



**KWAZULU-NATAL PROVINCE**

**EDUCATION**  
REPUBLIC OF SOUTH AFRICA

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING P1**  
**PREPARATORY EXAMINATION**  
**SEPTEMBER 2023**

**MARKS: 150**

**TIME: 2 Hours**

This question paper consists of 9 pages, a formula sheet  
and An Answer Book of 8 pages.

**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 in order to achieve 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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
8. Write neatly and legibly.
9. Use the information and table below as a guide when answering the question paper.  
Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income and Section of Statement of Financial Position	60	50
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	35	30
4	Corporate Governance and Audit Report	15	10
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: COMPANY FINANCIAL STATEMENTS****(60 marks; 50 minutes)**

The information relates to Ixopo Ltd for the financial year ended on 28 February 2023.

**REQUIRED:**

- 1.1 Calculate the total depreciation for the year. (10)
- 1.2 Complete the Statement of Comprehensive Income for the year ended 28 February 2023 (35)
- 1.3 Complete the Current Liabilities section of the Statement of Financial Position. (15)

**Note: Some information and figures are provided in the ANSWER BOOK.**

**INFORMATION:**

**A. EXTRACT: PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY**

Balance sheet accounts	2023 R	2022 R
Ordinary share capital	8 700 000	6 900 000
Retained Income	?	850 000
Loan: Triumph Bank	2 850 000	3 100 000
Vehicles	?	800 000
Accumulated depreciation on vehicles	?	415 000
Equipment	910 000	?
Accumulated depreciation on equipment	?	782 000
Provision for bad debts	?	8 135
Fixed deposit	?	
Creditors control	112 755	
Debtors control	135 300	
SARS (Income tax) (Dr)	500 000	
<b>Nominal accounts</b>		
Sales	?	
Cost of sales	4 809 000	
Service fee income	550 000	
Rent income	62 800	
Directors fees	625 000	
Audit fees	188 410	
Salaries and wages	526 855	
Insurance	14 700	
Advertising	87 000	
Sundry expenses	?	
Interest on fixed deposit	?	
Ordinary share dividends	210 000	

**B. Trade discounts** of R360 000 was allowed on invoices to certain customers. The business prices its goods at a mark-up of 70% on cost.

**C. The provision for bad debts** must be adjusted to R7 515.

**D. Rent** has been received until 31 May 2023. The monthly rent increased by 10% on 1 November 2022.

**E. Directors' fees** were paid to two directors. One director requested that his fees for March 2023 be paid in February 2023, due to his financial problems. The committee agreed. The two directors receive the same monthly pay.

**F. Advertising** of R57 700 consists of a monthly contract with a local radio station. Advertising was paid for 13 months. The contract rate was decreased by R200 per month from 1 December 2022.

**G. Vehicles:**

- An old delivery vehicle, with a carrying value of R170 000 on 1 March 2022, was sold for R150 000 cash on 1 December 2022.
- Depreciation for vehicles at 20% on a diminishing balance.

**H. Equipment:**

- New equipment costing R50 000 was purchased on 1 November 2022 for cash. Transaction was properly recorded.
- Equipment is depreciated at 15% p.a. on cost.

**I. Two debtors** with credit balances totaling R15 000 must be transferred to the Creditors Ledger.

**J. Loan:**

The repayments on the loan are fixed at R40 000 per month (including capitalised interest).

Interest for the next financial year will decline by 5% from the 2023 interest on loan.

**K. After taking all the adjustments above into account, the following were correctly calculated:**

- Operating profit R2 030 000
- Total dividends for the year R380 000

**L. Income tax** for the financial year was calculated as R600 000. This is 30% of the net profit before tax.

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

You are provided with information related to Ladysmith Limited, a public company, for the financial year ended 30 June 2023.

