



education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING P1
SEPTEMBER 2023**

Stanmorephysics

MARKS: 150

TIME: 2 hours

**This question paper consists of 10 pages,
a formula sheet and a 9-page Answer Book**



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INSTRUCTION AND INFORMATION

Read the following instruction carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
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	MINUTES
1	Statement of Financial Position	60	50
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	35	30
4	Corporate governance	15	10
TOTAL		150	120



QUESTION 1: STATEMENT OF FINANCIAL POSITION:**(60 marks; 50 minutes)****1.1 CONCEPTS**

Choose an explanation from COLUMN B that matches a concept in COLUMN A. Write only the letter (A-E) next to the question number (1.1.1-1.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.1.1 Shareholder	A Monitors control measures to prevent mismanagement and fraud.
1.1.2 Director	B Owners of the company.
1.1.3 Internal auditor	C Expresses an opinion on the reliability financial statements of a company.
1.1.4 External auditor	D Appointed by the shareholders to manage the company.
	E Founders of a company.

(4)**1.2 KING LIMITED**

The financial year ended on 28 February 2023.

REQUIRED:

1.2.1 Complete the following Notes to the Statement of Financial Position:

- Ordinary share Capital (8)
- Retained income (8)

1.2.2 Prepare the Statement of Financial Position on 28 February 2023. (40)

INFORMATION:

A. Extract from the records on 28 February 2023:



	R
Ordinary share capital	9 510 000
Retained income	793 000
Loan from director	?
Land and Buildings	8 532 560
Equipment at cost	600 000
Accumulated depreciation on equipment	?
Fixed deposit : ABA Bank (9% p.a.)	806 000
Creditors' control	1 441 000
Debtors' control	1 067 800
Cash at bank	132 000
Creditors for salaries	72 000
Income receivable (accrued income)	48 000
Income received in advance	6 600
SARS: Income tax (provisional payments)	390 000

B. Share capital and dividends:

Authorised share capital: 3 000 000 ordinary shares	
Issued share capital:	
1 March 2022	40% of the authorised ordinary shares had been issued
1 September 2022	The directors paid an interim dividend of 35 cents per share
1 November 2022	40 000 shares were repurchased at 25% (R60 000) above the average price. This transaction was recorded
1 December 2022	300 000 new shares were issued
28 February 2023	The directors declared a final dividend of 7 cents per share to all shareholders on the register.

C. Net profit and Income Tax:

Income tax for the financial year was calculated as R408 800. This is 28% of the net profit before tax.

D. Fixed assets:

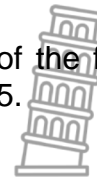
All the equipment was purchased on the same day, 1 October 2020. Depreciation is written off at 20% p.a. on cost price. There were no other changes in fixed assets. Current depreciation has been recorded.

E. Fixed deposit:

The fixed deposit is invested with ABA Bank. Note that 25% of the fixed deposit will mature on 31 August 2023, while the balance will mature in 2025.

F. Loan from the director:

A loan of R3 000 000 from one of the directors was originally received on 1 March 2021. This loan is to be repaid in equal monthly instalments over 5 years. All payments up to the 28 February 2023 were made. Interest is not capitalised.



G. Transfer from Debtors' Ledger:

A debtor's debit balance of R1 000 in the Debtor's Ledger must be transferred to his account in the Creditors Ledger.



QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS.**(40 minutes; 30 minutes)****POSH LTD**

The information relates to the financial year ended 28 February 2023.

