NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2022

ACCOUNTING: PAPER II

Time: 2 hours 100 marks

INFORMATION BOOKLET

QUESTION 1 BUDGETS (34 marks; 41 minutes)

Sizwe owns the main shop in Blinkmiss, a small town. Blinkmiss General Dealers sells everything from fresh produce and food to kitchen appliances, furniture and garden equipment. Blinkmiss' year-end is 31 August.

Blinkmiss's bank account is in overdraft and Sizwe was told a Cash Budget could help rectify this. So he drew up the following Cash Budget:

Cash Budget of Blinkmiss General Dealers for July and August 2022

	July	**August**
Receipts	??	??
Cash sales	**A**	45 760
Cash from debtors	??	??
Payments	??	??
Cash purchases of trading stock	105 000	**B**
Payments to creditors	38 640	**C**
Loss on fresh produce	**D**	??
Rent	**E**	23 100
Water and electricity	**F**	**G**
Stationery	??	??
Wages	??	??
Drawings	**H**	**H**
Bad debts	20 328	??
Surplus/deficit	(90 146)	(58 991)
Bank at beginning of month	(57 063)	(147 209)
Bank at end of month	(147 209)	(206 200)

Debtors Collection Schedule for the months July and August 2022

	Credit sales	July	August
May	147 840	66 528	–
June		51 774	
July	211 200		
August		–	

Additional information

1. Blinkmiss General Dealers maintains a mark-up of 120% on cost.

2. Blinkmiss General Dealers keeps a fixed base level of stock.

3. Fresh produce (fruit and vegetables) comes to 60% of their total monthly stock and is bought from farmers, markets, and from people with fruit trees in their gardens. One third of the fresh produce is thrown away every month because it is overripe.

4. 30% of stock is bought on credit.

5. Creditors are paid in the month following the purchase to qualify for an 8% discount on the payments.

6. Cash sales are 20% of the total sales.

7. The debtors collection is as follows:
   - 10% is received in the month of the sale.
   - 30% of debtors pay in the month following the sale.
   - A set percentage pay in the 2nd month after the sale. Those who do not pay in this month are written off as bad debts on the 1st day of the 3rd month after the sale.

8. The rent increased by 5% in August.

9. The monthly water and electricity expense is R5 500. Sizwe pays an extra R500 monthly as he does not want to pay water and electricity in August when he is busy with his year-end procedures.

10. Sizwe takes R400 worth of stationery home every month and withdraws R20 000 cash monthly.

QUESTION 2 COMPANY ANALYSIS (41 marks; 49 minutes)

Tongaat Hulett Ltd is one of the largest growers and producers of sugar, starch, glucose and cattle and animal feeds. They own a large amount of commercial land in KwaZulu-Natal.

Recent history:

In April 2019 Tongaat Hulett Ltd (Tongaat) announced that its 2018 financial results could not be relied on. They found that 10 executives, including former CEO, Peter Staude, inflated profits to boost their own financial incentives resulting in the company's equity being overstated by R4,5 billion. Amongst other things, they recognised revenue in earlier accounting periods than it should have been and they inappropriately capitalised expenses to assets.

The PwC investigation identified problems including governance practices, record keeping, systems usage and financial reporting.

Tongaat asked that its listing be suspended to protect investors against speculative trading. The JSE and the London Stock Exchange then suspended their listing (no one could buy or sell shares) from 10 June 2019 onwards. The JSE started trading the Tongaat shares again in February 2020, and they fined them R7,5 million.

Since then, Tongaat hired KPMG to be their internal auditor.

Deloitte was Tongaat's external auditor for more than 15 years. The company launched an internal investigation and replaced all senior auditors on the Tongaat audit.

Tongaat started civil claims (suing them in court) against some of the directors as part of their clean-up strategy.

In section 29(6) of the new Companies Act 2008, a person is guilty of an offence if he is party to the preparation or publication of any financial statements, knowing that those statements fail in a material way to present fairly the state of affairs and business of the company.

[<https://debeerattorneys.com/2019/09/25/can-company-directors-be-held-liable-for-criminal-liability-by-claire-gibson/?utm_source=Mondaq&utm_medium=syndication&utm_campaign=LinkedIn-integration>]

Adapted from **THE STATEMENT OF PROFIT OR LOSS ON 31 MARCH (Adapted statement of Comprehensive Income)**

	2020 R'million	**2019 R'million**
Sales	15 775	13 506
Cost of sales	(8 591)	(9 394)
Gross profit	7 184	4 112
Other operating income	337	74
Operating expenses	(3 871)	(3 190)
Marketing and selling expenses	1 023	919
Administrative and other expenses	2 836	2 271
Other expenses	12	0
Operating profit	3 650	996
Finance income	284	149
Finance costs	(1 880)	(1 478)
Net monetary loss arising from hyperinflation in Zimbabwe	(1 296)	–
Profit/(loss) before taxation	758	(333)
Taxation	(228)	(459)
Profit/(loss) for the year	530	(792)

