



GAUTENG PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA



GAUTENG DEPARTMENT OF EDUCATION

GRADE 12

JUNE EXAMINATION 2022

10711

ACCOUNTING

PAPER 1

Stanmorephysics.com

TIME: 2 hours

MARKS: 150

11 pages + 1 data sheet and an answer book of 11 pages

Accounting P1



10711E

X10



INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL 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 questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Statements: Comprehensive Income and Financial Position	60	45
2	Financial Indicators and Cash Flow Statement	40	30
3	Interpretation of Company Financial Information	35	30
4	Corporate Governance	15	15
TOTAL		150	120



QUESTION 1: STATEMENTS: COMPREHENSIVE INCOME AND FINANCIAL POSITION (60 marks; 45 minutes)

The information relates to John-Vos Ltd for the financial year ended 28 February 2022.

REQUIRED:

Complete the following:

(NOTE: Some information is printed in the ANSWER BOOK.)

- 1.1 Statement of Comprehensive Income for the year ended 28 February 2022 (40)
- 1.2 Retained income note on 28 February 2022 (7)
- 1.3 EQUITY and LIABILITIES section of the Statement of Financial Position on 28 February 2022 (13)

INFORMATION:**A. Amounts extracted from the records on 28 February 2022**

	R
Loan: Sparks Bank	610 320
Creditors' control	562 500
Fixed deposit: Winde Bank	150 000
Trading stock	900 000
Bank (favourable balance)	469 500
Debtors' control	593 000
Provision for bad debts (1 March 2021)	34 120
SARS: Income tax (Dr)	660 000
SARS: PAYE	36 000
Pension fund	13 500
Sales	8 085 500
Insurance	48 750
Bad debts	33 260
Rent income	85 100
Directors' fees	825 000
Consumable stores	33 900
Interest on fixed deposit	11 090
Bad debts recovered	11 760
Ordinary share dividends	237 500

B. Additional information:**(i) Mark-up:**

A mark-up percentage of 100% on cost was maintained during the financial year.

(ii) **Ordinary share capital and dividends**

- On 1 May 2021 an additional 300 000 shares were issued.
- On 1 September 2021 the company repurchased 40 000 shares at 80 cents above the average share price of R8,50 each.
- 950 000 shares were in issue on 28 February 2022.
- The total dividend for the year amounted to R570 000.

C. Adjustments not taken into account:

- (i) Totally damaged goods returned on 26 February 2022 was incorrectly recorded as R7 200. The amount according to the credit note issued is R2 700.
- (ii) Consumable stores on hand on 28 February 2022, R5 900.
- (iii) An amount of R2 240 received from F. Solomon, whose account had been written off as irrecoverable, was posted in error to the bad debts account.
- (iv) Provision for bad debts should be adjusted to R29 660.
- (v) The insurance account includes an annual premium of R22 500 paid for the period 1 July 2021 to 30 June 2022.
- (vi) The premises has been rented since 1 April 2021 with an agreement that rent will be reduced by R1 000 per month with effect from 1 January 2022. The rent for February 2022 is still outstanding.
- (vii) The company pays the same monthly fee to all directors. One of the three directors resigned on 30 November 2021 and a new director was appointed on 1 February 2022. The fee of the new director is still outstanding.
- (viii) Sundry Expenses is the missing figure in the Statement of Comprehensive Income.
- (ix) After taking all adjustments into account, the operating profit was accurately calculated as R1 602 190.
- (x) Extract from the loan statement received from Sparks Bank:

Interest capitalised	?
Repayments (including interest)	161 280
Balance at the end of the financial year	703 800

R100 000 of the loan will be paid back in the next financial year.

- (xi) The income tax rate is 30%.

