Please paste the barcoded label here	TOTAL MARKS

NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2021

ACCOUNTING: PAPER II

EXAMINATION NUMBER

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) with 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 soft, dark pencil.**
6. All calculations must be rounded off to **two decimal places**.
7. The allocation of marks and appropriate time to be taken for each question are as follows:

	Possible marks	Actual marks	Marker signature	Moderator signature
Question 1: Budgets (36 minutes)	**30**			
Question 2: Company analysis (54 minutes)	**45**			
Question 3: Reconciliations (30 minutes)	**25**			
TOTAL	**100**			

QUESTION 1 BUDGETS (30 marks; 36 minutes)

1.1 Explain the main reason for drawing up a Projected Income Statement.

____ (1)

1.2 Discuss what measure Edwin should have put in place when his Projected Income Statement showed a loss.

____

____ (1)

1.3 Complete the missing amounts in the Cash Budget for Bon Appetit (Pty) Ltd for **June 2021**. (Show the calculations next to the account names.) Use May's budgeted amounts in your calculations, not the actual amounts.

BON APPETIT (PTY) LTD
Cash Budget for June 2021

Receipts	**Do not calculate**
Cash sales	
Cash from debtors	
Fixed deposit	
Interest on fixed deposit	
Payments	**Do not calculate**
Payments to creditors	
Salaries	50 000
Waiters' wages	
Marketing	32 000
Rent expense	
Administration	
Loan payment	14 000
Cash surplus (deficit)	285 649
Bank balance on 1 June 2021	(81 305)
Bank balance on 30 June 2021	204 344

(14)

1.4 Edwin wants to get out of the restaurant business and is happy that the Cash Budget for June shows a surplus as he is sure that Bon Appetit (Pty) Ltd will be easier to sell if it has good cash flow.

1.4.1 Explain two of the main reasons why Bon Appetit (Pty) Ltd has a surplus, yet is trading at a loss.

- ____
- ____

(4)

1.4.2 You are considering buying Bon Appetit (Pty) Ltd as an investment. Write down two areas that you will need to change so that Bon Appetit (Pty) Ltd can trade at a profit. Explain two solutions that you could implement in each area that will help Bon Appetit (Pty) Ltd to reach their goal of trading at a profit.

Area 1:

Solutions:

- ____
- ____

Area 2:

Solutions:

- ____
- ____

(6)

1.4.3 If you were to offer to purchase Bon Appetit (Pty) Ltd, write down the price that you would be prepared to offer Edwin for the business. Discuss two factors that you took into consideration to arrive at your purchase price.

Price: ________________

- ____

  ____

  ____

- ____

  ____

  ____

(4)

30

QUESTION 2 COMPANY ANALYSIS (45 marks; 54 minutes)

2.1 Study the Statement of Comprehensive Income and Note 1: Revenue, and then answer the following questions.

2.1.1 (a) Calculate the percentage increase in the registration and tuition fees for 2019.

(1)

(b) Discuss a likely reason for this increase.

___

(1)

2.1.2 The operating expenses increased by 25,35% in total, with advertising and marketing increasing the most at 35,36% and then the staff costs at 32,88%.

(a) Discuss whether STADIO's management should be concerned with the operating expenses increasing by 25,35%. Give two reasons for your opinion.

Should they be concerned? Yes/No

- ___
- ___

(2)

(b) Not only did the staff costs increase by 32,88%, but they are 63% of the total operating expenses, and by far the largest expense. Discuss whether it is reasonable, considering the nature of STADIO's business, for their staff costs to be their biggest expense. Explain the reason for your answer. Discuss one thing that STADIO could do to decrease the percentage staff costs **on operating costs**.

Is it reasonable?

___

How to decrease the staff costs:

___

(2)

2.2 2.2.1 The external auditor wants to audit the staff costs. Explain why they would want to audit these.

____

____ (1)

2.2.2 List two pieces of evidence that the auditor could use to audit the staff costs.

- ____
- ____ (2)

2.2.3 Explain how the internal auditor could make the external auditor's job easier.

____

____

____ (2)

2.3 Some investors do not look at depreciation when analysing whether a business will be a good investment, due to the non-cash nature of depreciation.

Discuss what depreciation represents, and why **it is important** to take this into consideration when analysing a business.

- ____

  ____
- ____

  ____ (2)

2.4 After the Fees Must Fall protests there was pressure on universities not to increase the student fees and provide free education for those students who fall into the poor and middle economic classes.

