



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2017

ACCOUNTING: PAPER II

Time: 2 hours

100 marks

INFORMATION BOOKLET

QUESTION 1 BUDGETS**(30 marks; 36 minutes)**

The Running Foot is a business owned by Robbie that specialises in selling running shoes. It is a popular business, especially with running clubs. They operate from a shop in a shopping centre that charges them R65 000 rent per month and fines them if they do not open on Sundays.

On 1 January 2018 The Running Foot is planning on moving the business into a house along a main road in the same area as the shopping centre. It is a double story house which has a swimming pool and tennis courts. Robbie will not be living there and will only need half of the inside downstairs area for his business. The shelving and signs to fit out the house are going to cost R130 000. Robbie will depreciate this amount off over five years.

The bank has approved a 90% loan (90% of the price of the house) at 10% interest per annum. Robbie expects the salaries and wages expense to be the same once he moves, but is scared that the sales are going to drop by 35% from December's sales due to people losing the convenience of the shopping centre.

Extract from the Cash Budget of The Running Foot for November and December 2017

	November	December
Receipts		
Cash sales	86 400	??
Cash received from debtors	??	339 120
Payments		
Payments to creditors	310 000	305 000
Rent expense	65 000	65 000
Wages	??	63 360
Drawings	35 000	35 000
Fines	32 000	32 000
Advertising	10 500	10 500
Sundry expenses	9 900	12 200

Additional information

- Cash sales are 20% of the total sales.
- In December 2017, Robbie is expecting a 15% increase in sales from that of November.
- Debtors are expected to pay back a percentage of the amount they owe in the month after the sale and the rest in the following month. They are not expecting any bad debts and no discount is given for early payments.
- Trading inventory is maintained at the level shown on the Balance Sheet.
- All trading stock is bought on credit and is paid off in the 2nd month after it was bought.
- Since December is busier, Robbie will need to hire more shop attendants, so he expects the wages to increase by 10% in December. January wages are expected to equal November's wage cost.

QUESTION 2 RECONCILIATIONS**(20 marks; 24 minutes)**

This question consists of **four separate parts**, all related to Rose Boutique on 31 October 2017, their financial year-end.

Rose Boutique is owned by Rosalie Smith. She gets her clothes from several suppliers all over the country.

PART A

A credit supplier of Rose Boutique is an elderly lady (Judy) who runs a small sewing business from home. She does not keep formal accounting records but sends statements to Rose Boutique every three months, showing all the transactions between the two businesses.

Below is the statement sent by Judy on 1 November 2017:

My transactions with Rose Boutique		
26 Aug:	1 × Pink evening gown	R5 300
8 Sept:	1 × Black & White evening gown	2 700
	Delivery costs with Tortoise Deliveries	900
15 Sept:	Received a cheque from Rose Boutique	- 3 500
30 Sept:	2 × handbags (R600 each)	1 200
	I'm giving Rosalie a discount on the handbags	- 200
8 Oct:	Blue evening dress	3 150
27 Oct:	Black & White gown	2 700
		<hr/>
		R12 250

After studying the above note from Judy, Rosalie compared it to her records and discovered the following entries were incorrect:

- The Pink evening gown had cost R3 500, not R5 300.
- The Black & White evening gown had been couriered by Tortoise Couriers and charged to the account of Rose Boutique. Rose Boutique never agreed to pay for this delivery as it is Judy's responsibility to deliver the clothes.
- Judy did not communicate the discount on the handbags and so Rosalie was not aware of this.
- Rosalie bought a Black & White gown on 8 September. On 27 September she realised that some of the stitching had pulled loose and she returned it to Judy who agreed to take it back, however, Judy recorded this return incorrectly in her statement.
- Rose Boutique had sent a cheque to Judy on 1 October for R1 200. When Rose saw that the cheque was not on the list, she phoned Judy. After searching, Judy found the cheque where she had placed it for safekeeping.

PART B

Use the Debtors' Ledger to complete Question 2.3.

The following account of credit customer, L Pike, appeared in the Debtors' Ledger of Rose Boutique:

L Pike on 31 October 2017

D9

Date		Details – Document no.	Fol	Debit	Credit	Balance
July	14	Invoice 25	DJ7	2 450		2 450
August	2	Invoice 31	DJ8	990		3 440
September	15	Receipt 28	CRJ		1 225	2 215
	27	Invoice 38	DJ9	3 420		5 635
October	1	Credit note 9	DAJ		1 020	4 615
	8	Receipt 36	CRJ		1 300	3 315
	15	Invoice 42	DJ10	860		4 175

PART C

The following information relates to cash transactions that Rose Boutique made during October 2017. Use this information to complete Question 2.4. **Choose the most correct answer.**

2.4.1 On 5 October 2017 Rosalie wrote a post-dated cheque number 344 for R6 500 (dated 5 November 2017) to pay a creditor. How should Rose Boutique deal with this cheque?

- A Put it into the safe until 5 November 2017.
- B Record it in the October CPJ and put it into the October Bank Reconciliation.
- C Record it in the November CPJ and put it into the October Bank Reconciliation Statement.
- D Record it in the November CPJ and put it in the November Bank Reconciliation.

2.4.2 31 October is Rose Boutique's year-end. How should they deal with cheque 344 in 2.4.1 above?

- A Add R6 500 to the bank and creditors in the Balance Sheet.
- B Subtract R6 500 from the bank and creditors in the Balance Sheet.
- C Reverse R6 500 in the Cash Receipts Journal.
- D Take R6 500 out of the Bank Reconciliation Statement.

