



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

CAPRICORN SOUTH DISTRICT

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING
PRE TRIAL EXAM PAPER1**

Date: 12 August 2021

Time: 2 HOURS

Marks: 150

This question paper consists of 10 pages including the formula sheet

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer **ALL** the questions.
2. A special **ANSWER BOOK** is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the
6. questions.
7. Where applicable, show all calculations to ONE decimal point.

Write neatly and legibly.

QUESTION 1: 65 marks; 52 minutes	
Topic of the question	This question integrates:
Company Financial Statement	Financial accounting Balance Sheet and notes

QUESTION 2: 40 marks; 32 minutes	
Topic of the question	This question integrates:
Cash flow statement	Financial accounting Concepts Cash Flow Calculation of Financial indicators

QUESTION 3: 30 marks; 24 minutes	
Topic of the question	This question integrates:
Analysis and Interpretation.	Financial accounting Analysis and interpretation: Two companies Financial indicators

QUESTION 4: 15 marks; 12 minutes	
Topic of the question	This question integrates:
Published Financial Statement	Financial accounting Audit report

QUESTION 1: FIXED ASSETS AND FINANCIAL STATEMENTS

(65 marks;52 minutes)

BAFANA LTD

The information relates to the financial year ended 31 March 2020

REQUIRED

1.1 Refer to information B.

Calculate the missing amounts denoted by (i) to (iv). (16)

1.2 Prepare the following notes to the Balance Sheet on 31 March 2020:

- Ordinary share capital (7)
- Retained income (8)

1.3 Complete the Balance Sheet (Statement of financial position) (34)
Show workings

INFORMATION

A. Amounts extracted from the books on 31 March:

BALANCE SHEET ACCOUNTS	2020 R	2019 R
Ordinary share capital	?	4 800 000
Retained income	?	1 181 250
Mortgage bond	2 508 000	3150 000
Fixed deposit	11 458 500	
Trading stock(balancing figure)	?	
Net trade debtors	881 000	
Bank(favourable)	454 000	
Creditors' control	1 318 000	
SARS:Income tax (provisional)	972 000	
Income received in advance	32 000	
Shareholders for dividends	889 200	752 000
Nominal accounts(pre-adjustment amounts)		
Commission income	29 920	
Rent expense	364 000	
Directors' fees	2 275 000	

B. Incomplete Fixed Asset Note:

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value(1 April 2019)		631 000	
Cost	(i)	1 281 000	
Accumulated depreciation		(650 000)	(200 000)
Movements			
Additions		625 000	
Disposal	(850 000)	0	(iii)
Depreciation		(ii)	(42 450)
Carrying value(31 March 2020)			
Cost	(9 650 000)		
Accumulated depreciation			(iv)

Land and buildings:

- A building on a separate property was sold at cost

Vehicles:

- A new vehicle was bought on 1 January 2020
- Vehicles are depreciated at 20% p.a on cost.

Equipment:

- Old equipment, cost R21 000, was sold on 30 September 2019. The accumulated depreciation was R15 000 on 1 April 2019.
- Equipment is depreciated at 15% p.a on the diminishing-balance method.

C. Share capital

DATE	INFORMATION
1 April 2019	800 000 ordinary shares in issue
31 May 2019	400 000 ordinary shares issued
1 October 2019	60 000 ordinary shares repurchased: <ul style="list-style-type: none"> • Average share price, R7,00 • Repurchase price per share, R10,80

D. Dividends

- An interim dividend of 124 cents was paid on 30 September 2019
- Final dividends were declared, R889 200.

E. Mortgage loan: ABA Bank

- Fixed monthly repayments (including interest) have been made and correctly recorded
- Interest of R258 000 has not been recorded by the business yet.
- The capital repayment will remain the same over the next financial year.

- F. The decrease in the provision for bad debts, R2 500 was not recorded.
- G. Commission income for March 2020, R41 900 was still outstanding
- H. The company has three directors who earn the same monthly directors' fee. One director has not received his directors' fee for March 2020 yet.
- I. Rent for April 2020 has been paid. The rent was increased by 25% on 1 January 2020.
- J. **Net profit after tax and income tax**
 - The correct net profit after tax after all adjustments is R2 534 400
 - Income tax is calculated at 28% of the net profit.