QUESTION 2: FINANCIAL INDICATORS AND CASH FLOW STATEMENT
(40 marks; 30 minutes)**REQUIRED:**

- 2.1 Calculate the following financial indicators for the financial year ended 30 April 2022:
- 2.1.1 Debt-equity ratio (3)
 - 2.1.2 Earnings per share (EPS) (4)
 - 2.1.3 Dividend pay-out rate (%) (3)
 - 2.1.4 % return on average equity (ROSHE) (5)
- 2.2 Complete the following section for Cash generated from operations:
- Cash effects of changes in working capital.
(Cash outflows must be shown in brackets.) (9)
- 2.3 Calculate the following amounts for the Cash Flow Statement:
- 2.3.1 Taxation paid (5)
 - 2.3.2 Proceeds from sale of fixed assets (5)
 - 2.3.3 Funds used for the repurchase of shares (2)
- 2.4 Complete the following section of the Cash Flow Statement:
- Net change in cash and cash equivalents (4)

INFORMATION:**A. Extract from the Statement of Comprehensive Income on 30 April 2022:**

Depreciation	R 280 800
Interest expense	151 200
Net profit before tax	1 660 000
Net income after tax	1 162 000

B. Extract from the Statement of Financial Position and notes:

	30 April 2022	30 April 2021
Fixed assets (carrying value)	11 434 000	9 984 400
Fixed deposits	120 000	600 000
Current assets	1 202 400	906 000
Trade and other receivables (Note 1)	481 800	352 500
Cash and cash equivalents	6 000	67 800
Shareholders' equity	10 776 400	8 893 800
Non-current liabilities	1 080 000	1 440 000
Current liabilities	900 000	1 156 600
Trade and other payables	432 000	814 600
Bank overdraft	264 000	0
Shareholders for dividends	144 000	192 000

Note 1: Trade and other receivables

Net trade debtors	448 000	323 800
Accrued income	28 400	
SARS (Income tax)	5 400	28 700
	481 800	352 500

C. Fixed assets:

- The total cost for the acquisition of a new vehicle and extensions to the buildings during the year amounted to R1 632 000.
- During the year equipment was sold at carrying value.

D. Share capital and shares:

- Additional shares were issued on 1 May 2021.
- On 30 April 2022 shares were repurchased. The value of the shares as per the average issue price amounted to R25 000. The asking price was 10% more than the average issue price.

E. Dividends and earnings per share:

	30 April 2022	30 April 2021
Interim dividend (per share)	45 cents	25 cents
Final dividend declared (per share)	25 cents	15 cents
Earnings per share	?	94 cents

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(35 marks; 30 minutes)**

- 3.1 Choose the financial statement(s) in COLUMN B that matches the financial indicator in COLUMN A. Write only the letter (A–D) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
3.1.1 Solvency	A Statement of Comprehensive Income
3.1.2 Return on capital employed	B Statement of Financial Position
3.1.3 Profitability	C Statements of Comprehensive Income and Financial Position
	D Cash Flow Statement

(3 x 1) (3)

3.2 **MIGUELE LTD**

The information for this company relates to the financial year ended on 28 February 2022.

REQUIRED:

- 3.2.1 The directors are satisfied with the improvement in the liquidity of the company. Quote and explain THREE financial indicators with figures and trends that show an improvement of the liquidity position. (6)
- 3.2.2 Explain why the shareholders should be satisfied with their return on investment in the company. Quote figures and trends in your explanation. (4)
- 3.2.3 One of the directors feels that the company should pay back the loan as soon as possible. Explain why you disagree with him. Quote TWO financial indicators with figures and trends. (6)
- 3.2.4 One of the shareholders wants to sell her shares at R6 each.
- Provide ONE reason why you would agree with her to sell her shares. Quote a financial indicator with figures and trends. (2)
 - Provide ONE reason why you disagree with her to sell her shares. Quote a financial indicator with figures and trends. (2)
- 3.2.5 The shareholders should be happy with the earnings per share (EPS) because it is better than the previous year. Explain why you agree with them. Quote figures and calculations. (4)



INFORMATION:**A. Financial indicators, interest rates and market price of shares:**

	28 February 2022	28 February 2021
Current ratio	2,1: 1	2,9 : 1
Acid test ratio	1,4 : 1	1 : 1
Average debtors' collection period	35 days	28 days
Average creditors' payment period	65 days	90 days
Stock turnover rate	10,2 times	9,1 times
Debt/equity ratio	0,3 : 1	0,3 : 1
Dividends per share	80 cents	55 cents
Earnings per share	104 cents	75 cents
% return of shareholders' equity	15,3%	10,4%
% return on total capital employed	17,2%	12,1%
Net asset value	650 cents	625 cents
Interest rate on loans	14%	13%
Interest rate on fixed deposits	7%	7%
Market price of shares	600 cents	640 cents

3.3 SOCKER LTD AND BOLL LTD

The information relates to two companies competing in the same industry.
The financial year of each company ends on the last day of May.

