NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2021

ACCOUNTING: PAPER II

Time: 2 hours 100 marks

INFORMATION BOOKLET

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QUESTION 1 BUDGETS (30 marks; 36 minutes)

Edwin owns a restaurant, Bon Appetit (Pty) Ltd. He is the only shareholder, but is thinking of selling his business as he has had enough of running it. Bon Appetit (Pty) Ltd is running at about 60% capacity at the moment.

The food is marked up by 40% on cost and the beverages are marked up by 80%.

Projected Income Statement for May 2021

	Budgeted figures	Actual figures
Sales	398 400	364 874
Food	268 800	242 564
Beverage	129 600	122 310
Cost of sales	(264 000)	(241 210)
Food	192 000	173 260
Beverage	72 000	67 950
Gross profit	134 400	123 664
Operating expenses	(272 927)	(241 557)
Salaries	50 000	50 000
Wages	21 917	21 917
Marketing	32 000	2 000
Rent expense	63 500	63 500
Depreciation	39 400	39 400
Administration	12 350	11 540
Food wastage	53 760	53 200
Operating loss	(138 527)	(117 893)
Interest on fixed deposit	1 900	1 900
Loss before interest expense	(136 627)	(115 993)
Interest expense	(15 520)	(15 520)
Loss before tax	(152 147)	(131 513)
Income tax	0	0
Net profit (loss) for May	(152 147)	(131 513)

List of amounts from the Trial Balance on 31 May 2021

Non-current assets	
• Building improvements	R2 400 000
• Kitchen equipment	808 000
• Tables, furniture and tableware	1 200 000
• Signage	320 000
Current assets	
• Stock	R70 000
• Debtors	59 760
• Cash and cash equivalents	298 695
Total assets	R5 156 455
Equity	R2 510 000

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Additional information

- All food and beverages are bought on credit and paid for in the month following the purchase to make use of a 5% discount.

- A fixed inventory level of R70 000 is kept. Food wastage is estimated to be about 20% of the **amount of sales for food**.

- Bon Appetit (Pty) Ltd is open in the evenings to regular cash customers. On top of this they sometimes hold business functions during the day. These functions make up a quarter of Bon Appetit (Pty) Ltd's sales, and are on credit, with the clients paying 40% in the month of the function, and the rest in the month following the function.

- Edwin expects the sales to drop by 10% in June.

- The fixed deposit is maturing on 14 June. The fixed deposit earns simple interest of 6% p.a. and will have been invested for two years on 14 June. The fixed deposit plus the interest for both years will be paid into Bon Appetit (Pty) Ltd's bank account on 14 June.

- The wages for the waiters were calculated on the number of hours needed for the 31 days they would be working in May. June's wages need to be calculated on 30 days.

- Rent is set to increase by 7% on 1 July. Rent is paid on the 25th of each month for the following month.

- Included in the administration expense are the fixed costs of the salary for the bookkeeper of R7 900 as well as the monthly telephone account of R1 450. The rest of the costs are made up of stationery and other consumables needed. The bookkeeper still has R700 of stationery from May that will be used in June, so no extra stationery or consumables need to be bought in June.

- In June, Edwin is planning on donating food to the value of R7 000 as well as R5 000 cash to a children's home.

- Interest on a loan of R9 300 is capitalised and is included in the loan repayment in the cash budget.

- The bank statement for May showed a debit entry for interest of R6 220. Edwin hopes to halve this amount in June. Like most business bank accounts, Bon Appetit (Pty) Ltd does not earn interest on a positive bank balance.

QUESTION 2 COMPANY ANALYSIS (45 marks; 54 minutes)

STADIO Holdings is an investment holding company focusing on investment in higher education institutions. The group had three institutions when they listed in 2017, but currently owns six registered institutions and purchased land in Centurion for a total of R110 million. Construction on the site started in November 2019 and the group intends to open its first multi-faculty facility, STADIO Campus, in January 2021. Brands within the STADIO group include film school AFDA, Embury, fashion institution LISOF, Southern Business School, Prestige Academy and Milpark Education.

Adapted from the **Consolidated Statement of Comprehensive Income** on 31 December

	Notes	**2019 R'000**	**2018 R'000**
Revenue	1	815 427	632 928
Other income		8 054	8 981
Operating expenses		(643 167)	(513 097)
Advertising and marketing		24 605	18 178
Academic costs		50 259	53 831
Property costs		43 018	35 128
Rental expense		3 962	33 052
Staff costs		383 838	288 860
Auditor's remuneration		4 535	3 887
Other		132 950	80 161
Earnings before interest, tax and depreciation		180 314	128 812
Depreciation		(60 890)	(33 995)
Earnings before interest and taxation		119 424	94 817
Investment income		28 047	25 264
Finance cost		(19 926)	(6 719)
Profit before taxation		127 545	113 362
Taxation		(43 861)	(36 071)
Profit for the year		83 684	77 291