REQUIRED:

- 2.1** Complete the section of the Cash Flow Statement for 'Cash Effects of Operating Activities'. Show all workings. (9)
- 2.2** Calculate the following amounts for the Cash Flow Statement:
- 2.2.1 Proceeds on disposal of fixed assets. (5)
 - 2.2.2 Funds used to repurchase shares. (5)
 - 2.2.3 Repayment of loan. (2)
 - 2.2.4 Net change in cash and cash equivalents. (4)
- Complete the table in the Answer Book. (4)
- 2.3** Calculate the following financial indicators on 28 February 2023:
- 2.3.1 % Net profit after tax on sales. (4)
 - 2.3.2 Debt/equity ratio. (3)
 - 2.3.3 Net asset value per share (NAV) (3)
 - 2.3.4 Return on average shareholders' equity (ROSHE) (5)

INFORMATION:**A. Extract: Statement of Comprehensive Income on 28 February 2023:**

Sales	R 4 050 000
Cost of sales	2 700 000
Depreciation	540 560
Interest expense	246 000
Income tax	253 500
Profit before income tax	845 000

B. Extract: Information from the Statement of Financial Position on 28 February:

	2023 R	2022 R
Fixed assets (carrying value)	9 868 900	7 986 780
Ordinary shareholders equity	8 750 500	6 270 000
Ordinary share capital	8 235 000	6 000 000
Retained income	515 500	270 000
Non-current liabilities	1 500 000	2 600 000
Trade debtors	636 000	508 000
Trade creditors	574 000	734 000
Cash and cash equivalent	5 000	490 000
Bank(unfavourable)	55 000	-

SARS: Income tax	(Cr) 10 400	(Cr) 6 780
Shareholders for dividends	196 000	100 000

C. Fixed assets:

- Old equipment was sold for cash at the carrying value.
- Fixed assets to the value of R2 617 880 were purchased during the year.

D. Share capital and dividends:

- The company is registered with an authorised share capital of 2 000 000 ordinary shares.
- On 1 March 2022 there were 1 000 000 shares in issue. A further 400 000 shares were issued on this date.
- An interim dividend of R140 000 was paid on 31 August 2022.
- On 28 February 2023, 50 000 ordinary shares were repurchased from the estate of a deceased shareholder at R10 000 more than the average price per share.
- On 28 February 2023 there were 1 350 000 shares in issue.

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(35 marks; 30 minutes)****BLUE LTD AND MOON LTD**

Lee Khan owns shares in Blue limited. Both companies are in the same industry. The financial year of each company ends on the last day of February each year.

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

REQUIRED:**3.1 BLUE LTD****3.1.1 Liquidity:**

Explain why Lee Khan should be satisfied on the liquidity position of Blue Ltd. Quote TWO financial indicators with figures.

(6)**3.1.2 Risk and gearing:**

Explain whether the company is managing risk and gearing efficiently. Quote TWO relevant indicators (with figures and trends) to support your comment.

(6)**3.1.3 Dividend pay-out policy:**

As a shareholder you are concerned about the dividend pay-out policy.

- Calculate the dividend pay-out rate for this current year.
- Provide ONE reason for your concern about the current dividend pay-out policy.

(2)**(2)****3.2 MOON LTD****3.2.1 Returns on Investment:**

Explain whether the shareholders should be satisfied with the returns on their investment or not. Quote ONE financial indicators (with figures) to support your opinion.

(4)**3.2.2 Re-purchase of shares:**

Explain whether the company paid a fair price for the shares repurchased. Provide TWO financial indicators (with figures) in your comment.

(4)**3.3 Shareholding of Lee Khan:**

Lee Khan has R800 000 and intends to invest in new shares.

Both companies have decided to issue additional shares on 1 March 2023, at the existing market price on 28 February 2023.

3.3.1 Calculate Lee's % shareholding in Blue Ltd and comment on your findings.

(5)

3.3.2 Lee wants to maintain his % shareholding in Blue Ltd after the issue of additional shares. Calculate the minimum number of shares he should buy in Blue Ltd and the amount he would have to spend.

(4)

3.3.3 Would you advise Lee to buy the additional shares in Blue Ltd or to rather invest in Moon Ltd. Provide ONE point, with reason.