**REQUIRED:**

- 2.1 Prepare the Retained income Note on 30 June 2023: (9)
- 2.2 Calculate the following amounts for the Cash Flow Statement. Show workings.
  - 2.2.1 Dividends paid (3)
  - 2.2.2 Income tax paid (4)
- 2.3 Complete the following sections of the Cash Flow Statement.
  - 2.3.1 Investing activities (8)
  - 2.3.2 Financial activities (5)
- 2.4 Calculate the following financial indicators for the year ended 30 June 2023:
  - 2.4.1 % Operating expenses on sales (3)
  - 2.4.2 Current ratio (4)
  - 2.4.3 Net asset value per share (NAV) (4)

**INFORMATION:****A. Shares and dividends:**

- 1 July 2022: 800 000 shares were in issue
- 30 September 2022: 30 000 ordinary shares were repurchased from a retired shareholder at R9,80.
- 31 December 2022: Interim dividend of 40 cents per share was paid.
- 1 January 2023: 100 000 new shares were issued at R13,12.
- 30 June 2023: Final dividends were declared to all shareholders in the shares register.





**B. Extract from the Statement of Comprehensive Income for the year ended 30 June 2023:**

	R
Sales	6 000 000
Cost of sales	4 000 000
Depreciation	56 000
Operating expenses	1 500 000
Net profit before tax	1 400 000
Net profit after tax	980 000

**C. Extract from the Statement of Financial Position on 30 June:**

	2023	2022
Ordinary shareholders' equity	?	
Ordinary share capital	7 395 000	6 320 000
Retained Income	?	811 800
Non-current liabilities (15% p.a.)	2 549 950	1 782 950
Total Liabilities	4 500 100	2 868 200
Current assets	3 900 000	2 200 000
Investment in fixed deposit	4 100 000	1 900 000
Fixed/Tangible assets	5 000 000	5 900 000
SARS (Income tax)	<b>Dr</b> 50 000	<b>Cr</b> 30 000
Shareholders for dividends	321 900	250 000

**D. Fixed assets**

- The building was sold at carrying value during the financial year, R2 000 000.
- Equipment was purchased during the financial year.



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

- 3.1** Choose a term from the list below that answers the specific following questions. Write only the term next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

Return on capital employed; return on equity; solvency; liquidity; profitability

3.1.1 Is the business able to pay off all its debts?

3.1.2 Can the business pay off short-term debts in the next financial year?

3.1.3 Will shareholders be satisfied with the benefit that they receive for investing in the company?

(3 x 1) (3)

**3.2 CHATSWORTH LTD**

You are provided with information relating to Chatsworth Ltd, a public company, for the financial year ended 31 August 2023.

**REQUIRED:**

**NOTE:** Provide figures, trends, financial indicators or calculations in EACH case to support your comments and explanations.

**3.2.1 Profitability:**

Quote and explain TWO financial indicators to show that the company is managing its expenses more efficiently. (4)

**3.2.2 Liquidity:**

The directors are satisfied with the liquidity of the company. Quote THREE financial indicators to support this statement. (6)

**3.2.3 Dividends, Returns and Earnings:**

- Comment on the dividend pay-out policy. Provide ONE point. (2)
- A shareholder wants to sell her shares to invest in a 3-year fixed deposit account at her bank. Explain whether this is a wise decision. (4)

**3.2.4 Risk and gearing:**

One of the directors believes that the company could increase loans in the new financial year. Quote TWO financial indicators (with figures) and explain each indicator to support her opinion. (6)

### 3.2.5 Share capital and % shareholding: Refer to information C.

The CEO, Stanley Foster, currently owns 46% of the issued shares after the repurchasing of shares on 31 October 2022. The board of directors has decided to issue all the unissued shares in April 2023.

- Calculate the minimum number of shares that Stanley must buy in April 2023 to gain control of the company. (6)
- Stanley wants to purchase the additional shares at R9,00 without advertising the shares to the public. Give TWO reasons why you would not support him. (4)

#### INFORMATION:

##### A. Financial Indicators calculated on 31 August:

	2023	2022
% operating expenses on sales	13.8%	19.5%
% Operating profit on sales	24.5%	22.8%
% Net profit on sales	20.9%	21.8%
Current ratio	2.4 : 1	1.9 : 1
Acid-test ratio	1 : 1	0.8 : 1
Stock turnover rate	6 times	3 times
Total assets to total liabilities	3.0 : 1	5.0 ; 1
Earnings per share	158 cents	130 cents
Dividends per share	169 cents	90 cents
Dividend payout rate	107%	69%
Net asset value per share	1 050 cents	950 cents
Debt-equity ratio	0.6 : 1	0.8 : 1
% Return on average capital employed	17.2%	12.7%
% Return on average shareholders' equity	18.9%	18%

##### B. Additional information on 31 August:

	2023	2022
Market price of shares on stock exchange	1 590 cents	1 340 cents
Interest on loan	13%	13%
Interest on alternative investment	11%	7.5%

##### C. Issue and repurchase of shares:

	NO. OF SHARES
Authorised share capital	3 000 000
Number of shares in issue on 1 September 2022	2 050 000
Number of shares repurchased on 31 October 2022	260 000
Number of shares in issue on 31 August 2023	?

