



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1
2023

MARKS: 150

TIME: 2 hours

Stanmorephysics

**This question paper consists of 11 pages,
a formula sheet and a 10-page answer book.**

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. 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 Comprehensive Income and Current Assets	60	45
2	Retained Income Note, Cash Flow Statement and Financial Indicators	35	25
3	Interpretation of Financial Information	40	35
4	Corporate Governance	15	15
TOTAL		150	120



QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME AND CURRENT ASSETS
(60 marks; 45 minutes)

- 1.1 Choose a description from COLUMN B that matches the term in COLUMN A. Write only the letter (A–E) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.1.1 Independent auditor	A investment such as a fixed deposit over a three-year period
1.1.2 Capital employed	B debt to be settled within 12 months
1.1.3 Current liability	C a staff member of a company who sets up effective internal control procedures
1.1.4 Financial asset	D total of Ordinary Shareholders' Equity and Non-current Liabilities
	E expresses an unbiased opinion on the reliability of financial statements

(4 x 1) (4)

1.2 **STARLIGHT LTD**

The information relates to the financial year ended 28 February 2023.
The company trades in electrical items.

REQUIRED:

1.2.1 **Refer to Information B (i).**

Calculate the value of the closing stock of light bulbs on 28 February 2023, using the weighted-average method. (4)

1.2.2 **Refer to Information B (ii).**

Calculate:

- Profit or loss on disposal of vehicle (5)
- Total depreciation for the year (7)

1.2.3 Complete the following:

- Statement of Comprehensive Income for the year ended 28 February 2023 (29)
- Current Assets section of the Statement of Financial Position (11)

NOTE: Some figures have been entered in the ANSWER BOOK.

INFORMATION:

A. Extract from the Pre-adjustment Trial Balance on 28 February:

Balance Sheet accounts section	2023	2022
Loan: Pearl Bank	524 400	690 000
Vehicles	?	1 250 000
Accumulated depreciation on vehicles	?	420 000
Equipment	822 000	774 000
Accumulated depreciation on equipment	?	360 000
Fixed deposit: Pearl Bank	320 000	
Trading stock	2 969 800	
Debtors' control	645 250	
Provision for bad debts	?	21 020
Bank (Dr)	?	
SARS: Income tax (provisional tax payments)	875 000	
Nominal accounts section		
Sales	17 850 000	
Cost of sales	10 200 000	
Salaries and wages	?	
Commission income	85 900	
Rent income	89 700	
Audit fees	155 200	
Directors' fees	2 015 000	
Sundry expenses	219 760	
Bad debts	16 200	
Interest on fixed deposit	?	
Asset disposal (cash received on vehicle sold)	91 500	

B. Adjustments and additional information:

- (i) A physical stock count on 28 February 2023 revealed R2 774 800 stock on hand. However, this figure excludes the closing stock figure for light bulbs. Note that the weighted-average method is used to value the light bulbs.

Details of the light bulbs are as follows:

	UNITS	UNIT PRICE (R)	TOTAL (R)
Stock on 1 Mar. 2022	8 000	52	416 000
Purchases	47 000	74	3 478 000
Available for sale	55 000		3 894 000
Carriage on purchases			27 500
Stock on 28 Feb. 2023	1 700	?	?

(ii) **Fixed assets and depreciation:**

Vehicles:



- An old vehicle was sold for R91 500 on 30 November 2022. The amount received was recorded but no further entries were made.

Details of the vehicle sold:

Carrying value on 1 March 2022	R104 000
Depreciation: 20% p.a. on the diminishing-balance method	

- Depreciation on the remaining vehicles: R145 200

Equipment:

- Equipment is depreciated at 15% p.a. on cost.
- New equipment was bought on 31 July 2022.

(iii) The auditors are owed a further R38 800 for the current financial year.

(iv) Received R9 000 from the insolvent estate of debtor Billy Croon. His estate paid 80 cents to the rand of his outstanding balance. The money received was recorded. The balance of his account must still be written off.

(v) The provision for bad debts must be increased to R25 720.

(vi) **Directors' fees:**

- The company has two directors who were appointed in 2019. A third director was appointed on 1 October 2022.
- The directors all earn the same monthly fee.
- Directors' fees paid during the financial year have been recorded, but one director has already been paid for March and April 2023.

(vii) Rent income includes the rent for March 2023 received from the tenant. The monthly rent was increased by R1 170 on 1 January 2023.

(viii) **Loan: Pearl Bank**

- Interest on the loan capitalised has not been recorded.
- Fixed monthly repayments (including interest) have been paid and correctly recorded for the financial year.
- Interest on the loan amounts to 60% of the monthly repayments.

(ix) Income tax for the year was calculated to be R858 140.

QUESTION 2: RETAINED INCOME NOTE, CASH FLOW STATEMENT AND FINANCIAL INDICATORS (35 marks; 25 minutes)

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

REQUIRED:

- 2.1 Prepare the Retained Income Note for the year ended 28 February 2023. (9)
- 2.2 Calculate the following figures for the 2023 Cash Flow Statement:
 - Change in loan (2)
 - Proceeds from shares issued (3)
- 2.3 Complete the Cash Effects of Operating Activities section of the Cash Flow Statement. (10)
- 2.4 Calculate the following financial indicators on 28 February 2023:
 - Current ratio (2)
 - Net asset value (4)
 - % return on total capital employed (ROTCE) (5)

NOTE: The average capital employed is R20 343 500.