(2)

INFORMATION:**A. Financial indicators on 28 February:**

	BLUE LTD		MOON LTD	
	2023	2022	2023	2022
Current ratio	1,3:1	0,9:1	1,9:1	2,5:1
Acid-test ratio	1,1:1	0,6:1	0,8:1	0,8:1
Average debtors collection period	34 days	42 days	60 days	30 days
Debt-equity ratio	0,1:1	0,2:1	0,8:1	0,4:1
% return on shareholders' equity	13,3%	9,0%	8,8%	7,9%
% return on total capital employed	15,6%	14,0%	12,5%	11,3%
Net asset value per share	848 cents	790 cents	1050 cents	978 cents
Earnings per share	72,5 cents	60 cents	80 cents	78 cents
Dividends per share	32 cents	25 cents	55 cents	75 cents
Market price of shares (JSE)	830 cents	800 cents	1120 cents	1100 cents
Re-purchase price (120 000 shares)			1000 cents	
Interest rate on loan	13%		13%	
Interest on fixed deposit	9%		9%	

B. Shares and shareholding of Lee Khan:

	BLUE LTD	MOON LTD
Number of shares in issue	1 700 000	2 000 000
Shares owned by Lee Khan	900 000	0
% shareholding in each company	?	0%
Number of shares that each company plans to issue on 1 March 2023 (at a market price on 28 February 2023)	250 000	300 000



QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 10 minutes)**

Use the information presented and your knowledge on companies to answer the questions.

REQUIRED:**4.1 Sponsorship and other parties:**

Refer to paragraph 1.

- Provide a reason why trade unions would want to be interested in the financial records and the performances of companies. (2)
- Explain why listed companies like Mzansi Hotels Ltd might want to spend money to sponsor such projects. (2)

4.2 Directors:

Refer to paragraph 2.

Explain the difference between an *executive* and a *non-executive director*. (2)

4.3 Concerns of shareholders:

Refer to paragraphs 1, 2 and 3.

As a concerned shareholder, what questions would you ask at AGM? Provide THREE different questions. In EACH case explain an appropriate reason. (9)

INFORMATION:

MZANSI HOTELS LIMITED SLAMMED FOR INAPPROPRIATE DECISIONS [By Helen Brown, Daily Views, 24 Nov 2022] <i>adapted</i>	
Paragraph 1	The decision by Mzansi Hotels Ltd to sponsor the Highveld Rugby tournament to the amount of R10 million at a time when the company is seeking extra loans and finance from investors has been criticised by shareholders and trade unions .
Paragraph 2	One of the shareholders, Gary Grey, said this week that the business made a loss of R166 million during the 2021/2022 financial year. He said that one of the non-executive director , Joyce Louw, needed to be held accountable and action taken against her at a special board meeting. Mzansi Hotels Ltd is the main sponsor and owns hotels in South Africa. In response Ngomane DV, who is the executive director of the company, said Mzansi Hotels had reduced its sponsorships from more than 40 to only 5 sporting events and had budgeted for 8% salary and wage increases for their employees in the next financial year.
Paragraph 3	"We are taking our strong South African brand to the rest of the country with this sponsorship and we are also making our presence felt", said Louw.

TOTAL: 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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

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.





NAME OF SCHOOL



NAME OF CANDIDATE

CLASS

NATIONAL SENIOR CERTIFICATE

ACCOUNTING P1

GRADE 12

SEPTEMBER 2023

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			



This answer book consists of 9 pages.

QUESTION 1**1.1**

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 KING LIMITED**1.2.1 ORDINARY SHARE CAPITAL**

1 460 000	Ordinary shares at the end	9 510 000

8

RETAINED INCOME NOTE ON 28 FEBRUARY 2023

Ordinary share dividends	
Interim dividends	420 000
Balance on 28 February 2023	793 000

8

1.2.2 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2023.

ASSETS	
NON-CURRENT ASSETS	
Fixed assets (8 532 560)	
CURRENT ASSETS	
Trade and other receivables (1 067 800)	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary Shareholders' equity	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

QUESTION 2

2.1

CASH EFFECTS FROM OPERATING ACTIVITIES	
Cash generated from operations	1 493 560

9

2.2 Calculate the following amounts for the Cash Flow Statement:

2.2.1

Proceeds on disposal of fixed assets.	
Workings	Answer

5

2.2.2

Funds used to repurchase shares.	
Workings	Answer

5

2.2.3

Repayment of loan	
Workings	Answer


2

2.2.4

NET CHANGE ON CASH AND CASH EQUIVALENT	
Balance on 1 March 2022	
Balance on 28 February 2023	

