



eduresourceza.com



INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
MAY 2025

ACCOUNTING: PAPER II

Time: 2 hours

100 marks

INFORMATION BOOKLET

QUESTION 1 BUDGETS**[26 marks, 31 minutes]**

Solar Sun (Pty) Ltd is a manufacturer of solar panels which are distributed throughout the SADC countries. The business has an authorised share capital of 350 000 ordinary shares. 75% of shares were issued with the start of the business in 2022. The current directors are the only shareholders. The net asset value per share is R54,00. With the increasing energy problem in Southern Africa, Solar Sun is currently one of the fastest growing businesses in the region.

The following budget was prepared for Solar Sun (Pty) Ltd for the three months May to July 2025.

SOLAR SUN (Pty) LTD
Cash Budget for the THREE months May to July 2025

	May	June	July
Cash receipts			
Cash sales	360 000	A	B
Receipts from debtors	1 440 000	1 440 000	C
Lease of solar panels	289 000	289 000	289 000
Loan	2 800 000	–	–
Installation fees	?	D	?
Total cash receipts			
Cash payments			
Direct labour	435 000	850 000	850 000
Direct material	330 000	594 000	594 000
Factory overheads	102 000	188 400	188 400
Repayment of loans	78 000	220 000	220 000
Administrative costs	96 000	120 000	120 000
Sales and distribution costs	74 000	138 000	138 000
Building cost of new plant	4 800 000	–	–
Installation costs	150 000	150 000	300 000
Total cash payments	(6 065 000)		
Surplus/deficit	(906 000)		
Opening cash balance	342 000		
Closing cash balance	(564 000)	(455 400)	133 200

Additional information:

- The business expects an increase in the demand for solar panels. The production plant has reached maximum capacity and therefore the directors decided to expand the factory to be able to **double the production** of solar panels. The project will be funded by taking out another loan.

- The maximum capacity of the factory currently is **600 units per month** produced at a cost of R1 445 per unit. All products produced are sold in the month after production.
- The expansion to the factory will take place during May. The new plant will start production in June and by July **double** the number of products will be available for retail. It is expected that all the stock available in July will be sold.
- Sales and distribution costs consists of packing materials and advertising costs of R20 000.
- The solar panels are 275 W to 600 W selling at R3 000 per panel. Installation cost varies from R70 000 for a modest home to R350 000 for bigger buildings calculated at R450 **per panel needed**.
- 80% of all sales are on credit and will be paid in the month following the sale. Installation is done as soon as the product is sold.
- Market research shows that the demand for solar panels is escalating fast and the directors expect that the extra panels produced will be sold immediately.
- The business negotiated with the supplier of the direct material, to provide the same standard material for the extra units produced.

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

Nampak is Africa's leading packaging company. It operates from multiple sites in Africa contributing to its revenue. Their commitment to innovation and engineering expertise allows them to deliver unrivalled packaging products, particularly in lightweight plastic packaging for liquids and aluminium cans.

[Extracts from <<https://www.nampak.com/Investors/Financial-Information>>]

Director's report

- Over the past two years the company had numerous losses in Zimbabwe and Nigeria. During 2023 the directors decided to sell all the company's interests in Zimbabwe and Nigeria. This decision was mainly to cut future losses which may occur because of the deteriorating economies of these countries. Inflation got out of hand, exchange rates were at an all-time low and the value of properties decreased considerably. Causing the business to encounter several unforeseen losses.
- All the properties and equipment in Nigeria were sold during 2023 and the business withdrawn from Zimbabwe and Nigeria. All properties and equipment used in Zimbabwe were leased.
- Due to the losses made there will be no dividends declared or paid in 2023 although in 2022 there was a dividend paid of **R419 662 500**.
- The business started to focus on expanding the aluminium can market in South Africa and Angola. Four **new plants** were built for the manufacturing of cans. These new plants were financed by the additional loan which was taken during the year.
- More businesses are switching to cans that can be recycled repeatedly. As far as branding goes, customised opportunities are endless. Cans' distinctive shape and vibrant printing conveys a sense of professionalism and innovation, making products more appealing.

Share capital

The business had **27 977 500** issued shares on 1 October 2022. On this date the share price per share was R128,50. According to Walletinvestor the price of Nampak shares will increase gradually on the long term. Their predictions are as follows:

May 2023 – R145,90 per share

September 2023 – R187,07 per share

5 years from now – R439,40 per share

Nampak's presence

The business operates in 9 countries (after withdrawing from Nigeria) and has **4 500** employees working at 30 manufacturing plants in these 9 countries.

All employees are entitled to a bonus if the set targets for the financial year were met. As the business made a loss it was decided to issue 5 shares to each employee as their bonus for the year. The shares were issued on 20 September 2023.

