



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2023

ACCOUNTING: PAPER II

Time: 2 hours

100 marks

INFORMATION BOOKLET

QUESTION 1 BUDGETS

[35 marks; 42 minutes]

Nobuhle runs iNkankane Clothing (Pty) Ltd, a factory that produces Proudly South African embroidered* T-shirts that are sold at game reserves and curio shops.

iNkankane Clothing (Pty) Ltd sells everything they produce each month. There is no work-in-progress. Each T-shirt sells for R250.

Cash budget for iNkankane Clothing (Pty) Ltd for November and December 2023

	November	December
Receipts	?	?
Cash sales	A	B
Cash from debtors	?	?
Payments	?	?
Cash purchases of direct materials	13 800	13 825
Payments to creditors	39 615	C
Direct labour	D	12 600
Salary: Nobuhle	45 000	E
Wages for the cleaner	3 680	F
Other factory expenses	?	?
Marketing	?	?
Selling and distribution costs	?	?
Administration costs	G	?
Surplus (deficit) for the month	(38 416)	(113 205)
Opening balance	62 540	24 124
Closing balance	24 124	(89 081)

Glossary:

*Embroidered: When a picture or pattern is sewn onto the shirt with a thicker cotton (embroidery thread).

Quotes about employees:

No 1: 'Employees who are underpaid are the ones who will not work up to the right level expected from them.'

No 2: 'You can pay an employee the minimum. If they feel appreciated by being involved in the business, they will be happy and do their work well.'

Information for filling in the cash budget:

1. The debtors repay as follows:
 - 40% in the month following the sale **to receive a discount.**
 - 50% in the second month after the sale,
 - and the rest are written off as bad debts **at the end** of the second month.
2. Bad debts are expected to be R15 525 **at the end** of January 2024.
3. iNkankane Clothing (Pty) Ltd expects to sell 700 shirts in December.
4. 10% of sales are cash sales, and the rest are credit sales.
5. 75% of all direct materials are purchased on credit. Nothing else is purchased on credit. The creditors are paid in the following month to make use of a 5% discount.
6. The direct labour cost per unit is R18.
7. Nobuhle receives a gross salary of R45 000 per month. In December she is planning on awarding herself a bonus of R70 000. After paying PAYE and UIF on her bonus and salary, she will receive R80 500.
8. In December the cleaner will receive a raise from R23 per hour to R26 per hour. Her number of hours per month will stay the same from November to December.
9. The expected administration costs for November consist of the following:

• Admin salaries:	R8 900
• Stationery purchases	R700
• Donations of old computers (Computers with a carrying value of R3 600 were donated by iNkankane Clothing (Pty) Ltd to a children's home.)	R3 600
• Depreciation on computers	R1 206

Other information

- The prime cost per unit for December is R104. Part of the prime cost is the embroidery thread that costs R10 per unit.
- Nobuhle considers all the factory overheads, marketing, selling and distribution and administration costs to be fixed. The total of all these costs for December is R84 242.
- The expected breakeven number of units for December is 577.

QUESTION 2 COMPANY ANALYSIS

[46 marks; 55 minutes]



Mr. Price Group Ltd (Mr. Price) offers clothing, furniture, homeware, sporting, and outdoor apparel and decor products. Some of their brands include Mr Price Sport, Mr Price, Yuppiechef, Mr Price Home, Miladys and Sheet Street.

From the news:

- Mr Price's advantage over competitors is that 84% of their sales are cash sales.
- 24 November 2022: Mr Price sees spike in credit demand as customers come under pressure. The group says it will be cautious (careful) when considering credit applications by customers.
- On 27 September 2022 Mr Price was ranked No. 1 most valuable fashion apparel retailer according to Kantar Brandz, an annual survey of the most valuable brands across six continents.



Foschini Group Ltd (TFG) offers retail services for products such as clothing, jewellery, accessories, cosmetics, sporting, outdoor apparel and equipment, furniture and homeware. Some of their brands include Foschini, Markham, Jet, Sportscene, Total Sports, American Swiss and @home.

Extract from the director's report (2022):

- Inventory remains at levels which are sensible.
- Although the Group continues to suffer from crime-related incidents in South Africa, our specialist forensics department continues making progress in proactively limiting losses.
- Increased local manufacturing capacity by acquiring more factories, to prevent international supply chain disruptions.

