 28 February 2023 on the online banking platform. A payment before 1 March 2023 qualifies for a 5% discount. The bookkeeper was not aware of the payment and omitted it from the books.

- **Information for Question 3.2**

Figures extracted from the financial statements on 28 February 2023.

	R
Sales	5 760 000
Cost of sales	2 880 000
Cash purchases for the year	720 000
Credit purchases for the year	1 664 400
Creditors control (1 March 2022)	200 000
Creditors control (28 February 2023)	256 000

Part B: Age analysis of debtors

Stephanie received a complaint from debtor O. Delta. Mrs Delta does not agree with the age analysis sent to her and pointed out that her debt was not older than 30 days.

- **Debtors Ledger Account of Mrs O. Delta for the period 1 January 2023 to 31 March 2023**

Date		Details	Fol	Debit	Credit	Balance
Jan	28	Invoice 487	DJ	17 500		17 500
Feb	1	Credit note 254	DAJ		2 500	15 000
	4	Invoice 535	DJ	60 000		75 000
	6	Receipt 380	CRJ		30 000	45 000
Mar	2	Invoice 629	DJ	52 500		97 500
	3	Receipt 484	CRJ		15 000	82 500