65

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(40 marks; 32 minutes)

2.1 Indicate whether the following statements are True or False.

Write only 'true' or 'false' next to the question number (2.1.1 - 2.1.5)

- 2.1.1 Cash flow statement reflects the profit/loss of the company.
- 2.1.2 Net current assets are also referred to as net working capital.
- 2.1.3 Accumulated depreciation is regarded as a negative asset
- 2.1.4 Liquidity refers to the ability of the company to settle its current debt.
- 2.1.5 An increase in loan is an example of investing activity

(5)

2.2 MOPANI LTD

The information related to Mopani Ltd for the financial year ended 29 February 2020.

REQUIRED

2.2.1 Fill in the missing amounts on the Cash Flow Statement provided.

Show workings. Indicate outflows in brackets.

(22)

2.2.2 Calculate the following financial indicators on 29 February 2020:

- % operating profit on sales (3)
- Acid-test ratio (5)
NOTE: The current ratio is 1,6: 1
- Net asset value (NAV) per share (5)

INFORMATION

A. Extract from the Income Statement (Statement of Comprehensive income) on 29 February 2020:

Sales	R4 824 000
Gross profit	1 608 000
Depreciation	312 600
Operating profit	1 122 500
Net profit before tax	984 000
Net profit after tax	688 800

B. Extract from the Balance sheet (Statement of Financial Position) on 29 February:

	2020 R	2019 R
Fixed assets(carrying value)	4 830 000	3 760 100
Current assets	?	962 000
Current liabilities	774 000	712 800
Trading stock	619 000	538 000
Bank	0	56 400
Petty cash	2 500	0
Ordinary share capital	5 880 000	5 360 000
Retained income	542 800	236 000
Loan:Kan Bank	950 000	1 300 000
SARS:Income tax	26 400 (Cr)	11 600(Dr)
Shareholders for dividends	165 000	126 000
Bank overdraft	28 800	0

C. Share capital and dividends:

- The authorised share capital comprises 1 500 000 shares.
- On 1 March 2019, 60-% of the authorised shares were in issue.
- On 30 June 2019, 200 000 additional shares were issued for R1 240 000.
- On 29 February 2020, 120 000 shares were repurchased at R96 000 above the average share price.
- Total dividends paid and declared in the 2020 tax year were R286 000

D. Fixed assets:

- Additions to buildings were completed during November 2018
- Old equipment was sold at carrying value, R34 500

QUESTION 3: INTERPRETATION OF TWO COMPANIES: BUBU AND LOLO LTD
(30 Marks;24minutes)

Sello Aubrey won R5, 6 million in the national lottery five years ago and then decided to invest R2, 8 million in each of the two companies below, as follows:

BUBU Ltd	400 000 shares at R7,00 each =R2,8 million
LOLO Ltd	100 000 shares at R28,00 each =R2, 8 million

He wants your opinion on these companies.

NOTE: When answering the questions below, compare the information given and quote the relevant financial indicator of both companies, (percentages, ratios and/or amounts)

INFORMATION

	BUBU Ltd		LOLO Ltd	
	2020	2019	2020	2019
Total number of shares	1 100 000 shares		700 000 shares	
Shares originally bought by Sello	400 000 shares		100 000 shares	
Sello's shareholding	36%		14%	
Current market value per share	R9,50		R18,80	
Ordinary share capital	R9 900 000		R11 900 000	
Retained income	R1 890 000		R600 000	
Long-term loan	R9 432 000		R2 500 000	
Current ratio	1,7 : 1	1,6 : 1	4,2 : 1	4,8 : 1
Acid-test ratio	0,9 : 1	0,8 : 1	3,6 : 1	3,5 : 1
% operating profit on sales	16%	16%	14%	18%
Debt-equity ratio	0,8 : 1		0,2 : 1	
Net asset value per share	R10,72		R17,86	
Earnings per share (EPS)	273 cents	233 cents	171 cents	233 cents
Dividends per share (DPS)	110 cents		200 cents	
% return on equity	25%	14%	9%	15%
% return on capital employed	20%	12%	10%	14%
Interest rate on loans	13%	13%	13%	13%
Interest rate on fixed deposit	6%	6%	6%	6%

REQUIRED:

- 3.1 Explain which company has the better liquidity. Quote TWO financial indicators to support your opinion (4)
- 3.2 Comment on the earnings per share and the % return on equity of BUBU Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators. (4)

- 3.3 Comment on the market value of the shares in LOLO Ltd.
Explain Two points. (4)
- 3.4 Compare the dividend payout rates of both companies and explain why
The directors of EACH company decided on these payout rates. (4)
- 3.5 Sello says that the dividend of 110 cents per share he earned from BUBU
Ltd is better than the dividend of 200 cents per share from LOLO Ltd.
Give ONE point to prove that he is incorrect. (4)
- 3.6 Comment on the risk and gearing of EACH company. Quote TWO financial
indicators (6)
- 3.7 Sello wants to buy shares in BUBU Ltd on the JSE at current market
Value to become the majority shareholder and CEO. Calculate how much
Sello will have to pay for the shares that he needs. (4)

30

QUESTION 4 AUDIT REPORT (15 marks;12 minutes)

You are provided with an extract from the audit report of the independent auditors of Ivory Limited.

REQUIRED

- 4.1 What type of audit report did Ivory Limited receive?
Explain your answer. (3)
- 4.2 To whom is the audit report addressed to (2)
- 4.3 State TWO consequences that this report could have on the
Company (4)
- 4.4 How will this report affect the price of shares? (2)
- 4.5 The directors cite the donation to the school as a Corporate Social
Investment (CSI) initiative
- Explain the need for Corporate social investment (2)
 - What do you understand by triple bottom line (2)



INFORMATION

EXTRACT FROM THE REPORT OF IVORY LIMITED

Independent Auditors' Responsibility

We have examined the annual financial statements set out on pages 31 to 53.

Basic for Qualification of opinion

The donation of inventory for R350 000 made to the local Covid-19 Food Parcel Relief could not be authenticated as no documentation existed for this expense. Subsequently, the inventory note is overstated and operating expenses stated in the Statement of Comprehensive Income has been understated as well.

Audit Opinion

Because of the significance of the matters described above, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Ivory Ltd for the financial year ended 31 July 2020

Seshohli & Chetty, Chartered Accountants (SA)

15

TOTAL MARKS 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	



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Interest rate on loans	13%	13%	13%	13%
Interest rate on fixed deposit	6%	6%	6%	6%

REQUIRED:

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INFORMATION

EXTRACT FROM THE REPORT OF IVORY LIMITED

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Seshohli & Chetty, Chartered Accountants (SA)

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TOTAL MARKS 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	



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GRADE 12

ANSWER BOOK

ACCOUNTING

PAPER 1

12 AUGUST 2021

CANDIDATE'S NAME & SURNAME:.....

NAME OF SCHOOL :.....

QUESTION	MAX. MARKS	MARKS OBTAINED	SCHOOL MOD.	DISTRICT MOD.	PROV. MOD
1	65				
2	40				
3	30				
4	15				
TOTAL	150				

This answer book consists of 9 pages

QUESTION 1

1.1

	Workings	Answer
(i)	Cost of land and buildings at beginning of year	
(ii)	Depreciation of vehicles for the year	
(iii)	Disposal of equipment	
(iv)	Accumulated depreciation on equipment	

16

1.2

ORDINARY SHARE CAPITAL		
800 000	Shares in issue at beginning	4 800 000

7

RETAINED INCOME	
Balance at beginning	1 181 250
Net profit after tax	2 534 400
Shares repurchased	
Dividends	
Interim	
Final	889 200
Balance at end	

8

**1.3 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
ON 31 MARCH 2020**

ASSETS		
Non-current assets	11 458 500	
Fixed assets at carrying value	11 458 500	
Current assets		
Inventories		
Trade and other receivables		
Cash and cash equivalents	454 000	
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Ordinary shareholders' equity		
Ordinary share capital		
Retained income		
Non-current liabilities		
Mortgage loan		
Current liabilities		
Trade and other payables		
Shareholders for dividend		
SARS: Income tax		
Current portion of loan		
TOTAL EQUITY AND LIABILITIES		34

TOTAL MARKS
65

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	
2.1.4	
2.1.5	

(5)