4

2.3 Calculate the following financial indicators on 28 February 2023:**2.3.1**

% Net profit after tax on sales.	
Workings	Answer
	

4

2.3.2

Calculate: Debt-equity ratio	
Workings	Answer

3

2.3.3

Net assets value per share (NAV)	
Workings	Answer

3

2.3.4

%Return on average shareholders' equity (ROSHE)	
Workings	Answer

5

TOTAL MARKS	40
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QUESTION 3:**BLUE LTD AND MOON LTD****3.1 BLUE LTD**

3.1.1 Explain why Lee Khan should be satisfied on the liquidity position of Blue Ltd. Quote TWO financial indicators with figures.

Comment:

6

3.1.2 Explain whether the company is managing risk and gearing efficiently. Quote TWO relevant indicators (with figures and trends) to support your comment.

- Indicator.
Figures and trend:

- Indicator.
Figures and trend:

Comment:

6

3.1.3 As a shareholder you are concerned about the dividend pay-out policy.

- Calculate the dividends pay-out rate for this current year.

- Provide ONE reason for your concern about the current dividend pay-out policy.

2

2

3.2 MOON LTD

- 3.2.1** Explain whether the shareholders should be satisfied with the returns on their investment or not. Quote ONE financial indicators (with figures) to support your opinion.



4

- 3.2.2** Explain whether the company paid a fair price for the shares repurchased. Provide TWO financial indicators (with figures) in your comment.

4

3.3 Shareholding of Lee Khan:

Lee Khan has R800 000 and intends to invest in new shares.

Both companies have decided to issue additional shares on 1 March 2023, at the existing market price on 28 February 2023

- 3.3.1** Calculate Lee's % shareholding in Blue Ltd and comment on your findings.

Comment:

5

- 3.3.2** Lee wants to maintain his % shareholding in Blue Ltd after the issue of additional shares. Calculate the minimum number of shares he should buy in Blue Ltd and the amount he would have to spend.

4

- 3.3.3** Would you advise Lee to buy the additional shares in Blue Ltd or to rather invest in Moon Ltd. Provide ONE point, with reason.



2

TOTAL MARKS	35
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QUESTION 4**QATAR HOTELS LTD****4.1 Sponsorship and other parties**

Refer to paragraph 1.

Provide a reason why trade unions would want to be interested in the financial records and the performances of companies.



2

Explain why listed companies like Mzansi Hotels Ltd might want to spend money to sponsor such projects.

2

4.2 Directors:

Refer to paragraph 2

Explain the difference between an *executive* and a *non-executive director*.

Executive director:

Non-executive director:



2

4.3 Concerns of shareholders:

Refer to paragraphs 1, 2 and 3.

As a concerned shareholder, what questions would you ask at AGM? Provide THREE different questions. In EACH case explain an appropriate reason.

Different questions	Reason

9

TOTAL MARKS	15
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TOTAL: 150



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GRADE 12

ACCOUNTING P1
SEPTEMBER 2023
MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item. No double penalty applied.
2. Full marks for correct answer. If answer incorrect, mark the workings provided.
3. 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).
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. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where penalties are applied, the marks for that section of the question cannot be a final negative.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
8. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
9. Codes: f=foreign item; p=placement/presentation.
10. Teachers must do the paper before they start marking.