NOTE: Alton Flan is a shareholder in both companies.
Both companies will issue new shares in the new financial year.
Alton Flan considers buying new shares in Socker Ltd only.

**REQUIRED:**

- 3.3.1 Explain what effect this consideration will have on the % shareholding of Alton Flan in EACH company. Quote figures and trends. (6)
- 3.3.2 Calculate the number of shares Alton Flan could buy in Boll Ltd. (2)

INFORMATION:**A. Extracts from accounting records on 31 May 2022**

	SOCKER LTD	BOLL LTD
Number of shares in issue	980 000	1 000 000
Number of shares owned by Alton Flan	450 800	550 000

B Shares to be issued in the new financial year

	SOCKER LTD	BOLL LTD
Total number of shares	120 000	80 000
Number of shares Alton Flan considers buying	110 200	0
Issue price	R5	R4

QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 15 minutes)**

You are provided with an extract of the audit report for Tantass Ltd for the financial year ended 28 February 2022.

- 4.1 Explain the role of the remunerations committee and give a reason why there is a need for this committee. (3)
- 4.2 Explain why the auditor referred to pages 7 to 22 in this report. (2)
- 4.3 Identify the type of audit report that the company received and give a reason for your answer. (2)
- 4.4 Explain the effect of this type of report for the image of the company. Provide TWO points. (4)
- 4.5 State TWO possible consequences for the independent auditor if he had NOT referred to the increase in directors' fees. (4)

INFORMATION:**Extract from the Auditor Report:****Basis for Opinion**

In the course of the audit, it was found that the increase in directors' fees had not been authorised by the Remunerations Committee.

Audit Opinion

We have audited the financial statements, as set out on pages 7 to 22.

In our opinion, the financial statements fairly present the financial position of the company as at 28 February 2022, except for the increase in directors' fees, which was not authorised.

Rivas and Miller

Registered Accountants and Auditors

31 May 2022



15

TOTAL: 150**END**

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 and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE:	
* In this case, if there is a change in the number of issued shares during a financial year, the weighted average number of shares is used in practice.	



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GRADE 12

JUNE EXAMINATION 2022

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ACCOUNTING

PAPER 1

ANSWER BOOK

NAME:	
SCHOOL:	

11 pages

QUESTION	MAX MARK	MARK OBTAINED	MODERATED MARK
1	60		
2	40		
3	35		
4	15		
	150		

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2022

Sales	
Cost of sales	
Gross profit	
Other income	
Discount received	23 190
Gross income	
Operating expenses	
Advertising	404 500
Salaries and wages	956 180
Audit fees	89 970
Depreciation	123 220
Trading stock deficit	18 500
Sundry expenses	
Operating profit	1 602 190
Profit before interest expense	
Net profit before income tax	
Net profit after tax	

1.2 RETAINED INCOME

Balance on 1 March 2021		
Ordinary share dividends		
Balance on 28 February 2022	969 000	7

1.3 STATEMENT OF FINANCIAL POSITION ON 28 February 2022
EQUITIES AND LIABILITIES

SHAREHOLDERS' EQUITY		
Ordinary share capital		
Retained income	969 000	
Non-current liabilities		
Current liabilities		
Trade and other payables		
TOTAL EQUITY AND LIABILITIES		13

TOTAL MARKS

60

QUESTION 2

2.1 Calculate the following financial indicators for the financial year ended 30 April 2022:

2.1.1 Debt-equity ratio

3

2.1.2 Earnings per share (EPS)

4

2.1.3 Dividend pay-out rate (%)

3

2.1.4 % return on average shareholders' equity (ROSHE)

