INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2022

ACCOUNTING: PAPER II

Time: 2 hours | 100 marks

INFORMATION BOOKLET

QUESTION 1 BUDGETS (30 marks; 36 minutes)

Information relating to Tank's Sportswear

Tankiso Mayaba started Tank's Sportswear as a sole trader in 2018. He mainly sells branded active wear to the 15- to 45-year-old age group.

He is very satisfied with how the business has grown and will be moving the business to new premises inside the local shopping mall over the next three months. He also has to make a R90 000 down payment on a loan.

Despite the move and the loan repayment, he remains optimistic and does not foresee any difficulty in meeting these financial obligations. The reasons for Tankiso's optimism are as follows:

- The current bank balance is favourable.
- Creditors allow 60 days for payment, but Tankiso prefers to pay them earlier to build a good reputation.
- Debtors are allowed 30 days to pay, but at this stage collection of these debts is very slow. He is confident he can rectify this problem.
- He plans to carry enough stock for two to three months to enable him to cater for the needs of his clients.

Tankiso requires your input and supplies you with the information below.

Tank's Sportswear
Figures extracted from Financial Statements for the year ended 31 December 2022

Sales	R1 728 000
Cost of sales	R1 152 000
Trade debtors (on 31 December 2022)	R90 000

Expectations and projections for the next three months ending 31 March 2023:

- The current mark-up percentage on cost will be maintained.
- Due to the new premises in the mall, Tankiso expects sales to increase in January and February 2023, and then increase by a further R5 760 in March 2023. Cash sales are still expected to account for 50% of total sales.

- Tankiso will encourage the debtors to pay earlier, but he does not expect immediate success.
  - 5% cash discount will be given to customers who pay their debts in the month the transaction took place. He expects 50% of debtors to make use of this.
  - 45% should pay in the month following the transaction.
  - The remaining 5% will be written off as bad debt in the month thereafter.

- 80% of stock is purchased on credit.

- Stock sold is replaced in the same month as it is sold. A fixed stock base is kept from month to month.

- Tankiso plans to pay all trade creditors in the month following the purchase of stock.

Tank's Sportswear
Partially completed Cash Budget for the months January to March 2023

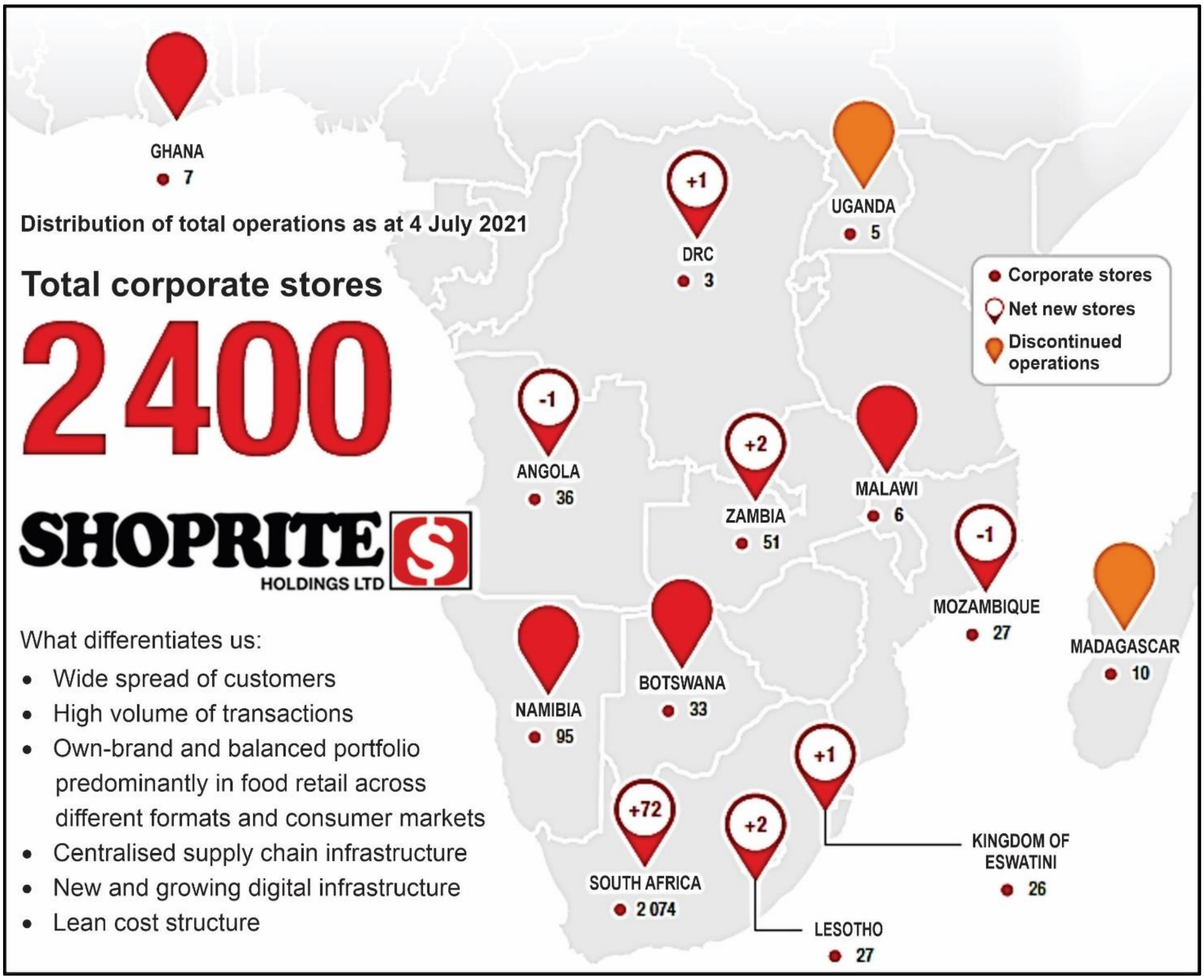
	January 2023 R	**February 2023 R**	**March 2023 R**
Receipts			
Cash sales	?	90 720	**A**
Cash from debtors	?	?	?
Payments			
Cash purchases of inventory	23 040	**B**	24 960
Payments to creditors	113 700	92 160	**C**
Drawings	15 000	15 000	15 000
Loan repayment	–	–	90 000
Interest on loan (15% p.a.)	2 375	2 375	1 250
Relocation costs	45 000	–	–
Sundry operating expenses	21 750	21 750	21 750
Cash surplus/(deficit)	(48 425)	59 515	?
Balance at beginning of month	16 800	(31 625)	27 890
Balance at end of month	(31 625)	27 890	(42 946)