2.4.1 A few shareholders expressed concern about STADIO's profitability and their returns should STADIO be forced to offer free education to qualifying students.

By drawing on the concepts of the triple bottom line, provide a solid counter argument as to why STADIO should offer free education to some students.

(2)

2.4.2 Discuss one possible **non-financial** consequence of offering free education to some students.

(1)

2.4.3 Suggest how STADIO could raise funds if they were to offer free education to more students.

(2)

2.5 Study point B of the Extracts from the directors' report.

2.5.1 Write down the name of the Accounting principle that this sentence describes.

(1)

2.5.2 Name the ratio that is used to test this principle.

(1)

2.5.3 Calculate the ratio referred to in Question 2.5.2 for 2019 and comment on whether you agree with the directors' statement that they can continue for the foreseeable future.

(3)

2.6 2.6.1 Show how the acid-test ratio is calculated to be 1,15 : 1 at year-end 2019.

(2)

2.6.2 Explain why there is only a 0,01% difference between the acid-test ratio and the current ratio. Discuss why this is so, and whether this would be a problem.

- ______________________________

  ____

- ______________________________

  ____

(2)

2.6.3 The current ratio has dropped by 1,5 since 2018. Provide a reason for the decrease in the ratio and explain whether STADIO will experience liquidity problems.

- ______________________________

  ____

- ______________________________

  ____

(3)

2.7 2.7.1 Calculate STADIO's debt-to-equity ratio if they were to draw on the whole of Standard Bank's revolving credit facility. (See point C in the Extracts from the directors' report).

(4)

2.7.2 Would it be good business practice on STADIO's part to make use of the full R200 million loan? Clearly state the reason for your answer.

____

____

(2)

2.7.3 Explain under what circumstance STADIO could make use of the full loan.

(1)

2.8 Refer to the graph in the Information Booklet.

2.8.1 Discuss why the share price may have peaked when STADIO first listed on the JSE.

(1)

2.8.2 By March 2020 STADIO Holdings' share price dropped 72% on the JSE and was trading at 163 cents per share. Explain why current shareholders might want to sell their shares.

(1)

2.8.3 A resolution was passed for the company to repurchase its shares (see point A from the Extract from the directors' report).

(a) Calculate the NAV.

(2)

(b) Write down two advantages of a share buy-back.

-
-

(2)

(c) Buying back shares is seen as a company investing in itself. With reference to the financial indicators, explain whether it would be a good investment decision for STADIO to buy back their own shares.

(2)

45

QUESTION 3 RECONCILIATIONS (25 marks; 30 minutes)

Study the information given in the Information Booklet and then answer the following questions.

3.1 On 28 February 2021 Ndeme noticed that the balance in the Debtors Control account was different to the total of the Debtors List.

3.1.1 Explain why the balance of the Debtors Control account and the total of the Debtors List should balance.

(2)

3.1.2 Show the journal entry to correct the first mistake. (The narration may be omitted.)

Details	F	Debit	Credit	Debtors Control	
				Debit	Credit

(2)

3.1.3 Make the corrections of adjustment numbers 2 to 6 by entering them into the appropriate columns.

	Debtors Control	Debtors List
Incorrect balance on 28 February	42 640	48 490
2)		
3)		
4)		
5)		
6)		
	Do not calculate	**Do not calculate**

(7)

3.2 3.2.1 Complete the Debtors Age Analysis as it should be shown at the bottom of the statement, using all the figures shown on the statement.

90 Days	60 Days	30 Days	Current

(7)

3.2.2 There is an error on the statement. Identify the error and explain this error.

____

____

(2)

3.2.3 The Tool Shed has come to the realisation that interest is not an effective way of getting their debtors to pay.

- Discuss a reason why you agree or disagree with this.
- Explain a **new**, alternative method The Tool Shed can use to ensure that Plaster Master pays within 60 days of the statement date.

Reason:

____

____

Alternative method:

____

____

____

(2)

3.3 Plaster Master complained that they paid another R10 000 by cheque towards their debt so they should not have been charged interest. This cheque did not appear on their statement. Ndeme found the cheque. It was dated 15 March 2021.

3.3.1 Explain to Plaster Master when this cheque will appear on their statement and where this cheque should be at the moment.

____

____

____

(2)

3.3.2 Write down in which column on the bank statement (debit/credit) the R10 000 will appear once it has been deposited.

____

(1)

25

Total: 100 marks