None of Stanley's shares were repurchased on 31 October 2022.



**QUESTION 4****CORPORATE GOVERNANCE AND AUDIT REPORT****(15 Marks; 10 Minutes)**

- 4.1** Choose the correct term from COLUMN B to match the description in COLUMN A. Write only the letter (A – D) next to the question number (4.1.1 to 4.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	Guidelines for the preparation of financial statements to ensure consistency.	A	Memorandum of Incorporation
4.1.2	Sets out the rights, duties and responsibilities of shareholders and directors.	B	IFRS
		C	Matching concept
4.1.3	Revenue generated and related expenses are recognised in the same accounting period.	D	Going concern concept

(3 x 1) (3)

**4.2 CORPORATE GOVERNANCE****REQUIRED:**

- 4.2.1 According to the Companies Act, 2008 (Act 71 of 2008), a company must have a remunerations committee.
- Explain the role/responsibility of this committee. (2)
  - Give one reason why this committee is necessary in a public company. (2)
- 4.2.2 Explain why it should be company policy that directors must declare all gifts, donations or favours received from suppliers. Provide TWO points. (4)

**4.3 AUDIT REPORT****REQUIRED:**

Internal auditors should be appointed in private and public companies.

Explain TWO roles/responsibilities of internal auditors in companies. (4)

**TOTAL MARKS: 150****15**

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
<b>NOTE</b> <ul style="list-style-type: none"> <li>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.</li> </ul>	

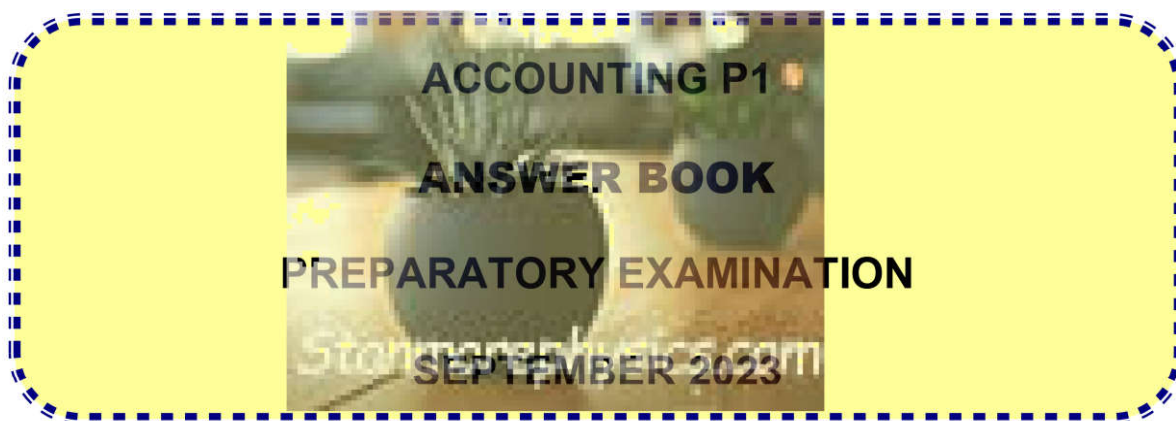


## KWAZULU-NATAL PROVINCE

EDUCATION  
REPUBLIC OF SOUTH AFRICA

### NATIONAL SENIOR CERTIFICATE

GRADE 12




Name: \_\_\_\_\_ Grade: \_\_\_\_\_

QUESTION	TOTAL MARKS	LEARNER MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE PROVINCE
1	60				
2	40				
3	35				
4	15				
TOTAL	150				

This answer book consists of 8 pages.