QUESTION 2 COMPANY ANALYSIS (50 marks; 60 minutes)

Information relating to Shoprite Holdings Limited

SHOPRITE HOLDINGS LTD

As a group, Shoprite is Africa's largest fast-moving consumer goods retailer. Its core business is in food retailing, complemented by furniture, pharmaceuticals, hospitality, ticketing, digital commerce, financial and cellular services.



Customer-facing brands

Corporate stores

SHOPRITE
Usave
Checkers better and better
Checkers Hyper
OK Furniture OK Power Express
House & Home
LiquorShop Shoprite
LiquorShop Checkers

Digital commerce

Checkers Sixty60

Cellular

K'nect Shoprite

Pharmaceutical

Medirite Pharmacy

OK Franchise division

OK Foods, OK MiniMark, OK Express, Sentra, OK Liquor, Megasave (wholesale)

OK Franchise Division

Branded private labels

- Low price leadership (supermarket private labels): Ritebrand (Shoprite), Ubrand (Usave) and Checkers Housebrand (Checkers and Checkers Hyper)
- Best value (branded products): Pot-o-Gold (tinned products), Farmer's Choice (poultry), Zip (cola), Lovies (nappies, Cape Point (frozen seafood, and Foreign Ground (coffee)
- Premium cross-category range: premium product range within one private label: Simple Truth, Forage and Feast
- General merchandise: Essentials (small appliances), Ottimo and Platinum (premium appliances), Bushbaby (outdoor products, tents and gazebos), Jolly Tots (baby accessories), Super Power (batteries) and Schultz (power tools)
- Fresh Foods: Bella Vita, Café Culture, Simply Great, Ready to Cook, Ready to Braai, Oh My Goodness
- Fruit and Vegetables: Freshmark, Padkos
- Meat Market: Championship Boerewors, Steakhouse Classic, Farmstead (pork), Kalahari Biltong, Old Smokehouse (smoked products), Cattleman (beef), Dorsland Wors, Rooikrantz Boerewors
- MediRite (health products)

Branded value-added services

Financial services and customer rewards

MoneyMarket
Xtra Savings Checkers
Xtra Savings Shoprite

Ticketing and hospitality

Computicket
Computicket Travel

Shoprite Holdings Ltd

Extract from the adapted Statement of Comprehensive Income for the year ended 30 June:

	2021 R' million	2020 R' million
Sale of merchandise	168 030	155 409
Supermarkets (South Africa)	133 852	122 412
Supermarkets (Rest of Africa)	15 453	16 707
Furniture (All countries)	6 818	5 470
Other sales (All countries)	11 907	10 820
Cost of sales	(126 817)	(118 145)

Other relevant figures:

	2021 R' million	2020 R' million
Interest expense	(3 095)	(2 878)
Profit before Income Tax	6 957	5 651
Net profit for company for the year	4 859	3 376

Adapted ratios and share information for the year ended 30 June:

	2021	2020
Period stock on hand	107 days	
Average creditors' payment period	115 days	
Average debtors' payment period	73 days	
Number of shares repurchased on 31 Dec 2020	3 352 973	0
Price paid for shares repurchased on 31 Dec 2020	R515 million	
Share price on JSE on 31 Dec 2020	14 000 cents	
Number of shares in issue on 30 Jun 2021	548 173 895	
Share price on the JSE on 30 Jun 2021	15 556 cents	
Interim and final dividends	R2 982 million	
Dividend per share	543,99 cents	
Earnings per share	?	
Return on shareholders' equity	?	16%
Return on capital employed	?	17%
Average interest rate on loans	6,5%	8%

Shoprite Holdings Ltd
Adapted Statement of Financial Position as at 30 June:

	2021 R' million	2020 R' million
ASSETS		
Non-current assets	45 009	42 789
Current assets	32 057	39 937
Inventories	18 396	18 845
Trade and other receivables	3 921	4 106
Cash and cash equivalents	7 950	12 114
Loans receivable	283	229
Other	1 507	4 643
TOTAL ASSETS	**77 066**	**82 726**
SHAREHOLDERS' EQUITY	21 204	19 994
Share capital	6 061	6 710
Reserves and retained income	15 143	13 284
LIABILITIES		
Non-current liabilities	27 577	30 159
Current liabilities	28 285	32 573
Trade and other payables	19 649	20 157
Bank overdrafts	1 221	2 095
Contract liabilities	873	864
Lease liabilities	2 921	3 103
Borrowings	2 999	3 183
Income tax and provisions	622	3 171
TOTAL EQUITY AND LIABILITIES	**77 066**	**82 726**

QUESTION 3 RECONCILIATIONS (20 marks; 24 minutes)

Information relating to Jack's Shisa Nyama

Jack's Shisa Nyama is a small restaurant that sells for cash only. They have only one creditor which supplies them with meat called AAA Meats.

Note: The opening balance on the statement below of R8 650 comprises of R6 840 purchased on 15 May 2022 and the rest was purchased on 4 June 2022.

AAA MEATS

Landmansdrift Farm

Dundee

3100

Jack's Shisa Nyama
1 Civin Drive, Johannesburg

Acc no: 4 231
Statement date: 27 July 2022

DATE		TRANSACTIONS	DEBIT	CREDIT	BALANCE
July	01	Opening balance			8 650
	05	Invoice no 1505	1 160		9 810
	06	Credit note 245		320	9 490
	07	Receipt no 720		3 000	6 490
	07	Discount		240	6 250
	13	Invoice no 1802	13 410		19 660
	15	Invoice no 1910	2 560		22 220
	19	Receipt no 990		4 500	17 720
	22	Invoice no 2121	1 850		19 570
	26	Credit note 880		840	18 730

60+ days	30+ days	Current
–R 900	R650	18 980

Credit terms:

- All debts to be settled within 30 days after the date of the statement.
- An 8% settlement discount on payments is given if payments are made within 30 days of purchase.

Additional information for answering Question 3.2

1. The balance as per Creditors Ledger in the books of Jack's Shisa Nyama on 31 July 2022 was R5 800.

2. Invoice 1505 was incorrectly recorded as R1 610 in the subsidiary ledger.

3. The transaction on 6 July 2022 was incorrectly entered as R430 in the journal of Jack's Shisa Nyama.

4. The discount allowed on 7 July 2022 should not have been given.

5. Invoice 1 802 on the statement was for goods bought by Jack's Paints.

6. The EFT payment on 19 July 2022 and the invoice on 22 July 2022 were entered directly into the creditor's ledger only. They were not recorded in the appropriate journals.

7. The correct amount for credit note 880 on 26 July 2022 is R940. AAA Meats acknowledged that they made a mistake when issuing the credit note and will correct it on the next statement. The CAJ for July 2022 reflects the correct amount.

8. The bookkeeper of Jack's Shisa Nyama is convinced he pre-loaded another payment of R5 000 on the online banking platform for 30 July 2022. Upon investigation it was found that the payment did indeed go through the online bank account. No bookkeeping entries were made.