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**TOTAL
MARKS**

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INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
MAY 2024

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 12 pages, an Information Booklet of 7 pages (i–vii) 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. 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 (42 minutes)	35			
Question 2: Company Analysis (48 minutes)	40			
Question 3: Reconciliations (30 minutes)	25			
TOTAL	100			

QUESTION 1 BUDGETS

[35 marks; 42 minutes]

Refer to the information relating to Inter Escolas Publishers Ltd.

1.1 Debtors' Collection

1.1.1 Determine the debtors' collection policy by calculating all relevant percentages. Show your workings.

Same month as the sale:	
Discount:	(6)
One month after the sale:	(1)
Two months after the sale:	
<i>Not required to be calculated.</i>	
Bad debts:	(1)

1.1.2 What ledger account will Inter Escolas Publishers Ltd have to open to soften the **impact of the debtors who have not paid?**

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(1)

- 1.2 Use the additional information supplied to complete the extract of the Cash Budget and the extract of the Projected Statement of Comprehensive Income for the period 1 September 2024 to 30 November 2024.

Note: Transactions that indicate a payment or expense must be bracketed.
Salaries have been entered for you.

	Cash Budget			Projected Statement of Comprehensive Income		
	Sep 2024 R	Oct 2024 R	Nov 2024 R	Sep 2024 R	Oct 2024 R	Nov 2024 R
Salaries	(300 000)	(300 000)	(327 000)	(300 000)	(300 000)	(327 000)
Delivery vehicle						
Depreciation						
Rent income						
Advertising						
Interest on loan						
Share capital						
Dividends paid						

(14)

- 1.3 1.3.1 Which GAAP principle was applied for most of the entries under the Projected Statement of Comprehensive Income in Question 1.2?

(1)

- 1.3.2 The Materiality principle dictates that interest on loans be shown as a separate line item, even if it is capitalised. Explain the reasoning behind this.

(1)

- 1.4 Refer to the Salaries line provided in Question 1.2 above.

- 1.4.1 Calculate the percentage increase on 1 November 2024.

(1)

1.4.2 Explain why the employees should be satisfied with this increase.

(1)

1.5 Provide TWO suggestions how Inter Escolas Publishers Ltd can reduce their bad debts.

•
•

(2)

1.6 The company plans to issue 120 000 additional shares in October 2024.

1.6.1 Explain the difference between Authorised Share Capital and Issued Share Capital.

Authorised Share Capital:
Issued Share Capital:

(2)

1.6.2 As a current shareholder, you are dissatisfied with the issue price of 1 050 cents per share as proposed by the directors.

Explain to the directors why this price is too low. Use a calculation to support your answer.

Calculation:
Explanation:

(4)

QUESTION 2 COMPANY ANALYSIS**[40 marks; 48 minutes]**

This question consists of two parts, namely Part A and Part B, that are related.

PART A

Refer to the information of Royal Bafokeng Platinum Limited for this part of the question.

Use information A to answer Questions 2.1–2.4.

2.1 Calculate the mark-up percentage achieved in **2022**.

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(2)

2.2 Calculate the gross profit on sales (profit margin) percentage achieved in **2022**.

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(2)

2.3 Refer to Questions 2.1 and 2.2.

Explain what each ratio calculates.

• Mark-up:
• Gross profit on sales:

(2)

- 2.4 Using the information from the "% Change" column, analyse the changes and then explain why management should be concerned about these results.

(3)

Refer to information B to answer Question 2.5.

- 2.5 Why is it important for a listed company like Royal Bafokeng Platinum Holdings Limited to include information like extract B ("Our approach to environmental management") as part of their financial reports?

(2)

Use information C to answer Questions 2.6–2.7.

- 2.6 Assuming cash and cash equivalents at the end of the 2022 financial year was R1 175 million, calculate the cash and cash equivalents figure at the beginning of the 2022 financial year.

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(4)

- 2.7 Give ONE possible item that could be listed under **changes in working capital** in cash flow from operating activities as an **outflow** of cash.

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(2)

Use information D to answer Questions 2.8–2.12.

2.8 Calculate the Return on Average Shareholder's Equity for **2022**.

(3)

2.9 Critically analyse, quoting figures/ratios/percentages to support your answer, the **returns** and **distributions** and **retained profits** for 2022.

[illegible]

(3)

2.10 Explain why your analysis in Question 2.9 would impress a **shareholder**.

(2)

2.11 Analyse the **risk** and **gearing** for 2022.

(4)

2.12 Should the company need additional funding for expansion, discuss TWO reasons why taking out an additional loan is the better choice and TWO reasons why issuing further shares would not be the better choice.

Why taking out an additional loan is the better choice:
•
•
Why issuing further shares is <u>not</u> the better choice:
•
•

(4)

PART B**Use information E to answer Question 2.13**

- 2.13 Using the comparative information provided, choose the company you would rather invest in and discuss FIVE reasons for your choice. Use figures to substantiate your reasoning.

☐

Northam Platinum Holdings Ltd

☐

Royal Bafokeng Platinum Ltd

•
•
•
•
•

(5)

40

QUESTION 3 RECONCILIATIONS

[25 marks; 30 minutes]

Refer to the information relating to Swakopmund Stores.

3.1 Use the statement from Windhoek Wholesalers to prepare the Age Analysis of Debtors as it should have appeared on the statement.

- Do not take the additional information into account.
- Show all workings so part-marks may be awarded.

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

(10)

3.2 Use the additional information provided to prepare the Creditors' Reconciliation Statement on 31 May 2023 by making the appropriate entries in the table below.

- Indicate a negative by using brackets ().
- Place an 'X' in the no entry column where no entry is required in either sets of books.

	Creditors Ledger	Creditors Reconciliation Statement	No Entry
Incorrect balances	R107 330	R127 880	
A.			
B.			
C.			
D.			
E1.			
E2.			
F.			
Do not calculate			

(8)

- 3.3 The General Manager of Swakopmund Stores is very concerned about the payment of R20 000 (refer to additional information C) that did not reflect on the statement and wants to appoint an auditor to investigate it. He comes to you for advice on the matter.

- 3.3.1 Explain the difference in the scope of work of an internal auditor and external auditor.

Internal auditor:
External auditor:

(2)

- 3.3.2 The internal auditor reports directly to management of the business made up of executive directors whereas the external auditor reports to the auditing committee made up of independent directors.

Evaluate the effectiveness of these reporting lines.

Internal auditor:
External auditor:

(2)

- 3.3.3 Explain to the manager why there is no need for concern about the payment not reflecting on the statement and why this is normal.

(1)

- 3.3.4 List ONE type of audit evidence the internal auditor could collect to check the accuracy and validity of a card transaction, as well as what the internal auditor would check it against.

Audit evidence:
Verify against:

(2)

25

Total: 100 marks