2.2 MOPANI LTD

CASH FLOW STATEMENT FOR YEAR ENDED 29 FEBRUARY 2020	
NOTE: Figures are not required in the shaded areas	
CASH EFFECTS OF OPERATING ACTIVITIES	
Cash generated by operations	
Interest paid	
Income tax paid	
Dividend paid	
CASH EFFECTS OF FINANCING ACTIVITIES	
Fixed assets purchased	
Proceeds from sale of fixed assets	
Change in fixed deposit	
CASH EFFECTS OF FINANCING ACTIVITIES	
Proceeds of shares issued	
Repurchase of shares	
Change in loan	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents(opening balance)	
Cash and cash equivalents (closing balance)	

22

2.2.2 Calculate % operating profit on sales

Workings	Answer

3

Calculate Acid-test ratio
(NOTE: The current ratio is 1,6: 1)

Workings	Answer

5

Calculate Net asset value per share

Workings	Answer

5

TOTAL MARKS

40

QUESTION 3:

3.1

Explain which company has the better liquidity .Quote TWO financial indicators to support your opinion

--

4

3.2

Comment on the earnings per share and the % return on equity of BUBU Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators. Quote figures

4

3.3

Comment on the market value of the shares in LOLO Ltd. Explain TWO points. Quote figures

4

3.4

Compare the dividend payout rates of both companies and explain why the directors of each company decided on these payout rates. Quote figures or calculations

4

3.5

Sello says that the dividend of 110 cents per share he earned from BUBU Ltd is better than the dividend of 200 cents per share from LOLO Ltd. Give ONE point to prove that he is incorrect. Quote figures or calculations.

4

3.6

Comment on the risk and gearing of EACH company. Quote TWO financial indicators

BUBU Ltd

LOLO Ltd

6

3.7

Sello wants to buy shares in BUBU Ltd on the JSE at current market Value to become the majority shareholder and CEO. Calculate how much Sello will have to pay for the shares that he needs

4

TOTAL MARKS

30

QUESTION 4

4.1

What type of audit report did Ivory Limited receive? Explain your answer



3

4.2

To whom is the audit report addressed to

2

4.3

State TWO consequences that this report could have on the company

4

4.4

How will this report affect the price of shares?

2

4.5

The directors cite the donation to the school as a corporate social investment initiative

Explain the need for Corporate social investment

Explain what you understand by triple bottom line

4

TOTAL MARKS

15



CAPRICORN SOUTH DISTRICT

NATIONAL SENIOR CERTIFICATE

GRADE 12

MARKING GUIDELINE

ACCOUNTING P1

PRE-TRIAL EXAMINATION

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
4. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive
5. Be aware that some candidates provide valid alternatives beyond the marking guideline

This marking guideline consists of 9 pages

QUESTION 1

1.1	Workings	Answer	
(i)	Cost of land and buildings at beginning of year		
	9 650 000 + 850 000	R10 500 000 ✓✓	
(ii)	Depreciation of vehicles for the year		
	New : 625 000 x 20% x 3/12 = 31 250 ✓✓ Old : 1 281 000 x 20% = 256 200 ✓✓	R287 450 ✓ ✓ one part correct	
(iii)	Disposal of equipment		
	21 000 ✓ -(15 000 ✓ + 450 ✓) ✓ one part correct	R5 550 ✓	
(iv)	Accumulated depreciation on equipment		
	200 000 ✓ + 42 450 ✓ - 15 450 ✓ ✓ one part correct	R227 000 ✓	16

1.2	ORDINARY SHARE CAPITAL			
800 000	Shares in issue at beginning		4 800 000	
400 000 ✓	shares issued during the year (balancing figure)		3 600 000 ✓	
(60 000)	shares repurchased (ASP R7,00)		(420 000) ✓✓	
1 140 000 ✓*			7 980 000 ✓ ✓*	7

*One part correct

RETAINED INCOME		
Balance at beginning		1 181 250
Net profit after tax		2 534 400
shares repurchased (60 000 ✓ x R3,80 ✓)		(228 000) ✓
Dividends		(2 377 200) ✓
Interim (1 200 000 ✓ x 124 cents ✓)		1 488 000 ✓
Final		889 200
Balance at end		1 110 450 ✓