Note 1: Revenue

	2019 R'000	**2018 R'000**
Revenue from contracts with customers over time	**807 889**	620 732
Registration and tuition fees	827 694	627 779
Discounts and bursaries granted	(29 267)	(15 044)
Other academic income	6 227	5 412
Hostel income	3 235	2 585
Revenue from sales of goods	**7 538**	12 196
Study material sales	6 316	11 159
Canteen sales	1 222	1 037
Revenue	815 427	632 928

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Extract from the **Consolidated Statement of Financial Position** as at 31 December

ASSETS	**2019 R'000**	**2018 R'000**
Non-current assets	1 844 544	1 536 739
Current assets	222 115	367 507
Inventories	2 132	4 372
Trade and other receivables	126 547	103 627
Cash and cash equivalents	93 436	259 508
Total assets	2 066 659	1 904 246
EQUITY AND LIABILITIES		
Equity	1 583 298	1 697 102
Share capital	1 565 675	1 564 283
Retained income	17 623	132 819
Non-current liabilities	291 863	69 109
Current liabilities	191 498	138 035
Lease liabilities*	32 309	186
Trade and other payables	69 403	51 398
Fees received in advance	89 786	86 451
Total equity and liabilities	2 066 659	1 904 246

*Lease liabilities: the portion of the rent that the business owes in the future according to the contract that was signed.

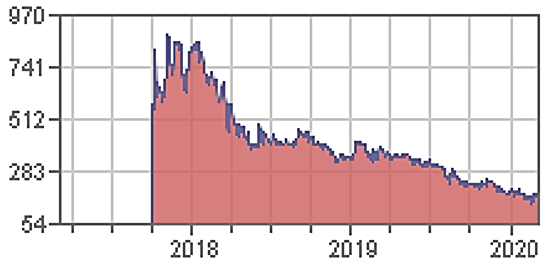
Extracts from the directors' report

A A special resolution was passed during the year for the company to repurchase its own shares upon such terms as the directors may determine.

B The directors believe that the group has adequate financial resources to continue operating for the foreseeable future.

C The group entered into a revolving credit facility with Standard Bank for an amount of R200 million to facilitate the group's capital expansion and growth objectives. As at 31 December 2019, the group had drawn down R65 million of this facility.

Graph of STADIO Holdings' share price since they listed on 3 October 2017



	2019	**2018**
Net asset value	?	202 cents
Number of issued shares	818 095 000	
Return on total capital employed	4,46%	4,38%
Average interest rate on the loans	9% p.a.	9% p.a.
Acid-test ratio	1,15 : 1	2,63 : 1
Current ratio	1,16 : 1	2,66 : 1
Debtors collection period	52 days	52 days

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QUESTION 3 RECONCILIATIONS (25 marks; 30 minutes)

Ndeme owns and runs a hardware store called The Tool Shed. He allows builders and other contractors to buy on account. The Tool Shed's year-end is 28 February.

Information to answer Question 3.1

Ndeme went over all information pertaining to debtors to find out why the Debtors Control balance was not the same as the total of the Debtors List. He discovered the following:

1. Invoice 209 for R4 270 made out to Pete Parker was entered into the account of Pete Powel.

2. The Debtors Allowances column in the Debtors Allowances Journal was added incorrectly as R21 790. The correct amount was R24 790.

3. An invoice made out to Build Business was incorrectly recorded as R16 840 in the Debtors Journal. The invoice was for R16 480.

4. Interest of R270 should have been added to Ann Mugg's account. The bookkeeper had forgotten to do this and had not made any entries for this.

5. Fix It Ltd paid R4 950 after receiving a 10% discount. This transaction was correctly recorded in the Cash Receipts Journal, but the bookkeeper forgot to post the discount to their account.

6. Handy Hire was written off as a bad debt in December 2020. The Tool Shed received R8 300 from Handy Hire towards their debt on 25 February 2021. This had been entered into the Debtors Control column in the Cash Receipts Journal. It had been posted to only the General Ledger.

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Information to answer Question 3.2

The Tool Shed sent the following statement of account to a debtor, Plaster Master:

THE TOOL SHED

Statement no: 101

To: Plaster Master

Date: 28 February 2021

Date		Transactions	Debit	Credit	Balance
2020					
Nov	1	Balance			15 700
	10	Invoice 163	16 680		32 380
Dec	2	Invoice 181	12 560		44 940
	3	Credit note 44		1 230	43 710
2021					
Jan	4	Invoice 199	9 780		53 490
	5	EFT		9 291	44 199
		Discount		489	43 710
	31	Interest	118		43 828
Feb	19	Invoice 205	15 620		59 448
	28	Interest	452		59 900

Terms:

- 5% discount granted if paid within 30 days of statement date.
- Debt must be paid within 60 days of statement date.
- Interest charged at 2% per month on balances 90 days overdue.

Age analysis:	90 Days	60 Days	30 Days	Current
	??	??	??	??

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