5

2.2

Cash effects of changes in working capital	
Change in inventory	
Change in receivables	
Change in payables	

9

2.3.1

Taxation paid	
WORKINGS	ANSWER

5

2.3.2

Proceeds from sale of fixed assets	
WORKINGS	ANSWER

5

2.3.3

Funds used for the repurchase of shares	
WORKINGS	ANSWER

2

2.4

NET CHANGE IN CASH AND CASH EQUIVALENTS	
Balance on 1 May 2021	
Balance on 30 April 2022	

4

TOTAL MARKS

40



QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	

3

3.2.1

The directors are satisfied with the improvement in the liquidity of the company. Quote and explain **THREE** financial indicators with figures and trends that show an improvement of the liquidity position.

6

3.2.2

Explain why the shareholders should be satisfied with their return on investment in the company. Quote figures and trends in your explanation.

4

3.2.3

One of the directors feels that the company should pay back the loan as soon as possible. Explain why you disagree with him. Quote TWO financial indicators with figures and trends.

6

3.2.4

One of the shareholders wants to sell her shares at R6 each.

Provide ONE reason why you would agree with her to sell her shares. Quote a financial indicator with figures and trends.

Provide ONE reason why you disagree with her to sell her shares. Quote a financial indicator with figures and trends.

4

3.2.5

The shareholders should be happy with the earnings per share (EPS) because it is better than the previous year. Explain why you agree with them. Quote figures and calculations.

4

3.3.1

Explain what effect this consideration will have on the % shareholding of Alton Flan in EACH company. Quote figures and trends.

Socker Ltd:

Boll Ltd:

6

3.3.2

Calculate the number of shares Alton Flan could buy in Boll Ltd.

WORKINGS

ANSWER

2

TOTAL MARKS

35

QUESTION 4**4.1**

Explain the role of the remunerations committee and give a reason why there is a need for this committee.

EXPLANATION:

REASON:

3

4.2

Explain why the auditor referred to pages 7 to 22 in this report.

2

4.3

Identify the type of audit report that the company received and give a reason for your answer.

2

- 4.4 Explain the effect of this type of report for the image of the company. Provide TWO points.



4

- 4.5 State TWO possible consequences for the independent auditor if he had NOT referred to the increase in directors' fees.

4

TOTAL MARKS
15

TOTAL: 150

END



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GAUTENG DEPARTMENT OF EDUCATION

JUNE EXAMINATION 2022 MARKING GUIDELINES



ACCOUNTING (PAPER 1) (10711)

11 pages

MARKING PRINCIPLES:

1. Unless otherwise indicated 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 answers. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). NOTE: If figures are stipulated in marking guidelines for components of workings, these do not carry the method mark for final answer as well.
5. 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.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
9. 'Operation' means 'Check operation'. 'One part correct' means 'Operation and one part correct'. NOTE: Check operation must be +, –, x or ÷ or as per marking guidelines.
10. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒
12. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2022

Sales	8 085 500 ✓ + 4 500 ✓✓	8 090 000	✓*	
Cost of sales	Sales x 100/200	(4 045 000)	✓	
Gross profit	S – COS	4 045 000	✓	6
Other income	operation	134 360	✓	
Discount received		23 190		
Bad debts recovered	11 760 ✓ + 2 240 ✓	14 000	✓	
Provision for bad debts-adjustment	34 120 – 29 660	4 460	✓✓	
Rent income	85 100 ✓ + 7 610 ✓✓	92 710	✓*	
Gross income	GP + OI	4 179 360	✓	10
Operating expenses	GI – OP	(2 577 170)	✓	
Advertising		404 500		
Salaries and wages		956 180		
Audit fees		89 970		
Depreciation		123 220		
Trading stock deficit		18 500		
Consumable stores	33 900 ✓ – 5 900 ✓	28 000	✓	
Bad debts	33 260 ✓ + 2 240 ✓	35 500	✓	
Insurance	48 750 ✓ – 7 500 ✓✓	41 250	✓*	
Directors' fees	825 000 ✓ + 25 000 ✓✓	850 000	✓*	
Sundry expenses	balancing figure	30 050	✓	16
Operating profit		1 602 190		
Interest income		11 090	✓	
Profit before interest expense	OP + Int inc	1 613 280	✓	
Interest expense	703 800 – 610 320	(93 480)	✓✓*	
Net profit before income tax	Pbie – Int exp	1 519 800	✓	
Income tax	NPbt X 30%	(455 940)	✓✓	
Net profit after tax	NPbt – Inc tax	1 063 860	✓	8

