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TOTAL MARKS

INTERNATIONAL SECONDARY 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 12 pages, an Information Booklet of 7 pages (i–vii) and a Formula Sheet of 1 page (i). Please check that your question paper is complete.
2. Read the questions carefully.
3. **Answer ALL the questions on the question paper and hand this in at the end of the examination. Remember to write your examination number in the space provided above.**
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 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 (43 minutes)	36			
Question 2: Company Analysis (44 minutes)	37			
Question 3: Reconciliations (33 minutes)	27			
TOTAL	100			

QUESTION 1 BUDGETS**(36 marks; 43 minutes)****Refer to the information relating to Biker Barn (Pty) Ltd.****1.1 Debtors Collection**

- 1.1.1 Using **all** information at hand, calculate the percentage of debtors that pay Biker Barn (Pty) Ltd in the same month of the transaction, to claim the early settlement discount for February 2024.

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(3)

- 1.1.2 Complete the extract from the Debtors Collection Schedule for Biker Barn (Pty) Ltd by calculating the missing figures marked A–D.

Month	Credit sales R	Jan 2024 R	Feb 2024 R	March 2024 R
Dec 2023 (actual)	3 003 000	1 501 500	?	–
Jan 2024	2 860 000	543 400	1 430 000	A
Feb 2024	2 288 000	–	434 720	B
Mar 2024	C	–	–	D

Calculations:	Amount
A	
B	
C	
D	

(2)

(1)

(3)

(2)

1.2 Calculate the missing figures marked E–I in the Cash Budget.

Calculations:	Amount	
E		(1)
F		(3)
G		(5)
H		(2)
I		(1)

1.3 The Projected Income Statement shows donations for January 2024 as R6 000 but the Cash Budget shows an amount of R5 000. Explain the difference.

(2)

- 1.4 The owner would like to pay the R87 000 rent expense for April 2024 and May 2024 at the same time since he will be overseas at the end of May.

Should the financial year end on 30 April 2024, explain to him in detail how this will affect his Cash Budget for April and May 2024, and how it will affect his Projected Income Statement for the year ended 30 April 2024.

Effect on Cash Budget for April 2024:	
	(1)
Effect on Cash Budget for May 2024:	
	(1)
Effect on Projected Income Statement for year ended 30 April 2024:	
	(2)

- 1.5 The oil disposal fee of R7 500 is paid monthly to a service provider that collects the old motorcycle oil drained when servicing the motorcycles of the clients and disposes of it in a responsible manner.

In an attempt to cut operating costs, the manager suggests that Biker Barn (Pty) Ltd just dump it in a vacant field outside town.

Explain to the manager how it will negatively affect the following aspects of the King Code.

1.5.1 Corporate Governance

(1)

1.5.2 Triple Bottom Line

(1)

1.6 In May 2024 the **budgeted** amount for wages increased from R850 000 to R875 500. When comparing it to the **actual** amount of R905 250 paid, it was determined that the variance was due to the workers expressing their dissatisfaction with the increase they were going to receive.

Explain why the workers' concern was valid. Support your answer with TWO calculations.

Calculations:

(3)

1.7 A direct competitor that only deals with cash has opened in the same area as Biker Barn (Pty) Ltd.

Explain the possible effect this could have on their motorcycle servicing fee versus parts and helmet sales.

Motorcycle services:
Parts and helmets:

(2)

QUESTION 2 COMPANY ANALYSIS**(37 marks; 44 minutes)****Refer to the information relating to Motus Holdings Limited (Motus).**2.1 Calculate the acid-test ratio for **2022**.

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(2)

2.2 The current ratio increased from 2021 to 2022.

2.2.1 Based on the information available discuss why this improvement may not be in the best interest of the company.

(2)

2.2.2 Based on your discussion in Question 2.2.1, did the short-term risk for Motus Holdings Limited increase or decrease?

 Short-term risk increased Short-term risk decreased (1)

2.3 Motus Holdings Limited uses the weighted average method to value stock of spares, whilst using the specific identification method for vehicle sales.

2.3.1 Explain why each of these methods are appropriate in this instance.

Weighted average for spares:
Specific identification for vehicle sales:

(2)

2.3.2 Why would using the first-in-first-out method for spares not be appropriate for this company?

(1)

2.4 Motus Holdings Limited rents out vehicles through Europcar and Tempest Car Hire. In their Statement of Financial Position, they list these vehicles that they rent out under Current Assets, rather than Tangible/Non-current Assets.

Provide a logical explanation for this.

(1)

2.5 Calculate the earnings per share (EPS) for **2022**.

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(2)

2.6 Evaluate the dividend policy of the company for **2022**. Use figures to substantiate your answer.

(3)

2.9 Motus Holdings Ltd want to expand their footprint in Africa for which they require funds.

Use the information supplied and your calculations above to answer the following questions:

2.9.1 Discuss ONE positive and ONE negative for the **business**, should the **directors** decide to issue more **shares** to raise these funds.

Positive for the business:
Negative for the business:

(2)

2.9.2 Discuss ONE positive and ONE negative for the **business**, should the **directors** decide to take out a **loan** to raise these funds.

Positive for the business:
Negative for the business:

(2)

2.10 Calculate the net asset value (NAV) per share on **30 June 2022**.

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(2)

2.11 Explain the variance in price between the net asset value per share and the JSE price per share.

(2)

2.12 Refer to the information supplied from the Cash Flow Statement.

2.12.1 Explain why the cash flow from investing activities of (R1 463) will not negatively affect the business as a going concern. In your explanation also quote possible items that would be found under that heading in the Cash Flow Statement.

(3)

2.12.2 Assuming the **bank balance** on 30 June 2022 was R740 million, calculate the opening bank balance on 1 July 2021.

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(4)

QUESTION 3 RECONCILIATIONS**(27 marks; 33 minutes)****Refer to the information relating to Mbabane Merchants.****PART A**

- 3.1 Prepare the age analysis on 30 November 2023 as it should appear on the statement of account Mbabane Merchants issued to Swazi Stores. Do not do any corrections.

SHOW ALL CALCULATIONS.

90+ days	60+ days	30+ days	Current
6 600 52 500	28 500		
Do not total			

(8)

- 3.2 Mbabane Merchants offer both trade discount and settlement discount to customers.

Explain the accounting entry for the two different discounts.

Trade discount
Settlement discount

(3)

- 3.3 The auditor wants to verify invoice 434 and credit note 25 in September 2023 and calls Swazi Stores asking for proof.

- 3.3.1 Why would the auditor phone the customer for verification rather than referring to the books of Mbabane Merchants?

(1)

- 3.3.2 If they called and could not obtain proof of the transactions, the call could be considered as:

	Preventative		Detective		Corrective
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(1)

PART B

- 3.4 Reconcile the statement received from Big Bend Wholesalers to the records of Mbabane Merchants by making the appropriate entries in the table below.

Indicate a negative by using brackets () and a dash – for no entry.

	Creditors Ledger	Creditors Reconciliation Statement
Incorrect balances	R338 839	R459 159
A.		
B.		
C.		
D.		
E.		
F.		
G.		
H.		
I.		
J.		
K.		
Do not calculate		

(14)

27

Total: 100 marks