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TOTAL
MARKS

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NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2023

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 10 pages, an Information Booklet of 6 pages (i–vi) and a Formula Sheet of 1 page (i). Please check that your question paper is complete.
2. Read the questions carefully.
3. Answer the questions in the space provided.
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 sharp, 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 (55 minutes)	46			
Question 3: Reconciliations (23 minutes)	19			
TOTAL	100			

QUESTION 1 BUDGETS**[35 marks; 42 minutes]**

- 1.1 Complete the debtors' collection schedule for November and December.

Debtors' collection schedule for November and December 2023.

	Credit sales	November	December
September	159 750	79 875	—
October	162 000	59 616	*
November	*	—	*
		Do not calculate	Do not calculate

(3)

- 1.2 Calculate the missing amounts labelled 'A' to 'G' in the cash budget. Do not calculate the '?'. Show your calculations.

A	
B	
C	
D	
E	
F	
G	

(13)

- 1.3 The embroidery machine was purchased on 1 March 2020 and it is depreciated on cost at 9% p.a. Its monthly depreciation is R975. Calculate the cost of the embroidery machine.

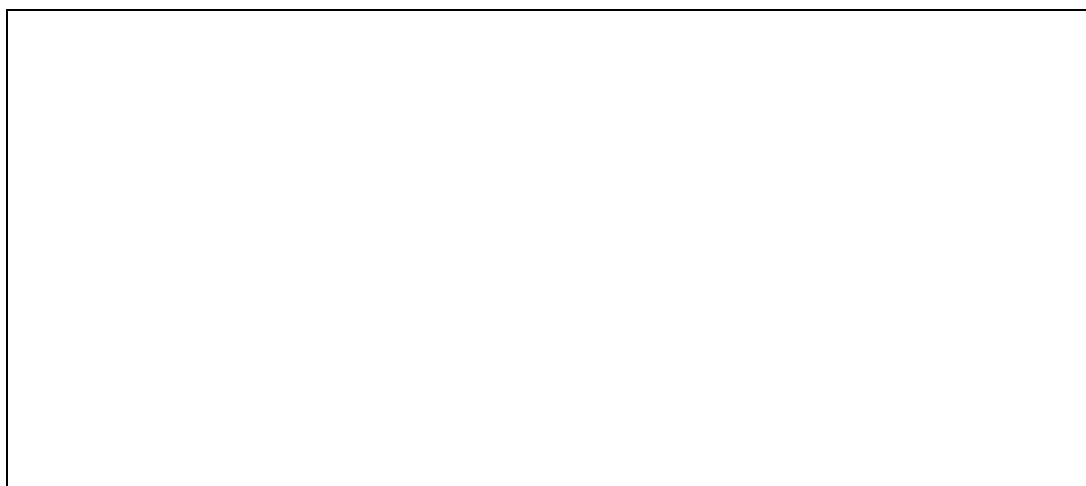
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(3)

- 1.4 Nobuhle is considering expanding her factory. One of the things she is looking at is buying a DTG (digital garment printing) machine so she can print T-shirts. She thinks more people will buy printed shirts than embroidered shirts. She will then get rid of the embroidery machine.

The DTG machine costs R491 760 and should last 15 years. It will be depreciated on a fixed cost basis. The ink costs per shirt will be 80 cents.

- 1.4.1 Calculate the **NEW monthly** breakeven number of units should iNkankane Clothing (Pty) Ltd change the embroidery for printing. The selling price will remain at R250 per shirt.



(8)

- 1.4.2 Discuss in detail whether it will be a good decision **financially** for iNkankane Clothing (Pty) Ltd to purchase and start using the printing machine instead of carrying on with embroidering.

(2)

- 1.4.3 Write down **two other** items Nobuhle would need to consider before she purchases the DTG machine.

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- ---

(2)

1.5 Nobuhle is scared that if she expands the company's operations and hires more workers, she will lose touch with the staff she already employs, and her factory could then be subject to strike action. Read the quotes about employees.

1.5.1 Discuss whether she should increase the workers' wages by starting to pay contributions like medical aid or pension fund. Motivate your answer with reasons. You need to discuss three points in your answer.

(3)

1.5.2 Advise Nobuhle on how to keep her current workers motivated and productive, should she need to hire more workers.

(1)

QUESTION 2 COMPANY ANALYSIS**[46 marks; 55 minutes]**

2.1 Looking at the profitability of both companies, it appears as though Mr Price is more profitable than Foschini.

- 2.1.1 (a) State one area of profitability in which Foschini fared better than Mr Price. Give two reasons for your answer.