2.4.3 Choose the transactions that will **not** be entered into the October 2017 Cash Receipts Journal.

- A A cheque that was issued by Rose Boutique on 8 April 2017 but has not yet been presented to the bank.
- B A credit entry in the October Bank Statement that has not yet been recorded by Rose Boutique.
- C A cheque for R1 200 appeared in the October Bank Statement of Rose Boutique. It had been erroneously recorded in Rose Boutique's September CPJ as R2 100.
- D A cash deposit of R3 000 appeared in the October Bank Statement but not in Rose Boutique's October Journal. It was a deposit that was recorded in Rose Boutique's September CRJ and Bank Reconciliation.

2.4.4 Which of the following statements is **false**?

- A On the Bank Statement a deposit made by the account holder will be credited by the bank.
- B On the Bank Statement an unpaid cheque that has been dishonoured by the bank is debited by the bank.
- C If the balance on the Bank Statement is a debit, then it means that the account holder has a favourable amount in the bank i.e. they have money in the bank.
- D A cheque will be returned if the signature does not match the bank's sample signature.

PART D

Transactions for Question 2.5

2.5.1 Cheque 95 for R3 280, issued to Sewing Fantasy (a creditor), was stopped at the bank because it had been lost.

2.5.2 A deposit of R1 550 by Rosalie Smith into her private banking account was recorded in error on the bank statement of Rose Boutique.

2.5.3 The bank statement of Rose Boutique showed a debit entry for interest of R47.

2.5.4 Rosalie received a post-dated cheque from a debtor for R1 786.

2.5.5 Cheque 93 for R607 appeared in the Cash Payments Journal but not in the Bank Statement.

2.5.6 The Bank Statement showed an unpaid cheque for R900 from a debtor, F Kim. The cheque was in settlement of her debt of R970.

QUESTION 3 VAT**(15 marks; 18 minutes)**

Coffee Country is a coffee shop that also sells packets of coffee beans which are marked-up by 50% on cost. Peter, the owner has been a registered VAT Vendor for the last two years and pays VAT to SARS every two months on the invoice basis. VAT is charged at 14%.

- On 1 October 2017 Coffee Country owed VAT of R12 500 to SARS.
- Below is a list of the total amounts of his transactions for the month ending on 31 October 2017. Note: all applicable amounts **include** VAT.

Income from selling refreshments and food	R912 000
Income from sales of packets of coffee beans	R290 700
Direct materials and consumable stores bought	R518 700
Salary and wages	R114 000
Purchase price of coffee machine	R 36 480
Water and electricity expense	R 13 680

- Transactions not yet recorded: All applicable amounts **exclude** VAT.

Selling price of coffee beans taken by the owner	R 12 000
Selling price of coffee beans returned by customers	R 11 250
Discount received from supplier for early payment of account	R 800

QUESTION 4 COMPANY ANALYSIS

(35 marks; 42 minutes)



At RCL FOODS we believe in doing more ... with a single minded passion to provide more food to more people, more often.

Extract from the consolidated Income Statement on 30 June

	2016 R'000	2015 R'000
Sales	25 025 159	23 428 206
Cost of sales	(19 303 628)	(17 910 818)
Gross profit	5 721 531	5 517 388
Other income	824 771	703 025
Operating profit	378 213	1 452 391
Net profit after tax	226 595	861 957



Ratios and financial indicators

	2016	2015
Net profit on sales	0,91%	3,68%
NAV	1 168 cents	1 174 cents
Return on capital employed	1,49%	5,64%
Return on shareholders' equity	2,25%	8,52%
EPS	24 cents	102 cents
DPS	30 cents	37 cents
Acid test ratio	1,06 : 1	1,06 : 1
Current ratio	1,64 : 1	1,69 : 1
Debtors collection schedule	58 days	49 days

Cash dividend declaration:

It is the Board's intention to continue paying dividends, subject to the Group's underlying profit delivery. The directors have resolved to declare a final cash dividend of 15,0 cents per share for the year ended 30 June 2016. An interim dividend of 15,0 cents was declared and paid during the financial year. The dividend has been declared from income reserves.

Extract from the Statement of Financial Position

	2016 R'000	2015 R'000
Current assets	8 302 728	7 441 885
Inventories and other biological assets	3 552 097	3 309 676
Trade and other receivables	3 926 404	3 156 670
Cash and cash equivalents	793 927	965 616
Tax receivable	30 210	9 923

Extract from the sustainability report:

South Africa is faced with alarming nutritional statistics – 27% of children under the age of 5 are stunted and 2 million people have only 1 meal a day. As a leading food producer in South Africa, we can play a key role in nourishing people according to their needs.

Extract from fin24 articles:

27 November 2016

The chicken industry had to contend with the severe impact of the drought on maize and other crops, increasing poultry feed prices, along with an exponential increase in the wheat import duty (tax), the volatility of the rand and the resultant cost push in a weak consumer environment. Maize increased in price by 49% for the 2016 financial year.

[<<http://www.fin24.com/Companies/Agribusiness/drought-is-driving-costs-20161127-2>>]

13 January 2017

The poultry sector is on the verge of collapse as it battles with a flood of cheap chicken quarters that are allegedly being dumped by EU countries and the US. Last year around R7 billion worth of imported chicken-leg quarters came through Durban harbour at a cost of R10/kg – half the industry standard price.

The move comes as several of the country's biggest chicken producers, including KwaZulu-Natal's iconic Rainbow Chickens, push ahead with mass retrenchments and farm sell-offs, which will see Rainbow alone cutting more than 1 350 jobs at the end of this month.

The potential collapse of the poultry industry also holds serious implications for soya bean farmers – 90% of whose produce is consumed by chicken producers – and for maize growers, as poultry is South Africa's second-largest maize consumer after the human market.

[<<http://www.fin24.com/Economy/poultry-industry-roasted-20170113>>]