QUESTION 1

1.1	Calculate the total depreciation for the year.	
	 WORKINGS	ANSWER

1.2

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 28 FEBRUARY 2023**

<b>Sales</b>	
<b>Cost of sales</b>	<b>(4 809 000)</b>
<b>Service fee income</b>	<b>550 000</b>
<b>Audit fees</b>	<b>188 410</b>
<b>Salaries and wages</b>	<b>526 855</b>
<b>Insurance</b>	<b>14 700</b>
<b>Depreciation</b>	
<b>Operating profit</b>	<b>2 030 000</b>
<b>Interest income</b>	
<b>Operating profit before interest expenses</b>	
<b>Interest expenses</b>	
<b>Net profit before taxation</b>	
<b>Taxation</b>	
<b>Net profit after tax</b>	

35

1.2 **Current Liabilities section of the Statement of Financial Position**

<b>Current liabilities</b>	

15


**TOTAL MARKS**

60



QUESTION 2

2.1 Retained Income Note on 30 June 2023

9

2.2.1 Dividends paid

WORKINGS	ANSWER

3

2.2.2 Tax paid


WORKINGS	ANSWER

4

2.3.1 Cash flow from Investing activities



8

2.3.2 Cash Flow from financing activities

5

2.4.1 % Operating expenses on sales

WORKINGS	ANSWER
	

3

2.4.2 Current ratio

WORKINGS	ANSWER

4

2.3.3 Net asset value per share (NAV)

WORKINGS	ANSWER

4

TOTAL MARKS
40



**QUESTION 3**

**3.1 Choose a term from the list below that answers the specific following questions. Write only the term next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.**

3.1.1



3.1.2

3.1.3

3

**3.2.1 Quote and explain TWO financial indicators to show that the company is managing its expenses more efficiently.**

4

**3.2.2 The directors are satisfied with the liquidity of the company. Quote THREE financial indicators to support this statement.**

6

**3.2.3 Comment on the dividend pay-out policy. Provide ONE point.**

**A shareholder wants to sell her shares to invest in a 3-year fixed deposit account at her bank. Explain whether this is a wise decision.**

6



**3.2.4 One of the directors believes that the company could increase loans in the new financial year. Quote TWO financial indicators (with figures) and explain each indicator to support her opinion.**



6

**3.2.5 Calculate the minimum number of shares Stanley must buy in April 2023 to gain control of the company.**

WORKINGS	ANSWER

6

**Stanley wants to purchase the additional shares at R9,00 without advertising the shares to the public. Give TWO reasons why you would not support him.**

4

**TOTAL MARKS**

**35**



**QUESTION 4****4.1**

Choose the correct word from COLUMN B to match the description in COLUMN A. Write only the letter (A – D) next to the question number (4.1.1 to 4.1.3) in the ANSWER BOOK.

4.1.1



4.1.2

4.1.3

3

**4.2.1**

Explain the role/responsibility of this committee.

Give ONE reason why this committee is necessary in a public company.

4

**4.2.2**

Explain why it should be company policy that directors must declare all gifts, donations or favours received from suppliers. Provide TWO points.

4

**4.3**

Explain TWO roles/responsibilities of internal auditors in companies.



4

**TOTAL MARKS**

15

**TOTAL MARKS: 150**





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**GRADE 12**

**ACCOUNTING P1**  
**MARKING GUIDELINES**  
**PREPARATORY EXAMINATION**  
**SEPTEMBER 2023**


**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).
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. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark the workings.
4. If a pre-adjustment figure is shown as the final figure, award part-mark as a working mark for that figure (not the method mark for the answer). **Note:** if figures are stipulated in memo for components of workings, these do not carry the method 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 from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in a certain question.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
11. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f=foreign item; p=placement.


## QUESTION 1

## 1.1 Calculate the total depreciation for the year.

WORKINGS	ANSWER
 <p>Vehicles  <math>(170\,000 \times 20\% \times 9/12)</math> <b>One mark</b>  Sold: 25 500 ✓</p> <p><math>(800\,000 - 415\,000 - 170\,000)</math> <b>two marks</b>  Old: 215 000 ✓✓ <math>\times 20/100</math>  = 43 000 ✓ <b>One part correct</b></p> <p>Equipment  860 000 <b>Two marks</b> <b>One mark</b>  Old: <math>[(910\,000 - 50\,000) - 782\,000] - 1</math>  78 000 ✓✓ -1 ✓  = 77 999 <b>three marks</b></p> <p>New: <math>50\,000 \times 15/100 \times 4/12</math>  = 2 500 ✓✓ <b>One part correct</b></p> <p style="text-align: center;">OR</p> <p>25 500 + 43 000 + 77 999 + 2 500 =</p>	<p>148 999 ✓  <b>operation one part correct</b></p> <p>(%s are not considered for one part correct)</p>