RATIOS FOR THE YEAR ENDED 31 MARCH

	2020	**2019**
Mark-up percentage	83,62%	43,77%
Operating expenses on sales	24,54%	23,62%
Operating profit on sales	20,65%	7,37%
Net profit on sales	3,39%	(5,86%)
Net asset value	(2 033) cents	(2 644) cents
Return on capital employed	43%	97,57%
Earnings per share	90 cents	(823) cents
Dividends per share	0	0
Current ratio	0,62 : 1	0,52 : 1
Debtors collection period	25 days	33 days
Stock turnover rate	2,62 times	3,39 times

Borrowings/loans interest rate: 4,5% per annum

Inventories:

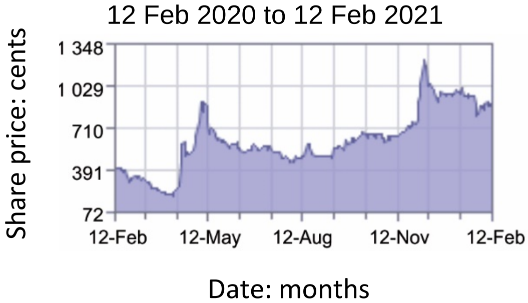
Adapted from the **STATEMENTS OF FINANCIAL POSITION on 31 MARCH**

ASSETS	**2020 R'million**	**2019 R'million**	**2018 R'million** Restated
Non-current Assets	7 719	??	8 093
Current Assets	10 429	??	10 593
Inventories	5 853	5 225	6 136
Trade and other receivables	1 071	1 528	1 713
Cash and cash equivalents	1 242	962	2 723
Other	2 263	??	21
TOTAL ASSETS	18 148	15 041	18 686
EQUITY AND LIABILITIES			
Equity	(1 595)	(2 972)	62
Share capital	1 679	1 679	1 679
Accumulated losses	(3 274)	(4 651)	(1 617)
Non-current Liabilities	2 816	2 463	2 794
Current Liabilities	16 927	15 550	15 830
Borrowings	12 439	11 438	11 303
Trade and other payables	2 493	3 553	3 558
Other	1 995	559	969
TOTAL EQUITY & LIABILITIES	18 148	15 041	18 686

Restated: Tongaat went back and changed their financial statements after the fraud was discovered. They went through all the fraudulent transactions they could find and re-recorded them according to GAAP.

3-Year share price graph
Feb 2018 to Feb 2021

1-Year share price graph
12 Feb 2020 to 12 Feb 2021



Announcement released on Friday, 21 February 2020

Tongaat Hulett Ltd has concluded a Sale Agreement with Balwin Properties Ltd in terms of which Tongaat has agreed to sell 64 hectares in Umhlanga Rocks for a total purchase price of R167 264 956,96.

QUESTION 3 RECONCILIATIONS (25 marks; 30 minutes)

Elegance is a furniture shop owned by Jayshree. She offers her customers a credit facility where they can sign a debit order and then pay off their furniture in equal instalments over eight months. Should they take this option, she adds 20% to the selling price and presents it as the amount for their monthly debit order. Most of her customers accept this option.

Below is a statement from one of her suppliers.

Furniture Co.

101 Busy Street
Midrand
0012

Statement no: 30

Date: 30 April 2022

Date		Transactions	Debit	Credit	Balance
2022 Jan	29	Invoice 39	36 800		36 800
	31	Receipt		20 000	16 800
		Discount		2 944	13 856
Feb	4	Credit note 4		8 800	5 056
	18	Invoice 43	36 200		41 256
	28	Receipt 69		20 000	21 256
		Discount		1 600	19 656
Mar	22	Invoice 47	19 000		38 656
	23	Credit note 6		5 050	33 606
	31	Receipt 72		20 000	13 606
		Discount		1 600	12 006

Terms:
- 8% discount granted if paid before 90 days from invoice.

Age analysis:	90 Days	60 Days	30 Days	Current
	0	0	0	R12 006

When comparing the statement to the Creditors Ledger, the following discrepancies were found:

- Furniture Co. calculated the 8% discount on 31 January on the invoice amount of R36 800.
- Invoice 43 was issued to Elly's Fun Furniture and not to Elegance.
- Trade discount of 5% was omitted from invoice 47.
- Credit note 6 was erroneously recorded on the creditors statement. The correct amount was R5 500.
- On 30 April Elegance paid another R20 000 to Furniture Co. via EFT. The EFT takes two days to reflect on Furniture Co.'s bank statement.