Adapted from the **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME on 31 March**

	MR PRICE		FOSCHINI	
	2022 R'm	2021 R'm	2022 R'm	2021 R'm
Sales	26 685	21 690	43 370	32 950
Cost of sales	(15 822)	(12 540)	(22 343)	(17 960)
Gross profit	10 863	9 150	21 027	14 990
Other income	1 182	863	1 570	1 277
Operating expenses	(7 099)	(6 149)	(19 011)	(18 345)
Operating profit/loss before interest	4 946	3 864	3 586	(2 078)
Finance income	218	274	1 227	1 358
Finance costs	(541)	(477)	(784)	(993)
Profit (loss) before tax	4 623	3 661	4 029	(1 713)
Income tax	(1 276)	(1 005)	(1 119)	(149)
Net profit (loss) for the year	3 347	2 656	2 910	(1 862)

Adapted from the **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** on **31 March**

	MR PRICE		FOSCHINI	
	2022 R'm	2021 R'm	2022 R'm	2021 R'm
ASSETS				
Non-Current assets	11 296	9 288	19 243	18 088
Current assets	11 381	10 587	24 070	21 186
Inventories	3 956	3 298	9 349	8 336
Trade and other receivables	2 749	2 316	8 975	8 007
Cash and cash equivalents	4 676	4 973	5 746	4 843
Total assets	22 677	19 875	43 313	39 274
EQUITY AND LIABILITIES				
Equity	12 056	10 838	19 138	17 211
Non-current liabilities	6 002	4 800	11 427	10 068
Current liabilities	4 619	4 237	12 748	11 995
Total equity and liabilities	22 677	19 875	43 313	39 274

FINANCIAL INDICATORS

	MR PRICE		FOSCHINI	
	2022	2021	2022	2021
Mark-up	68,7%	73,0%	94,1%	83,5%
Operating expenses on sales	26,6%	28,4%	43,8%	55,7%
Net profit on sales	12,5%	12,3%	6,7%	-5,7%
Earnings per share	1 298 c	1 030 c	902 c	-576 c
Dividends per share	808 c	673 c	500 c	0 c
Net asset value	4 686 c	?	5 885 c	5 322 c
Closing price on JSE on 31 March	21 651 c	19 798 c	68 992 c	63 619 c
Shares in issue	257 778 000	257 857 140	322 525 152	323 423 721
Return on capital employed	18,5%	16,9%	9,5%	-6,8%
Average interest rate	9,5%	8%	9,5%	8%
Debt-equity ratio	0,5 : 1	0,44 : 1	0,6 : 1	0,6 : 1
Debtors' collection period	?	244 days	59 days	74 days
Stock turnover rate	4 times	3,8 times	?	2,16 times

THE IMPACT OF THE CIVIL UNREST ON FOSCHINI:

- TFG was affected by the week of civil unrest in July 2021.
- The Group performed an assessment to identify if the losses related to store assets should be capitalised or treated as repairs and maintenance.
- Damages alone neared R650 million, with 198 stores being looted and damaged. By 31 March, 174 stores had reopened, while 24 remained closed.

For your information: Civil unrest in July 2021: Protests started in some provinces and the protests spiralled into looting and violence over several days. Many shops were looted and some damaged.

QUESTION 3 RECONCILIATIONS**[19 marks; 23 minutes]**

Lavender Cottage is a shop that sells home accessories. It is owned by Liyah Pillay.

Below is a statement received from one of Lavender Cottage's creditors, Kitchenware Suppliers.

Kitchenware suppliers					
The Quint Village 17 Mayo Road Moreleta Park			Statement no: 73		
			Date: 30 November 2023		
Date		Transactions	Debit	Credit	Balance
Aug	1	Balance			54 240
	12	Invoice 63	42 480		96 720
Sept	20	EFT		30 000	66 720
		Discount		1 500	65 220
	27	Invoice 82	49 700		114 920
Oct	1	Interest	379		115 299
	2	Credit note 37		12 500	102 799
	31	Invoice 91	63 200		165 999
Nov	1	Interest	1 412		167 411
	20	EFT		47 411	120 000
Terms & conditions:		<ul style="list-style-type: none"> • 5% discount granted if paid within 30 days of statement date. • 20% p.a. interest charged monthly on 60 days overdue. • Credit limit of R120 000. 			
Age analysis:		90 Days	60 Days	30 Days	Current
		?	?	?	?

Errors and omissions found when comparing the above statement with Kitchenware Suppliers' account in the Lavender Cottage's creditors' ledger:

- Lavender Cottage incorrectly recorded Invoice 63 as R44 280.
- The discount on 20 September should not have been granted by Kitchenware Suppliers. Lavender Cottage did not record it in their creditors' ledger.
- Credit note 37 was actually for an amount of R15 200. Lavender Cottage correctly recorded this in their creditors' ledger.
- The interest on 1 November has been incorrectly calculated by Kitchenware Suppliers. No interest for 1 November had been entered into the creditors' ledger by Lavender Cottage. The interest should have been R1 087.

Definition of a whistle blower: a person who reports a business or person for taking part in illegal or immoral activities.