10

## Alternative Calculations

WORKINGS	ANSWER
<p>Vehicles  <math>(800\,000 - 415\,000 - 170\,000)</math>  <math>170\,000 \times 20\% \times 9/12</math> 215 000 <math>\times 20\%</math>  25 500 + 43 000 = 68 500  <b>One mark</b> <b>two marks + 1 m/mark</b> <b>four marks</b>  <b>One part correct</b></p> <p>Equipment  <math>(910\,000 - 50\,000)</math>  <math>(860\,000 - 782\,000) - 1</math> 50 000 <math>\times 15\% \times 4/12</math>  77 999 + 2 500 = 80 499  <b>two marks</b> <b>one mark</b> <b>one mark</b> <b>one mark</b> <b>one mark</b> <b>five marks</b>  <b>Four marks</b></p>	<p>148 999  <b>Operation</b>  <b>(must be Veh + Equip)</b>  <b>One part correct</b>  <b>(%s are not considered for one part correct)</b></p> 

1.2	<b>Statement of Comprehensive Income for the year ended on 28 February 2023</b>		
	<b>Sales</b> (8 175 300*✓✓ – 360 000✓) one part correct	7 815 300	✓
	<b>Cost of sales</b>	(4 809 000)	
5	Gross profit Operation	3 006 300	✓
	Other operating income Operation	605 720	✓
	<b>Service fee income</b>	<b>550 000</b>	
	Rent income (62 800✓ – 13 200**✓✓) one part correct	49 600	✓
	Profit on sale of an asset (170 000✓ – 25 500✓ – 150 000✓) Or 150 000 One m + 25 500 One m – 170 000 One m Or 150 000 One m – 145 000 Two m	5 500	✓
11	Provision for bad debts adjustment (8 135 – 7 515)	620	✓✓
	Operating income	3 612 020	
	Operating expenses Operation	(1 582 020)	✓
	<b>Audit fees</b>	<b>188 410</b>	
	<b>Salaries and wages</b>	<b>526 855</b>	
	<b>Insurance</b>	<b>14 700</b>	
	<b>Depreciation</b> See 1.1	148 999	✓
	Directors fees (625 000✓ – 25 000***✓)	600 000	✓
	Advertising (87 000✓ – 4 300****✓✓)	82 700	✓
10	Sundry expenses Balancing/missing figure	20 356	✓
	<b>Operating profit</b>	<b>2 030 000</b>	
	<b>Interest income</b> Missing figure	200 000	✓
	<b>Operating profit before interest expenses</b> Operation	2 230 000	✓
	<b>Interest expenses</b> (3 100 000 – 480 000✓ – 2 850 000✓)	(230 000)	one part correct ✓
	<b>Net profit before taxation</b> (600 000 x 100/30) ✓	2 000 000	✓
	<b>Taxation</b>	(600 000)	✓
9	<b>Net profit after tax</b> taxation x70/30 or NPBT x70/100	1 400 000	✓

35

Foreign entry -1 max -2

\* Sales 4 809 000 x 170/100 = 8 175 300

\*\* Rent income 62 800 x 770/1 570 = 30 800; 30 800 x 3/7 = 13 200  
OR (62 800/15,7) X 1.1 = 4 400; 4 400 x 3 = 13 200

\*\*\* Directors fees 625 000 / 25 = 25 000

\*\*\*\* Advertising [(57 700 + (200X4))/13] = 4 500 – 200 = 4 300  
OR 57 700 – 1 800 = 55 900 / 13 = 4 300  
200 X 9

## 1.3 Current liabilities section of the Statement of Financial Position

<b>Current liabilities</b> operation	672 455	✓
Trade and other payables (112 755✓ + 13 200✓ + 15 000✓)	140 955	✓
Shareholders for dividends (380 000✓ – 210 000✓)	170 000	✓
SARS- income tax (600 000✓ – 500 000✓)	100 000	✓
Current portion of loan (480 000✓ – 218 500*✓✓) one part correct	261 500	✓