– 1 foreign items (Max. -2)

misplaced: mark workings only

*one part correct

40

1.2 RETAINED INCOME

Balance on 1 March 2021	balancing figure	507 140	<input checked="" type="checkbox"/>
Net profit after tax	see 2.1	1 063 860	<input checked="" type="checkbox"/>
Shares repurchased 40 000 x 80c	ignore brackets	(32 000)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Ordinary share dividends	ignore brackets	(570 000)	<input checked="" type="checkbox"/>
Interim dividends		237 500	<input checked="" type="checkbox"/>
Final dividends	OSD – Interim div	332 500	<input checked="" type="checkbox"/>
Balance on 28 February 2022		969 000	

7

1.3 STATEMENT OF FINANCIAL POSITION ON 28 February 2022
EQUITIES AND LIABILITIES

SHAREHOLDERS' EQUITY		9 044 000	<input checked="" type="checkbox"/>
Ordinary share capital 950 000 x 8,50		8 075 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Retained income		969 000	
Non-current liabilities		603 800	
Loan: Allan Bank 703 800 – 100 000		603 800	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Current liabilities	operation	1 069 500	<input checked="" type="checkbox"/>
Trade and other payables		637 000	<input checked="" type="checkbox"/> *
562 500 + 25 000 <input checked="" type="checkbox"/> + 36 000 <input checked="" type="checkbox"/> 13 500 <input checked="" type="checkbox"/> Dir. Fees PAYE Pension fund			
Shareholders for dividends	see 2.2	332 500	<input checked="" type="checkbox"/>
Current portion of loan	see NCL	100 000	<input checked="" type="checkbox"/>
TOTAL EQUITY AND LIABILITIES	SE + NCL + CL	10 717 300	<input checked="" type="checkbox"/>

3

2

8

* one part correct

13

TOTAL MARKS

60

QUESTION 2

2.1 Calculate the following financial indicators for the financial year ended 30 April 2022:

2.1.1 Debt-equity ratio

Workings	Answer
1 080 000 ✓ : 10 776 400 ✓	0,1 : 1 <input checked="" type="checkbox"/> One part correct

3

2.1.2 Earnings per share (EPS)

Workings	Answer
$\frac{1\,162\,000 \checkmark}{576\,000 \checkmark \checkmark} \times 100$ <p>(144 000 ÷ 25c)</p>	201,7 cents <input checked="" type="checkbox"/> accept 202 cents One part correct

4

2.1.3 Dividend pay-out rate (%)

Workings	Answer
$\frac{(45+25) \times 70 \text{ cents} \checkmark}{201,7 \text{ cents} \checkmark} \times 100$ <p>see 3.1.2</p>	34,7% <input checked="" type="checkbox"/> One part correct

3

2.1.4 % return on average shareholders' equity (ROSHE)

Workings	Answer
$\frac{1\,162\,000 \checkmark}{\frac{1}{2} \checkmark (10\,776\,400 \checkmark + 8\,893\,800 \checkmark)} \times 100$ <p>19 670 200 two marks 9 835 100 three marks</p>	11,8% <input checked="" type="checkbox"/> One part correct

5



2.2

Cash effects of changes in working capital operation	(764 100) <input checked="" type="checkbox"/>
<div>CA-TOR-CCE CA-TOR-CCE</div> Change in inventory 714 600 ✓ – 485 700 ✓	(228 900) <input checked="" type="checkbox"/> *
Change in receivables (448 000 + 28 400) 476 400 ✓ – 323 800 ✓	(152 600) <input checked="" type="checkbox"/> *
Change in payables 814 600 – 432 000	(382 600) ✓ <input checked="" type="checkbox"/> *

9

*One part correct and must indicate correct operation and correct use of brackets;
 If no brackets, assume answer is an inflow of cash – award marks for workings only;
 If a working amount is shown as a final answer, award the mark, ignore the bracket;
 If the correct amount is provided without the brackets, and without workings, award all marks awarded for workings only.