1.3 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**ON 31 MARCH 2020**

ASSETS		
Non-current assets		11 458 500
Fixed assets at carrying value		11 458 500
Current assets	TA- 11 458 500	2 715 750☑
Inventories	balancing figure	1 303 850☑
Trade and other receivables (881 000 ✓ + 2 500✓✓ + 41 900 ✓ +32 500✓✓)		957 900☑*
Cash and cash equivalents		454 000
TOTAL ASSETS	See Total equity + liabilities	14 174 250☑☑
EQUITY AND LIABILITIES		
Ordinary shareholders' equity	OSC + RI	9 090 450☑
Ordinary share capital		7 980 000☑
Retained income		1 110 450☑
Non-current liabilities		2 382 000
Mortgage loan (2 508 000✓ + 258 000 ✓ – 384 000 ✓✓✓)		2 382 000☑*
Current liabilities		2 701 800☑*
Trade and other payables (1 318 000 ✓ + 32 000 ✓ + 65 000✓✓)		1 415 000☑*
Shareholders for dividend		889 200✓✓
SARS:Income tax(985 600✓✓ --972 000✓)		13 600☑*
Current portion of loan		384 000☑
TOTAL EQUITY AND LIABILITIES	SE + NCL + CL	14 174 250☑
		34

*One part correct

TOTAL MARKS
65

QUESTION 2

2.1

2.1.1	False ✓
2.1.2	True ✓
2.1.3	False ✓
2.1.4	True ✓
2.1.5	False ✓

(5)

2.2 MOPANI LTD

CASH FLOW STATEMENT FOR YEAR ENDED 29 FEBRUARY 2020	
NOTE: Figures are not required in the shaded areas	
CASH EFFECTS OF OPERATING ACTIVITIES	
Cash generated by operations	
Interest paid	
Income tax paid	
Dividend paid (126 000 ✓ + 286 000 ✓ -- 165 000 ✓)	(247 000) ✓*
CASH EFFECTS OF FINANCING ACTIVITIES	
Fixed assets purchased (4 830 000 ✓ + 34 500 ✓ +312 600 ✓ -3 760 100 ✓)	(1 417 000) ✓*
Proceeds from sale of fixed assets	
Change in fixed deposit	
CASH EFFECTS OF FINANCING ACTIVITIES	34 500 ✓
Proceeds of shares issued	1 240 000 ✓
Repurchase of shares (5 880 000 ✓ – 1 240 000 ✓ – 5 360 000 ✓ -96 000 ✓)	(816 000) ✓*
Change in loan (1 300 000-950 000)	(350 000) ✓✓
NET CHANGE IN CASH AND CASH EQUIVALENTS	(82 700) ✓
Cash and cash equivalents(opening balance)	56 400 ✓
Cash and cash equivalents (closing balance) (-28 800+2 500)	(26 300) ✓✓ One part correct

* One part correct and must be bracketed

22



2.2.2 Calculate % operating profit on sales

Workings	Answer
$\frac{1\,122\,500 \checkmark}{4\,824\,000 \checkmark} \times 100$	23,3% <input checked="" type="checkbox"/> One part correct

3

Calculate Acid-test ratio (NOTE: The current ratio is 1,6: 1)	
Workings	Answer
$(1\,238\,400 \checkmark \checkmark - 619\,000 \checkmark) : 774\,000 \checkmark$	0,8 : 1 <input checked="" type="checkbox"/> One part correct

5

Calculate Net asset value per share	
Workings	Answer
$\frac{(5\,880\,000 \checkmark + 542\,800 \checkmark)}{980\,000 \checkmark \checkmark} \times 100$	655,4 cents <input checked="" type="checkbox"/> One part correct

5

TOTAL MARKS

40

QUESTION 3 :TWO COMPANIES: BUBU AND LOLO LTD

3.1

Explain which company has the better liquidity .Quote TWO financial indicators to support your opinion

Liquidity ratios of BUBU Ltd ☒ are more efficient ☒ than that of LOLO Ltd

Current ratio 1,7 : 1 ☒

Acid-test ratio 0,9 : 1 ☒

OR

Liquidity ratios of LOLO Ltd ☒ are higher/they have more CA ☒

LOLO Ltd has more liquid assets than stock (0,6 : 1 compared to 0,8 : 1 in BUBU)