This marking guideline consists of 9- page



QUESTION 1

1.1

1.1.1	B	✓
1.1.2	D	✓
1.1.3	A	✓
1.1.4	C	✓

4

1.2 KING LIMITED

1.2.1 ORDINARY SHARE CAPITAL

1 200 000 ✓	Ordinary shares at R6,00 see below AVP (SBB amount / 40 000)	✓✓ 7 200 000
(40 000) ✓	Shares repurchased at an average price 60 000 x 100/25	Do not accept 60 000 ✓✓ (240 000)
300 000 ✓	Ordinary shares issued during the year	balancing figure ✓ 2 550 000
1 460 000	Ordinary shares at the end	9 510 000

8

RETAINED INCOME NOTE ON 28 FEBRUARY 2023

Balance at the beginning Inspect operations from bottom (+OSD + SBB - NPAT)	*✓ 324 000
Net profit after tax (408 800 x 72/28)	✓✓ 1 051 200
Repurchase of shares Ignore brackets	✓ (60 000)
Ordinary share dividends Ignore brackets operation	✓ (522 200)
Interim dividends	420 000
Final dividends (1 460 000 ✓ x 7 cents ✓)	*✓ 102 200
Balance on 28 February 2023	793 000

8

*One part correct

1.2.2 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2023.

ASSETS		
NON-CURRENT ASSETS		* <input checked="" type="checkbox"/> 9 447 060
Fixed assets (50 000 one mark + 120 000 one mark + 120 000 one mark) (8 532 560 + 600 000 ✓ – 290 000 ✓✓✓)		* <input checked="" type="checkbox"/> 8 842 560
Fixed deposit (806 000 × 75%) three marks (806 000 ✓ – 201 500 ✓✓)	10	* <input checked="" type="checkbox"/> 604 500
CURRENT ASSETS Total Assets – Non Current Assets		<input checked="" type="checkbox"/> 4 295 540
Inventory balancing figure		<input checked="" type="checkbox"/> 2 847 240
Trade and other receivables (1 067 800 + 48 000 ✓ - 1 000 ✓)		* <input checked="" type="checkbox"/> 1 114 800
Cash and cash equivalent (132 000 ✓ + 201 500 <input checked="" type="checkbox"/> See FD)		* <input checked="" type="checkbox"/> 333 500
TOTAL ASSETS See TE and L	9	<input checked="" type="checkbox"/> 13 742 600
EQUITY AND LIABILITIES		
Ordinary Shareholders' equity	3	* <input checked="" type="checkbox"/> 10 303 000
Ordinary share capital		✓ 9 510 000
Retained income		✓ 793 000
NON-CURRENT LIABILITIES		1 200 000
Loan (3 000 000 one mark – 600 000 one mark – 600 000 one mark) (1 800 000 ✓✓✓ – 600 000 ✓✓)	6	* <input checked="" type="checkbox"/> 1 200 000
CURRENT LIABILITIES		* <input checked="" type="checkbox"/> 2 239 600
Trade and other Payables (1 441 000 ✓ + 72 000 ✓ + 6 600 ✓ - 1 000 ✓)		* <input checked="" type="checkbox"/> 1 518 600
Short term loan see loan above		<input checked="" type="checkbox"/> 600 000
Shareholders for dividends see 1.2.1		<input checked="" type="checkbox"/> 102 200
SARS: Income tax (408 800 ✓ - 390 000 ✓)		* <input checked="" type="checkbox"/> 18 800
TOTAL EQUITY AND LIABILITIES	12	<input checked="" type="checkbox"/> 13 742 600

40

-1 F foreign items (max -2)

For misplaced items mark workings only

-1 P max (if no, or inappropriate details)

TOTAL MARKS**60**

*one part correct

QUESTION 2

2.1

CASH EFFECTS FROM OPERATING ACTIVITIES	757 680 <input checked="" type="checkbox"/> *
Cash generated from operations	1 493 560
Interest paid	(246 000) <input checked="" type="checkbox"/> *
Dividends paid (100 000 ✓ + 140 000 ✓)	One part correct (240 000) <input checked="" type="checkbox"/> *
Taxation paid (253 500 ✓ + 6 780 ✓ – 10 400 ✓) OR (-253 500 – 6 780 + 10 400)	One part correct (249 880) <input checked="" type="checkbox"/> *

* one part correct / correct use of brackets

9

2.2 Calculate the following amounts for the Cash Flow Statement:

2.2.1

Proceeds on disposal of fixed assets.	
Workings	Answer
<p>OR:</p> <p>7 986 780 ✓ + 2 617 880 ✓ – 540 560 ✓ – 9 868 900 ✓</p> <p>OR:</p> <p>-9 868 900 – 540 560 + 7 986 780 + 2 617 880</p>	<p>195 200 <input checked="" type="checkbox"/></p> <p>one part correct ignore sign</p>