\* 230 000 X 95/100 = 218 500

15

TOTAL MARKS

60



**QUESTION 2****2.1 Retained Income Note on 30 June 2023**

Balance at the beginning	811 800 ✓
Net profit after tax	980 000 ✓
Buy- back of shares (30 000 X 1,90) Or [R9,80 - (6 320 000/800 000)]	(57 000) ✓✓
Dividends <span style="background-color: yellow;">Operation</span>	(629 900) ✓
(800 000 - 30 000)	
Paid (770 000 X 0,40)	308 000 ✓✓
Final	321 900 ✓
Balance at the end <span style="background-color: yellow;">Operation one part correct</span>	1 104 900 ✓

9

**2.2.1 Dividends paid**

WORKINGS	ANSWER
250 000 ✓ + 308 000 ✓ <span style="background-color: yellow;">See 2.1</span> OR 250 000 + 629 900 - 321 900	(558 000) ✓ <span style="background-color: yellow;">Operation</span> <span style="background-color: yellow;">One part correct</span>

3

**2.2.2 Tax paid**

WORKINGS	ANSWER
420 000 ✓ + 30 000 ✓ + 50 000 ✓ <span style="background-color: yellow;">One part correct</span> (1 400 000 - 980 000) <span style="background-color: yellow;">One mark</span>	(500 000) ✓ <span style="background-color: yellow;">Operation</span> <span style="background-color: yellow;">One part correct</span>

4

**2.3.1 Cash flow from Investing activities** Operation one part correct

	1 356 000 ✓
Purchases of Fixed assets ( 5 000 000 ✓ + 56 000 ✓ + 2 000 000 ✓ - 5 900 000 ✓) Or 5 900 000 - 5 000 000 - 56 000 - 2 000 000	(1 156 000) ✓ <span style="background-color: yellow;">one part correct</span>
Proceeds from sale of fixed assets	2 000 000 ✓
Changes in financial assets (4 100 000 - 1 900 000)	(2 200 000) ✓

8

**2.3.2 Cash Flow from financing activities** Operation one part correct

	1 785 000 ✓
Proceeds from shares issued ( 100 000 x R13,12)	1 312 000 ✓✓
Buy-back of shares (30 000 X R9,80)	(294 000) ✓
Changes in loan (2 549 950 - 1 782 950)	767 000 ✓

5

**2.4.1 % Operating expenses on sales**

WORKINGS	ANSWER
$\frac{1\,500\,000}{6\,000\,000} \times \frac{100}{1}$	25% one part correct x 100 is not considered as one part correct

3

**2.4.2 Current ratio**

WORKINGS	ANSWER
$\frac{(4\,500\,100 - 2\,549\,950)}{3\,900\,000} : 1\,950\,050$	1,99 : 1 Accept 2:1 one part correct

4

**2.4.3 Calculate net asset value per share (NAV)**

WORKINGS	ANSWER
$\frac{8\,499\,900}{870\,000} \times 100$ $\frac{(800\,000 - 30\,000 + 100\,000)}{870\,000} \times 100$	977 cents one part correct x 100 is not considered as one part correct

4

**TOTAL MARKS**

40





## QUESTION 3

3.1 Choose a term from the list below that answers the specific following questions. Write only the term next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

3.1.1	Solvency ✓
3.1.2	Liquidity ✓
3.1.3	Return on equity ✓

3

3.2.1 Quote and explain TWO financial indicators to show that the company is managing its expenses more efficiently.

Financial indicator ✓ ✓ figure and trends ✓ ✓

- Operating expenses on sales decreased (from 19.5%) to 13.8% / by 5.7
- % Operating profit on sales increased from 22.8% to 24.5% / by 1.7

Do not accept % net profit on sales since it decreased.

4

3.2.2 The directors are satisfied with the liquidity of the company. Quote THREE financial indicators to support this statement.

Financial indicator ✓ ✓ ✓ figure and trends ✓ ✓ ✓

- Current ratio increased (from 1.9 : 1) to 2.4 : 1 / by 0.5 / (26%)
- Acid test ratio increased (from 0.8 : 1) to 1 : 1 / by 0.2 / (25%)
- Stock turnover rate increased (from 3 times) to 6 times / by 3 times (100%)

6

3.2.3 Comment on the dividend pay-out policy. Provide ONE point.

- Dividend payout rate increased (from 69%) to 107% / by 38 / (55%) ✓

Explanation: ✓

- Directors used retained income funds for increased pay-outs to keep shareholders happy.