2.3.1

Taxation paid	
WORKINGS	ANSWER
$1\,660\,000 - 1\,162\,000$ $- 28\,700 \checkmark + 498\,000 \checkmark \checkmark + 5\,400 \checkmark$ <p>Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger accounts</p>	474 700 <input checked="" type="checkbox"/> One part correct

5

2.3.2

Proceeds from sale of fixed assets	
WORKINGS	ANSWER
$11\,434\,000 \checkmark + 280\,800 \checkmark - 1\,632\,000 \checkmark - 9\,984\,400 \checkmark$ <p>Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger accounts</p>	98 400 <input checked="" type="checkbox"/> One part correct

5

2.3.3

Funds used for the repurchase of shares	
WORKINGS	ANSWER
$25\,000 \times 1,1 \quad \text{OR} \quad 25\,000 \times 1,1 + 2\,500$	27 500 ✓ <input checked="" type="checkbox"/> One part correct

2

2.4

NET CHANGE IN CASH AND CASH EQUIVALENTS operation	(325 800) <input checked="" type="checkbox"/> *
Balance on 1 May 2021	67 800 ✓
Balance on 30 April 2022 (6 000 – 264 000)	(258 000) ✓✓

4

*One part correct

TOTAL MARKS
40

QUESTION 3

3.1

3.1.1	B ✓	
3.1.2	C ✓	
3.1.3	A ✓	

3

3.2.1

The directors are satisfied with the improvement in the liquidity of the company. Quote and explain THREE financial indicators with figures and trends that show an improvement of the liquidity position.

Financial indicators ✓ ✓ ✓ Explanation (figures with trends) ✓ ✓ ✓

- Current ratio decreased from 2.9 : 1 to 2.1 : 1
- Acid test ratio increased from 1 : 1 to 1.4 : 1
- Stock turnover rate increased from 9.1 times to 10.2 times.

6

3.2.2

Explain why the shareholders should be satisfied with their return on investment in the company. Quote figures and trends in your explanation.

Financial indicators ✓ Figures and trend ✓ Comparison with interest rate ✓✓

% Return on shareholders improved from 10,4% to 15,3% / by 47,1%/
This is more than the interest rate on alternative investments (fixed deposits) of ±7%

4

3.2.3

One of the directors feels that the company should pay back the loan as soon as possible. Explain why you disagree with him. Quote TWO financial indicators with figures and trends.

Two financial indicators (with figures) ✓✓ ✓✓

- Debt/equity ratio was maintained at 0,3 : 1
- ROTCE is now 17,2% / increased from 12,1% to 17,2% / by 42,1%

Explanation: both risk and gearing should be mentioned ✓ ✓
part marks for partial / incomplete / unclear responses

- The company is lowly geared
- The company experiencing positive gearing (ROTCE is higher than interest rate of 14%)

6

3.2.4 One of the shareholders wants to sell her shares at R6 each.

Provide ONE reason why you would agree with her to sell her shares. Quote a financial indicator with figures and trends.

Financial indicators ✓ Figures and trends ✓

Any ONE response:

- Market price has dropped from 640c to 600c / by 40 cents.
- Market price of 600 cents is lower than NAV of 650 cent

Provide ONE reason why you disagree with her to sell her shares. Quote a financial indicator with figures and trends.

Financial indicators ✓ Figures and trends ✓

Any ONE response:

- EPS increased from 75 cents to 104 cents per share / by 29 cents.
- NAV increased from 625c to 650c / by 25 cents.
- Return on shareholders' equity increased from 10,4% to 15,3% / by 47,1%
- Dividend pay-out-rate increased from 73,3% to 76,9% / by 4.9%

4

3.2.5 The shareholders should be happy with the earnings per share (EPS), because it is better than the previous year. Explain why you agree with them. Quote figures and calculations.