5

2.2.2

Funds used to repurchase shares.	
Workings	Answer
<p>305 000 three marks</p> <p>(50 000 ✓ x R6,10 ✓✓) + 10 000 ✓</p> <p>OR</p> <p>50 000 x (6,30 three marks + 0,2) + 10 000</p>	<p>315 000 <input checked="" type="checkbox"/></p> <p>Both parts to be added one part correct ignore sign</p>

5

2.2.3

Repayment of loan	
Workings	Answer
1 500 000 – 2 600 000	1 100 000 ✓✓ ignore sign

2

2.2.4

NET CHANGE ON CASH AND CASH EQUIVALENT	(540 000) <input checked="" type="checkbox"/>
Balance on 1 March 2022	490 000 ✓
Balance on 28 February 2023 (5 000 – 55 000)	(50 000) ✓✓

4

2.3 Calculate the following financial indicators on 28 February 2023:**2.3.1**

% Net profit after tax on sales.	
Workings	Answer
$\frac{845\,000 - 253\,500}{591\,500 \checkmark \checkmark} \times 100^*$ $\frac{591\,500 \checkmark \checkmark}{4\,050\,000 \checkmark}$	14,6% <input checked="" type="checkbox"/> One part correct % sign not necessary accept 33% OR 33

4

2.3.2

Calculate: Debt-equity ratio	
Workings	Answer
$1\,500\,000 \checkmark : 8\,750\,500 \checkmark$	0,2 : 1 <input checked="" type="checkbox"/> One part correct in form x:1 Accept 0,17:1

3

2.3.3

Net assets value per share (NAV)	
Workings	Answer
$\frac{8\,750\,500 \checkmark}{1\,350\,000 \checkmark} \times 100^*$	648 cents <input checked="" type="checkbox"/> One part correct Cents or rand not necessary

3

2.3.4

% Return on average shareholders' equity (ROSHE)	
Workings	Answer
$\frac{\text{See NPAT above } 591\,500 \checkmark}{\frac{1}{2} \checkmark (8\,750\,500 \checkmark + 6\,270\,000 \checkmark)} \times 100$ $\frac{591\,500 \checkmark}{15\,020\,500 \text{ two marks}} \times 100$ $7\,510\,250 \text{ three marks}$	7,9% <input checked="" type="checkbox"/> One part correct % sign not necessary accept 7.88% OR 8

5

TOTAL MARKS	40
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QUESTION 3:**BLUE LTD AND MOON LTD****3.1 BLUE LTD****3.1.1 Explain why Lee Khan should be satisfied on the liquidity position of Blue Ltd. Quote TWO financial indicators with figures.**

Financial indicators ✓ ✓ figures ✓✓

Comment ✓✓ could be included with financial indicator and trends.

- Current ratio increased from 0,9:1 to 1,3:1
- Acid-test ratio increased from 0,6:1 to 1,1:1
- Debtors improved from 42 days to 34 days

The business will be able to cover its short term debts.

Debtor are paying closer to the acceptable 30 days credit terms.

6

3.1.2 Explain whether the company is managing risk and gearing efficiently. Quote TWO relevant indicators with figures and trends to support your comment.

Financial indicators ✓ ✓ figures and trend ✓✓

Comment ✓✓ could be included with financial indicator and trends

Debt-equity ratio; decreased from 0,2:1 to 0,1:1

% return on average capital employed (ROTCE); increased from 14,0% to 15,6%

- The company is still lowly geared / low financial risk / does not rely too much on borrowed capital.
- Positive gearing / ROTCE is greater than interest rate on loan 13%.

6

3.1.3 As a shareholder you are concerned about the dividend pay-out policy.

- Calculate the dividends pay-out rate for this current year.

The dividends pay-out rate is $32/72,5 \times 100 = 44\%$ ✓✓

- Provide ONE reason for your concern about the current dividend pay-out policy.

