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TOTAL  
MARKS

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NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2021

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 the questions in the space provided.
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 (36 minutes)	30			
Question 2: Company Analysis (53 minutes)	44			
Question 3: Reconciliations (31 minutes)	26			
TOTAL	100			

**QUESTION 1      BUDGETS****[30 marks; 36 minutes]**

- 1.1 The Projected Income Statement is used by management for planning. Study the Projected Income Statement and explain whether Sindi's Boutique's plan is a successful one or not.

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(1)

- 1.2 Describe what will ultimately happen to Sindi's Boutique if they keep on the path that they are on.

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(1)

- 1.3 The sales have reduced significantly since lockdown. **Explain in detail** a factor that could have contributed to this.

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(2)

- 1.4 Looking at the Projected Income Statement, what two strategies could Sindi implement to help make her business profitable again.

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(2)

- 1.5 Complete the Debtors Collection Schedule for February 2022

Debtors Collection Schedule for February 2022

	Credit sales	February
October	278 000	13 900
November	*	177 840
December	362 000	36 200
January	*	*
		Do not calculate

(3)

- 1.6 Complete the Cash Budget for February 2022. Show the calculations next to the applicable item in the Cash Budget.

**Cash Budget for February 2022**

<b>Receipts</b>	Do not calculate
Cash sales	53 004
Cash from debtors	Do not calculate
<b>Payments</b>	Do not calculate
Cash purchases of stock	
Payments to creditors	74 100
Employee costs	
Rent expense	
Electricity	50 000
Other	
Loan repayment	23 000
Cash surplus (deficit)	(30 495)
Bank balance at the beginning of the month	(200 325)
Bank balance at the end of the month	(230 820)

(12)

- 1.7 1.7.1 What does the solvency ratio of a business measure?

(1)

- 1.7.2 Calculate the expected solvency ratio of Sindi's Boutique on 28 February 2022.

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(3)

- 1.8 Sindi is considering closing Sindi's Boutique down and filing for bankruptcy (insolvency). This means that the courts will sell all her assets, business assets as well as personal assets, to pay off her debts. She is considering starting a new online shop after that.

Discuss one advantage and one disadvantage of keeping her shop open or declaring bankruptcy, closing it down and going online. Advise Sindi on what she should do and then explain the main reason for your advice.

The advantage of keeping the shop open may not be the same reason given for the disadvantage of closing the shop down. You may not repeat your reasons.

**Keeping her shop open:**

Advantage: \_\_\_\_\_

\_\_\_\_\_

Disadvantage: \_\_\_\_\_

\_\_\_\_\_

**Closing her shop down, declaring bankruptcy, and going online:**

Advantage: \_\_\_\_\_

\_\_\_\_\_

Disadvantage: \_\_\_\_\_

\_\_\_\_\_

**Your advice and explanation:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(5)

**QUESTION 2      COMPANY ANALYSIS****[44 marks; 53 minutes]**

Study the information given for Dis-Chem Ltd and Clicks Ltd, and then answer the following questions.

- 2.1    2.1.1 Both Dis-Chem and Clicks earn income from advertising on behalf of other companies. This is recorded in "Other Income". Explain, by doing a calculation, which company was the most effective in earning other income in 2020.

Dis-Chem / Clicks?

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(2)

- 2.1.2 Analyse which company was more profitable. Substantiate your answer with four points.

Dis-Chem / Clicks?

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(4)

- 2.1.3 Most companies' profitability dropped significantly during 2020. Explain the probable reason why **Clicks's** profitability increased during this time.

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(2)

2.2 2.2.1 Calculate the number of days' stock on hand for **Dis-Chem** for 2020.

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(3)

2.2.2 Explain how selling health foods would impact **Dis-Chem's** number of days' stock on hand. (Will it make the period longer or shorter, and why?)

Longer / Shorter?

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Why?