Compare EPS to Value of share (MP / NAV) for 2022 with figures ✓✓

part marks for partial / incomplete / unclear responses

Compare EPS to Value of share (MP / NAV) for 2021 with figures ✓✓

part marks for partial / incomplete / unclear responses

Expected responses for 4 marks (two marks per financial year)

- EPS to NAV is 16% in 2022 and 12% in 2021 / EPS to NAV is 25% more than 2021 (previous year).
- EPS to MP is 17.3% in 2022 and 11,7% in 2021
- Earnings in 2022 is 104c on a share valued at 650c/600c while in 2021 it is 75c on a share value at 625c/640

4

3.3.1

Explain what effect this consideration will have on the % shareholding of Alton Flan in EACH company. Quote figures and trends.

Explanation on % shareholding ✓ ✓ Figures and trend ✓✓ ✓✓

Socker Ltd:

He will become the majority shareholder

His shareholding will increase from 46% to % 51%

Boll Ltd:

His shareholding will drop from 55% to 50,9% / 51%

He will remain the majority shareholder



6

3.3.2

Calculate the number of shares Alton Flan could buy in Boll Ltd.

WORKINGS	ANSWER
$110\,200 \times 5$ $551\,000 \div 4$	$137\,750$ ✓ <input checked="" type="checkbox"/> One part correct

2

TOTAL MARKS
35

QUESTION 4

4.1

Explain the role of the remunerations committee and give a reason why there is a need for this committee.

EXPLANATION: ✓

Any ONE valid response

- Review all salaries, bonuses and other earnings
- Prevent directors from paying themselves too much / protect shareholder's investment.
- They must approve and give advice on the proposals regarding fees, bonuses etc.

REASON: ✓✓ part mark for unclear/incomplete/partial responses

Any ONE valid response

- To ensure fairness / Transparency in the payment of fees / salaries
- To prevent fraud / corruption / wastage
- To detect mismanagement or fraudulent activities
- To compare the remuneration / earnings against financial information of other companies in the industry / fairness to workers

3

4.2

Explain why the auditor referred to pages 7 to 22 in this report.

Any ONE valid response ✓✓ part mark for unclear/incomplete/partial responses

- Auditors are responsible only for reports presented on these pages of the annual report.
- They are not accountable for the other information in the annual reports.
- Financial statements on pages 7–22 were subjected to auditing. The audited financial reports / statements are found on these pages of the full report presented to the shareholders at the AGM.

2

4.3

Identify the type of audit report that the company received and give a reason for your answer.

ONE valid response ✓✓ part marks for partial / incomplete / unclear responses
To get full marks, Qualified report must be mentioned

The company received a Qualified report because...

- The financial statements were fairly presented except for an issue with the increase in directors' fees **OR**
- A specific item (increase in directors' fees) could not be verified **OR**
- There was no evidence / documents to verify the increase in directors' fees **OR**
- Proper procedures were not followed with regards to the increase in directors fees

2

4.4

Explain the effect of this type of report for the image of the company.

Provide TWO points.

TWO valid responses ✓✓ ✓✓ part marks for partial / incomplete / unclear responses

- There is a weakness in internal controls; possible negligence or colluding / fraud
- This will impact on share price (demand) / returns earned / dividends earned by shareholders
- Potential investors would not be interested to buy shares / existing shareholders may want to sell their shares
- Directors appointed are not reliable – lose confidence/trust in them
- Significant information is not being openly discussed (transparency)

4

4.5

State TWO possible consequences for the independent auditor if he had NOT referred to the increase in directors' fees.

TWO valid responses ✓✓ ✓✓ part marks for partial / incomplete / unclear responses

- He could face a disciplinary hearing by the professional body.
- He may not be reappointed as an external auditor.
- He may be charged/fined/lose his license to practice.

4

TOTAL MARKS
15

TOTAL: 150