NAMPAK LTD**Statement of comprehensive income for the year ended 30 September 2023**

	2023 '000	2022 '000
Revenue	21 420 000	21 780 000
Cost of sales	(11 900 000)	(12 100 000)
Gross profit	9 520 000	9 680 000
Other income	1 157 000	137 000
Operating income	10 677 000	9 817 000
Operating expenses	(8 462 000)	(4 075 000)
Depreciation	409 000	471 000
Other operating expenses	4 889 000	2 958 000
Losses incurred with withdrawing from Zimbabwe	323 000	134 000
Losses on property and equipment disposal in Nigeria	2 841 000	512 000
Net profit before interest	2 215 000	5 742 000
Interest expenses	(678 600)	(585 000)
Net profit before taxation	1 536 400	5 157 000
Income tax	(156 000)	(85 000)
Net profit/ (loss) for the year	1 380 400	5 072 000

NAMPAK LTD**Statement of financial position on 30 September 2023**

	2023 '000)	2022 '000)
Non-current Assets	9 025 000	10 064 000
Property plant and equipment	6 421 000	8 288 000
Investments in joint ventures	2 592 000	1 691 000
Lease receivables	12 000	85 000
Current assets	7 744 000	8 693 000
Inventories	5 413 000	3 933 000
Trade and other receivables	1 488 660	3 258 520
Cash and cash equivalents	842 340	1 501 480
Total assets	16 769 000	18 757 000
Equity and Liabilities		
Shareholder's equity	4 569 000	7 704 000
Share capital	3 502 890	3 500 000
Retained earnings	1 066 110	4 204 000
Non-current liabilities	7 809 000	6 721 000
Loans (18% p.a.)	7 809 000	6 721 000
Current liabilities	4 391 000	4 332 000
Trade and other current payables	4 257 000	2 753 000
Bank overdraft	134 000	1 579 000
	16 769 000	18 757 000

QUESTION 3 RECONCILIATION**[26 marks, 31 minutes]****PART A**

Hilltop Dental Practice buys medical consumables from Namdental. At the end of June 2024 the balance of Namdental in the creditor's ledger of Hilltop Dental Practice did not correlate with the statement received from Namdental.

Statement received for THREE months from Namdental on 30 June 2024

Namdental

PO Box 839
Windhoek
Namibia

To: Hilltop Dental Practice
hilltopdent@mail.com

Statement date: 30 June 2024
Terms: 30 days

Date	Description	Debit	Credit	Balance
1 April	Balance			7 130
15	Invoice 194	5 320		12 450
17	Credit note 78		1 790	10 660
20	Receipt 94		8 430	2 230
20	Receipt 94 (Discount)		430	1 800
May 4	Invoice 219	3 100		4 900
6	Receipt 98		4 300	600
10	Credit note 89		190	410
June 11	Invoice 280	15 160		15 570
13	Credit note 96		2 140	13 430
20	Invoice 301	8 100		21 530

Terms are strictly 30 days.

Interest of 12% p.a. will be charged on accounts outstanding after 60 days.

Creditors' Ledger for THREE months of Hilltop Dental Practice:

NAMDENTAL				
Date	Description	Debit	Credit	Balance
1 April	Balance			7 450
15	Invoice 194		5 320	12 770
17	Debit note 24	1 790		10 980
20	EFT	8 430		2 550
May 4	Invoice 219	3 010		(460)
6	EFT	4 300		(4 760)
	Discount allowed	140		(4 900)
9	Invoice 250		7 240	2 340
10	Debit note 36	190		2 150
June 11	Invoice 280		15 160	17 310
13	Debit note 44	2 140		15 170
20	Invoice 301		8 100	23 270
30	EFT	19 000		4 270
	Discount allowed	1 960		2 310

Additional information:

1. The previous creditors reconciliation was done before the bookkeeper went on maternity leave for three months. Therefore, the reconciliation now has to be done for the three-month period April to June 2024.
2. It was determined that the opening balance on 1 April was wrongly calculated by Namdental.
3. On 20 April Namdental allowed a discount to Hilltop Dental Practice.
4. Invoice 219 was issued by Namdental to Hilltop Dental Practice. The correct amount for invoice 219 is R3 110.
5. Discount of R140 was incorrectly recorded by Hilltop Dental Practice.
6. Invoice 250 was issued by Namdental to Hilltop Dental Practice for R7 240.
7. All other transactions were recorded accurately.

PART B

Hilltop Dental Practice claim directly from the different medical aid funds. Payments from the medical aid funds are received 60 days after submitting the claims.

Patients are required to pay 10% of the account directly after each appointment.

The following Statement for THREE months were sent to Mr Kavari, one of Hilltop Dental Practice clients.

Hilltop Dental Practice				
To: Kevin Kavari kevin66@gmail.com		Practice number: 890 28635 Box 789 Tsumeb		
		Statement date: 30 June 2024 Terms: 30 days		
Date	Description	Debit	Credit	Balance
Jan 1	Consultation	940		940
	Receipt 123		94	864
March 14	Fluoride treatment	1 430		2 276
	Receipt 178		143	2 133
May 27	Fitting braces	2 500		4 633
	Receipt 267		250	4 383

On 1 July 2024 Mr Kavari got hit by a hockey ball and needed immediate dental assistance from Hilltop Dental Practice for his broken teeth. As his account was in arrears, he did not receive the necessary help and had to go to another dental practice.

Mr Kavari was not aware of the outstanding payments to Hilltop Dental Practice as he was under the impression that they submitted all claims to the relevant medical aid fund.