Any relevant concern ✓✓

- Dividends paid are low; was also low last year
- The company is retaining a greater portion of net profits / plans must be stated or outlined in the director's reports.
- Shareholders' investments are not being considered / need to keep shareholders satisfied / to be assured that their investment is worthwhile.

2

3.2 MOON LTD

3.2.1 Explain whether the shareholders should be satisfied with the returns on their investment or not. Quote ONE financial indicators with figures to support your opinion.

Financial indicators ✓

figures and trend ✓

Comment ✓✓ could be included with financial indicator and trends

ROSHE increased from 7,9% to 8,8%

Although lower than alternative investments, the upward trend is encouraging **OR:**
Return of 8,8% is less than interest on alternative investments.

4

3.2.2 Explain whether the company paid a fair price for the shares repurchased. Provide TWO financial indicators with figures in your comment.

Financial indicators ✓✓

figures ✓✓

- The price offered benefits the company as it is less than the market price of 1120 cents (by 120 cents).
- Less than the NAV of 1050 cents (by 50 cents).

4

3.3 Shareholding of Lee Khan:

3.3.1 Calculate Lee's % shareholding in Blue Ltd and comment on your findings.

- $900\,000 \checkmark / 1\,700\,000 \checkmark = 52,9\% \checkmark$ one part correct

COMMENT: ✓✓

Lee owns more than 50% of the shares; has a controlling interest; Is the majority shareholder/ decision marker.

5

3.3.2 Lee wants to maintain his % shareholding in Blue Ltd after the issue of additional shares. Calculate the minimum number of shares he should buy in Blue Ltd and the amount he would have to spend.

✓✓

✓

✓

One part correct

75 001

 $\times 8,30 = 622\,508,30$ or $75\,100 \times 8,30 = 623\,330$ $975\,000 - 900\,000 + 1$

Accept 75 100 shares or 51% of 1 950 000

4

3.3.3 Would you advise Lee to buy the additional shares in Blue Ltd or to rather invest in Moon Ltd. Provide ONE point, with reason.

ONE reason ✓✓

Buy in Blue – remain majority status and try to make directors accountable for progress.

OR buy in Moon Ltd because they show an upward trend in share price; more demand for the shares.

2

TOTAL MARKS 35

QUESTION 4**QATAR HOTELS LTD****4.1 Sponsorship and other parties:**

Refer to paragraph 1.

Provide a reason why trade unions would want to be interested in the financial records and the performances of companies.

Any valid point ✓✓

- To protect the interest of workers, e.g. job security.
- For salary negotiations etc.

2

Explain why listed companies like Mzansi Hotels Ltd might want to spend money to sponsor such projects.

Any valid explanation ✓✓

- It is part of CSR (king code)
- Improve the image of the company (good publicity)
- Tax deductible

2

4.2 Directors:

Refer to paragraph 2.

Explain the difference between an *executive* and a *non-executive director*.

Executive director: are involved with internal functioning (operations) of the company / hands-on / their decisions may be based on a narrow view. ✓

Non-executive director: have a wider perspective of the business environment / exercise a watch-dog role / keep executive directors on check. ✓

2



4.3 Concerns of shareholders:

Refer to paragraphs 1, 2 and 3.

As a concerned shareholder, what questions would you ask at AGM? Provide THREE different questions. In EACH case explain an appropriate reason.

Different questions ✓✓ ✓✓ ✓✓	Reason ✓ ✓ ✓
• What plans do they have to address the financial crisis of the company?	• For continuity / going concern.
• What was the cause of a loss of R166 million in the 2021/2022 financial year?	• For proper planning/ transparency/ accountability.
• What is the planned percentage increase of the Director's fees when compared to percentage increase of wages and salaries for workers?	• Transparency and fairness.
• How is this decision to sponsor Rugby tournament going to benefit the company	• Return on investment / gains on sponsorship.
• How solvent is the company (what is the status of the Statement of Financial Position)	• They are desperately seeking extra loans and finance from investors.

9

TOTAL MARKS	15
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