A shareholder wants to sell her shares to invest in a 3-year fixed deposit account at her bank. Explain whether this is a wise decision.

Explanation ✓ ✓ Supporting indicator ✓ ✓

- ROSHE increased (from 18%) to 18.9% / by 0.9%
- Can earn higher interest as % interest on alternative investments increased (from 7.9%) to 11% / by 3.1%.
- ROSHE of 18.9% is higher than interest on fixed deposit of 11% / by 7.9%.
- Shareholders will not receive a better return on alternative investment.

6

**3.2.4 One of the directors believes that the company could increase loans in the new financial year. Quote TWO financial indicators (with figures) and explain each indicator to support her opinion.**

**Financial indicator** ✓ **figure and trends** ✓ **Explanation** ✓  
Debt-equity ratio decreased (from 0.8 : 1) to 0.6 : 1 / by 0.2 (25%) this indicate a low risk

**A Financial indicator with a figure and a trend compared to interest on loan** ✓✓  
**Explanation** ✓

ROTCE increased (from 12.7%) to 17.2 % by 2.5%. ROTCE of 17.2% is above the interest on loan of 13% / by 4.2%. This indicate a positive gearing.

Max -1 for superfluous additional financial indicators mentioned.

6

**3.2.5 Calculate the minimum number of shares Stanley must buy in April 2023 to gain control of the company.**

WORKINGS	ANSWER
3 000 000 – 260 000 2 740 000 ✓ x 51/100 ✓ (1 790 000 x 46/100) 1 397 400 ✓ – 823 400 ✓ ✓  <b>OR</b>  (2 740 000 X 50%) + 1 1 370 001 – 823 400 Three marks two marks	574 000 ✓ OR 546 601 one part correct

6

**Stanley wants to purchase the additional shares at R9,00 without advertising the shares to the public. Give TWO reasons why you would not support him.**

**Any TWO Reasons** ✓✓ ✓✓

- All shares must be advertised to the public as it is required by Companies Act (law) / must publish a prospectus before issuing new shares..
- He is offering R9,00 (900 cents) while the market value is R15,90 (1 590 cents).
- This is an example of insider trading and it is a criminal offence / Stanley will be taking advantage of his position to enrich himself.
- The value of R9.00 (900 cents) is below the net asset value of R10,50 (1 050 cents).

4

**TOTAL MARKS**

35



## QUESTION 4

4.1 Choose the correct word from COLUMN B to match the description in COLUMN A. Write only the letter (A – D) next to the question number (4.1.1 to 4.1.3) in the ANSWER BOOK.

4.1.1	B ✓
4.1.2	A ✓
4.1.3	C ✓

3

4.2.1 Explain the role/responsibility of this committee.

**EXPLANATION:** ✓✓ part marks for incomplete, partial or unclear answer

- Review all salaries, bonuses and other earnings
- To prevent directors from paying themselves too much
- They must approve, and give advice on the proposals i.r.o fees, bonuses etc.

**Give ONE reason why this committee is necessary in a public company.**

**REASON:** ✓✓ part marks for incomplete, partial or unclear answer

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

4

4.2.2 Explain why it should be company policy that directors must declare all gifts, donations or favours received from suppliers. Provide TWO points.

**Any TWO points** ✓✓ ✓✓ part marks for incomplete, partial or unclear answer

- Transparency in awarding contracts, tenders or appointing service providers.
- Could result in not appointing the best suited client for the job.
- Policy would prevent colluding with service providers.
- To protect the image of the business.
- Conflict of interest ( which could be corrupt , fraudulent, nepotism, bribery)

4

4.3 Explain TWO roles/responsibilities of internal auditors in companies.

**Any Two roles/responsibilities** ✓✓ ✓✓ Part marks for incomplete, partial or unclear answer

- Attend meetings with an understanding to develop the business process.
- Travel to the different sites to get all information from various staff members.
- Provide ad hoc advice and guidance to managers and staff at all levels.
- Provide support and guidance to management on how to handle new opportunities.
- Assessing the management of risk/ Evaluating risks.
- Assisting management in the improvement of internal controls.
- Evaluating controls and advise all level managers.

4

**TOTAL MARKS**

15

**TOTAL MARKS: 150**