Area:

•

•

(3)

- (b) State the **main reason** why Mr Price is more profitable than Foschini.

(1)

- 2.1.2 (a) Describe what the financial indicator/ratio 'net profit on sales' shows.

(1)

- (b) Who do you think would be most pleased with their 2022 **net profit**? The directors of Mr Price or the directors of Foschini? Explain your reasoning.

(2)

- 2.2 2.2.1 Mr Price's advantage over competitors is that 84% of their sales are cash sales. Explain, by studying the current assets only, how this has affected their liquidity compared to Foschini. Quote calculations in your explanation.

(4)

2.2.2 In the financial year ending 31 March 2023, Mr Price saw an increase in customers wanting to buy on credit. They said that they will be cautious when considering whether to grant credit to customers.

(a) Calculate the debtors' collection period for **Mr Price** for **2022**.

(5)

(b) Explain why you think Mr Price has been/not been cautious (careful) when granting credit.

(2)

2.2.3 (a) Calculate **Foschini's** stock turnover rate for **2022**.

(3)

(b) Foschini reports that their inventory is at a sensible level. Discuss, by providing reasons, whether or not you agree with this statement.

(2)

2.3 2.3.1 Calculate the net asset value for **Mr Price** for **2021**.

(2)

2.3.2 Why would an investor also consider the net asset value when studying the market value of Mr Price's shares?

(2)

2.4 Foschini did not issue any dividends in 2021. Discuss whether or not this was a good decision.

(2)

2.5 Calculate **Foschini's** solvency ratio for **2022** and then comment on it.

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(3)

2.6 2.6.1 Foschini wants to carry on buying manufacturing plants in South Africa. By providing an in-depth analysis of the risk, gearing and return of The Foschini Group, would you, as a bank representative, lend them the money?

Conclusion:

(7)

2.6.2 The other option of financing is to issue more shares.

- (a) Write down one advantage of issuing more shares over expanding the loan.

(1)

- (b) It is said that issuing shares is a more expensive way of financing than taking out a loan. Discuss, by providing two reasons, why some people think this.

(2)

- 2.7 The director's report states that Foschini continues to suffer from crime-related incidents in South Africa. Discuss the role that the internal auditor has in preventing crime from within the business.

(2)

- 2.8 198 Foschini stores were damaged in the civil unrest. The Group performed an assessment to identify if the losses related to store assets should be capitalised or treated as repairs and maintenance.

Explain how they would decide whether the cost of repairs to the stores would be added to Land and Buildings (capitalised) or treated as Repairs and Maintenance.

(2)

QUESTION 3 RECONCILIATIONS**[19 marks; 23 minutes]**

- 3.1 Study the statement from Kitchenware Suppliers. They have three terms and conditions. Analyse whether Kitchenware Suppliers enforced these. Also analyse whether Lavender Cottage adhered/kept to them.

(3)

- 3.2 Fill in the age analysis as it would appear at the bottom of the statement from Kitchenware Suppliers. Ignore all errors and omissions and use **only** the figures given in the statement. Show all the figures that go into each block. You do **not need to total** each block.

90 Days	60 Days	30 Days	Current

(6)

- 3.3 If you worked for Lavender Cottage and were in charge of paying the creditors, explain a change you would make to how Lavender Cottage pays their creditors (based on how they pay Kitchenware Suppliers). Explain why you would make this change.

(2)

- 3.4 Reconcile the statement received from Kitchenware Suppliers to their account in the creditors' ledger of Lavender Cottage by taking the errors and omissions into consideration. Show the amounts that would go into the creditor's reconciliation statement and the amounts that would be entered into their creditors' ledger account.

	Creditors Reconciliation Statement	Creditors Ledger
Incorrect balance	120 000	119 188
1. Invoice 63		
2. Discount		
3. Credit note 37		
4. Interest		
	Do not calculate	Do not calculate

(5)

- 3.5 Liyah sends employees to the shops with the business credit card to purchase packing material, refreshments, and small items of trading stock. A whistle-blower told her that some of these employees are buying things for themselves with Lavender Cottage's credit card.

Discuss a control system that the internal auditors could put in place to stop employees from buying personal items with the business' credit card.

(3)

19

Total: 100 marks