

QUESTION 1 BUDGETS

(34 marks; 41 minutes)

Read the information on Blinkmiss General Dealers on pages i–ii of the Information Booklet and answer the following questions.

1.1 Discuss how drawing up a Cash Budget might help with controlling a bank overdraft.

(2)

1.2 Write down two items that are erroneously listed in the budget.

- _____
- _____

(2)

1.3 Calculate the missing amounts denoted by the letters A–H. Show your calculations on the appropriate line.

A	
B	
C	
D	
E	
F	
G	
H	

(13)

1.4 Complete the Debtors Collection Schedule.

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	21 120	
August		–	
		Do not fill in	Do not fill in

(5)

1.5 Calculate the bad debts for August 2022.

(2)

1.6 Write down three main contributing factors to Blinkmiss General Dealers' liquidity problems.

- _____
- _____
- _____

(3)

1.7 Discuss two controls Sizwe can implement to minimise the loss on the fresh produce. (Write enough for 2 marks each.)

- _____

- _____

(4)

1.8 Sizwe does not have a proper recording system for his fresh produce. Would you recommend the perpetual or periodic stock system to Sizwe? Discuss two reasons for your recommendation.

Stock system: _____

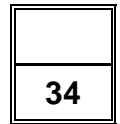
Reasons:

- _____

 - _____

- _____

(3)



QUESTION 2 COMPANY ANALYSIS

(41 marks; 49 minutes)

Read the information on Tongaat Hulett Ltd on pages iii–v of the Information Booklet and answer the following questions.

2.1 2.1.1 Write down which accounting principles the directors of Tongaat violated when they did the following:

- They recognised revenue in earlier accounting periods.

- They capitalised expenses to the assets.

(2)

2.1.2 Tongaat has now outsourced its internal audit to KPMG. Write down how this differs from the normal internal auditors. Explain two advantages for Tongaat in outsourcing their internal audit to an auditing firm.

Difference:

Advantages:

- _____

- _____

(3)

2.1.3 The King Code gives guidelines for corporate governance. Explain what corporate governance is and how the former CEO, Peter Staude, did not conduct himself according to the King Code.

(2)

2.3.2 Write down **the main** reason that Tongaat has a low current ratio, and then explain in detail whether you think Tongaat will be able to pay off their current debts or not.

(3)

2.3.3 Study Tongaat's stock turnover rate. Write down one stock item that contributes to a low stock turnover rate, and one item that contributes to a high stock turnover rate. Then explain whether or not this is a suitable rate for them.

Low-rate product:

High-rate product:

Suitable?

(3)

2.4 2.4.1 Calculate the solvency ratio for **2020** and comment on Tongaat's solvency.

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(2)

2.4.2 Discuss why their creditors and the banks would want Tongaat to carry on trading in these circumstances. In your discussion, mention two consequences of Tongaat closing down.

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- ---

(2)

2.5 2.5.1 Show, by doing a calculation, how the Return on Capital Employed for **2019** could be 97,57% despite Tongaat making a loss for 2019.

(4)

2.5.2 Tongaat has a return on capital employed for 2020 of 43%. This means that they are positively geared. Explain, by providing a reason, whether Tongaat should be taking out loans.

(2)

2.5.3 On 21 February 2020, Tongaat announced that they had concluded an agreement to sell 64 hectares of their property in Umhlanga Rocks. Comment on the effect that this announcement had on the share price, and explain why this announcement had this effect.

(2)

2.5.4 Tongaat did not declare dividends for 2020. Discuss, by providing two points, whether this was the correct decision or not.

Correct decision: Yes / No

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- ---

(2)

2.5.5 Over the past three years the share price lost 94% of its value. There are investment companies who own large numbers of Tongaat shares. Would you advise them to sell their shares or retain them? Discuss three reasons for your opinion.

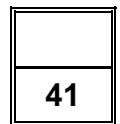
Sell / retain?

- _____

- _____

- _____

(3)



3.4 3.4.1 Sally, a customer, bought a couch for R12 000 on Elegance's credit facility. Calculate the amount of her monthly debit order should she accept the credit facility.

(1)

3.4.2 Discuss **three** benefits that Elegance might gain by offering this credit facility.

- _____

- _____

- _____

(3)

3.5 Jayshree is under the impression that if a debtor signs a debit order there is no reason to do a credit check on that potential debtor.

3.5.1 Discuss why Jayshree should always do a credit check on every debtor even though they sign a debit order.

(2)

3.5.2 Part of a credit check is to examine three months' bank statements from the debtor. Explain how examining a bank statement would be helpful in a credit check.

(1)

3.6 A deposit of R800 from debtor S Sonny was erroneously recorded in the account of K Sonny. Show how this error should be corrected in the General Journal.

General Journal of Elegance – April 2022

Doc No	Day	Details	Fol	Debit	Credit	Debtors control	
						Debit	Credit
JV1	30						

(2)

25

Total: 100 marks