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(2)

2.2.3 Summarise **Clicks's** liquidity by writing down three **detailed** points. Write a conclusion stating whether they will be able to pay off their current debts.

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Conclusion:

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(7)

2.3 Dis-Chem's goal is to expand their operations by 18 new stores per year. They expect this expansion to cost R370 million in the next financial year.

2.3.1 List two disadvantages for **Dis-Chem** should they issue more shares to finance their expansion.

- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_

(2)

2.3.2 Calculate what the new debt–equity ratio would be should **Dis-Chem** increase their loan by R370 million.

R'000

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(3)

2.3.3 Discuss whether **Dis-Chem** should finance the new stores by increasing their loan or by issuing more shares. You need to discuss three points in your answer.

Loan / New shares?

- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_

(3)

2.4 Study the share information and equity then answer the following questions.

2.4.1 Calculate the Net Asset Value for **Dis-Chem** for 2020.

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(3)

2.4.2 **Dis-Chem's** share value increased significantly when they listed on the JSE (it nearly doubled) at the end of 2016 but has been dropping ever since. Explain a likely reason why the share price has been dropping ever since.

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(1)

2.4.3 List two reasons why Clicks's EPS is much bigger than Dis-Chem's.

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(2)

2.4.4 **Dis-Chem** decided not to declare final dividends on 31 August to preserve cash flow. Explain a point that **supports** this decision.

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(1)

2.5 If you had R10 000 to spend on either Dis-Chem shares **or** Clicks shares, which would you buy? Discuss three factors that led you to this decision.

Dis-Chem / Clicks?

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(3)



- 2.6 Discuss how the King Code should have influenced Dis-Chem's decision to increase the price of face masks by such a large amount.

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(2)

- 2.7 Dis-Chem was found guilty by the Competition Tribunal and fined R1,2 million. The Competition Commission originally wanted to fine them 10% of their sales.

- 2.7.1 Do you think it would have been ethically correct for the Competition Tribunal to fine Dis-Chem 10% of their sales? Explain your reason.

Yes / No

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(2)

- 2.7.2 Discuss the financial impact on Dis-Chem should their fine have been 10% of their sales. Explain how this would have affected their Statement of Financial Position (The Balance Sheet).

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(2)

**QUESTION 3 RECONCILIATIONS****[26 marks; 31 minutes]**

- 3.1 Fill in the age analysis as it would appear at the bottom of Fun Fitness's statement from Muscle Machines. Ignore all errors and omissions and use **only** the figures given in the statement. Show all the figures that go into each block. You do not need to total each block.

90 Days	60 Days	30 Days	Current

(6)

- 3.2 Jay made the decision to keep Muscle Machines as his supplier even though Fun Fitness does not always have the cash flow to be able to pay within 30 days of statement. Analyse whether Jay made the correct decision. Use figures or calculations in your analysis.

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(3)

- 3.3 Calculate the average number of days that Fun Fitness is taking to pay Muscle Machines.

(4)

- 3.4 Calculate the percentage discount Muscle Machines gave Fun Fitness when they paid. Comment on whether it was a financially sound decision to grant Fun Fitness discount.

Discount:
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(2)

- 3.5 Reconcile the statement received from Muscle Machines to their account in the Creditors Ledger of Fun Fitness. Show the amounts that would go into the Creditors Reconciliation Statement and the amounts that would be entered into the Creditors Ledger account.

	Creditors Reconciliation Statement	Creditors Ledger
Incorrect balance	190 730	152 760
1.		
2.		
3.		
4.		
5.		
	Do not calculate	Do not calculate

(6)

- 3.6 3.6.1 Explain the main difference between the work the internal auditor does and the work an external auditor does.

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(2)

3.6.2 External auditors are supposed to offer an unbiased audit. Explain what this means.

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(1)

3.6.3 Discuss two processes an internal auditor should look at when auditing creditors.

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(2)

26

**Total: 100 marks**