Current ratio 4,2 : 1 ☒

Acid-test ratio 3,6 : 1 ☒

4

3.2

Comment on the earnings per share and the % return on equity of BUBU Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators. Quote figures

financial indicators with figures and trend ✓✓ ✓✓

EPS increased (from 233 cents to 273 cents by 40 cents/17,2%

ROSHE increased from (14% to 25%) by 11% / 78,6%

This exceeds the returns on alternative investments such as interest on fixed deposits which is 6%

4

3.3

Comment on the market value of the shares in LOLO Ltd. Explain TWO points. Quote figures

TWO valid points ✓✓ Figures ✓✓

Market value of R18,80 is higher than the NAV OF R17,86(by 0,94). Indicates good demand for the shares/positive image of the company/company is doing well.

Sello originally bought the shares for R28,00 but the market price is now R18,80(indicates poor financial plan

4

3.4

Compare the dividend payout rates of both companies and explain why the directors of each company decided on these payout rates. Quote figures or calculations

BUBU Ltd: 110 cents(DPS) 273 cents(EPS) or 40,3%/40,2% ✓

They retained 59,7 % of the EPS for future growth/expansion ✓

OR: This is to benefit shareholders through the NAV and share price

LOLO Ltd :200 cents(DPS) 171 cents (EPS) or 11%✓

They decided to keep shareholders happy/ reward shareholders for low dividends in previous years / have no plans for growth✓

4

3.5

Sello says that the dividend of 110 cents per share he earned from BUBU Ltd is better than the dividend of 200 cents per share from LOLO Ltd. Give ONE point to prove that he is incorrect. Quote figures or calculations.

One explanation/ comparison with figures)
 200 cents ✓ - 110 cents ✓ = 90 cents ✓ more per share was earned in LOLO Ltd ✓
 OR
 He earned 90 cents more per share in LOLO Ltd

4

3.6

Comment on the risk and gearing of EACH company. Quote TWO financial indicators

Three marks per company: Financial indicator with figure and comment
BUBU Ltd
 Debt-equity ratio is 0.8 : 1 ✓
 ROTCE is 20% ✓
 The business makes extensive use of loans(high risk) ROTCE is higher than the interest of 13%, indicating positive gearing ✓
LOLO Ltd
 Debt-equity is 0,2 : 1 ✓
 ROTCE IS 10% ✓
 The business does not rely on loans(low risk)
 ROTCE is lower than interest rate of 13%, indicating negative gearing ✓

6

3.7

Sello wants to buy shares in BUBU Ltd on the JSE at current market Value to become the majority shareholder and CEO. Calculate how much Sello will have to pay for the shares that he needs

$1\ 100\ 000 / 2 + 1$
 $= (550\ 001 \checkmark - 400\ 000 \checkmark) \times R9,50 \checkmark = R1\ 425\ 009,50 \checkmark$ one part correct
 OR
 $50\% + 100$
 $550\ 110 - 400\ 000) \times R9,50 = R1\ 425\ 950$

4

TOTAL MARKS

30

QUESTION 4

4.1

What type of audit report did Ivory Limited receive? Explain your answer

Disclaimer of opinion ✓

Explanation

There is insufficient evidence to express an opinion as the donation of R350 000 could not be verified ✓✓

Inventory overstated/operating expenses understated



3

4.2

To whom is the audit report addressed to

Shareholders ✓✓

2

4.3

State TWO consequences that this report could have on the company

It can create negative publicity, which can lead to a poor image ✓✓

It can result in the loss of investor confidence/potential investors ✓✓

Existing shareholders may want to sell their shares which can result in the decrease in the demand of shares

Directors can get a vote of no confidence

4

4.4

How will this report affect the price of shares?

Shareholders might want to sell their shares which can lead to a drop in share price ✓✓

2

4.5

The directors cites the donation to the school as a corporate social investment initiative

Explain the need for Corporate social investment

It is a recommendation of the King Code that ensure goodwill, loyalty and support ✓✓

It shows good corporate social responsibility

Explain what you understand by triple bottom line

It is a recommendation of the King Code which encourages companies to focus on profit, people and planet so that aims and objectives are realised in a desired manner ✓✓

4

TOTAL MARKS

15