INFORMATION:

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

Sales	R12 754 500
Depreciation	316 500
Interest on loan	648 000
Net profit after tax (tax rate: 30% on net profit)	1 526 000

B. Extract: Statement of Financial Position on 28 February

	2023	2022
Ordinary share capital	R13 959 500	R12 312 500
Retained income	?	237 400
Loan: Daisy Bank	6 348 000	7 200 000
Total current assets	1 479 600	2 342 000
Total current liabilities	822 000	976 000
Shareholders for dividends	575 400	475 000
SARS: Income tax	23 600 (Dr)	42 100 (Cr)

C. Share capital

1 250 000	Shares on hand on 1 March 2022
180 000	Shares repurchased on 1 May 2022. They do not qualify for dividends. An EFT of R1 989 000 was issued for the repurchase.
?	Shares issued on 1 October 2022 at R11,40 per share
1 370 000	Shares on hand on 28 February 2023

D. Dividends

- An interim dividend of 32c per share was paid on 31 August 2022.
- A final dividend was declared on 28 February 2023.



KEEP THIS PAGE BLANK.



QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(40 marks; 35 minutes)

You are provided with information relating to Qumbu Ltd for the year ended 28 February 2023.

REQUIRED:

NOTE: Provide financial indicators with figures and trends to support your comments or explanations (where applicable).

3.1 Liquidity

Explain whether or not the company is managing their working capital efficiently. Quote TWO financial indicators.

(5)

3.2 % shareholding

Denise Taylor, the CEO, owned 540 000 shares in the company on 1 March 2022. She continued to buy additional shares on the JSE at various times during the year. On 28 February 2023, Denise became the majority shareholder as she then owned 51% of the shares in issue.

- Calculate the total number of additional shares that Denise purchased. (4)
- Give ONE possible reason why Denise was determined to become the majority shareholder. (2)

3.3 Decisions by directors, risk and gearing

3.3.1 The Cash Flow Statement revealed decisions taken by the directors.

- Identify TWO major decisions taken by the directors in 2023 that were different to those from the previous year.
- Give ONE reason for these decisions. (6)

3.3.2 Explain the impact of these decisions on the degree of financial risk over the two years. Quote ONE financial indicator. (3)

3.3.3 Explain how these decisions affected the gearing of the company. Quote ONE financial indicator. (4)

3.4 Dividends and earnings

3.4.1 Certain shareholders expressed concern about the change in the dividend payout policy. Explain TWO points to support their opinion. (4)

3.4.2 Explain whether shareholders would be satisfied with the trend in the % return and earnings of the company, as well as the dividends they earned. Quote TWO financial indicators. (6)

3.5 Comments at the annual general meeting

Some shareholders are angry about the trends of the following two issues relating to the performance of the company:

- Cash and cash equivalents at the end of the year
- The market price of the shares on the JSE

In EACH case, provide evidence for the shareholders' concerns over these trends, and explain why they would be concerned about the future prospects for the company. (6)

INFORMATION:

A. Financial indicators and additional information on 28 February:

	2023	2022
% operating expenses on sales	14,1%	12,0%
% operating profit on sales	14,5%	16,5%
% net profit on sales	10,4%	10,9%
Debt-equity ratio	0,1 : 1	0,4 : 1
Current ratio	0,9 : 1	1,3 : 1
Acid-test ratio	0,3 : 1	0,6 : 1
Average debtors' collection period	42,4 days	30,8 days
Earnings per share	60 cents	74 cents
Dividends per share	64 cents	50 cents
Dividend payout rate	106,7%	67,6%
% return on average equity	5,7%	7,2%
% return on average capital employed	9,0%	11,4%
Net asset value per share	1 007 cents	980 cents
Market price of shares on JSE	850 cents	1 020 cents
Interest rate on loans	13%	13%
Interest rate on fixed deposits	7%	7%

B. Share capital and % shareholding:

- On 1 March 2022, the company issued an additional 300 000 shares.
- On 28 February 2023, there were 1 500 000 shares in issue.

C. Extract from the Cash Flow Statement on 28 February:

	2023 R	2022 R
Cash flow from operating activities	(1 890 000)	(652 000)
Cash flow from investing activities		
Cash flow from financing activities	1 950 000	3 250 000
Shares	3 750 000	(250 000)
Loans	(1 800 000)	3 500 000
Net change in cash and cash equivalents	(836 000)	2 200 000
Cash and cash equivalents at beginning	1 914 000	(286 000)
Cash and cash equivalents at end	1 078 000	1 914 000



QUESTION 4: CORPORATE GOVERNANCE

(15 marks; 15 minutes)

4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

4.1.1 The audit report presented in the annual report is addressed to the (directors/shareholders) of a company.

4.1.2 A/An (qualified/unqualified) audit report will contribute to a favourable image of the company.

4.1.3 A (qualified/disclaimer of opinion) report is received when the external auditor refuses to express an opinion on the reliability of the financial statements.

(3)

4.2 **MBOMBELA LTD**

Refer to the extract below.

Shareholders of the company were unhappy with reports about the chief financial officer (CFO) and approached the board of directors for a special meeting to discuss their concerns.

REQUIRED:

Explain THREE questions that the shareholders would want to raise with the board of directors at the meeting.

NOTES FROM BOARD MEETINGS OF DIRECTORS

The CFO, Nestor Donald, commenced duty at Mbombela Ltd on 1 May 2018 with an annual salary of R1,8 million based on his qualifications of a master's degree in Accounting Science and a doctorate from international universities.

In September 2022, Donald informed the board that he was offered a package of R3,4 million by Rose Ltd, a competitor. In response to this, the board of Mbombela Ltd decided to match the offer of Rose Ltd.

A whistle-blower (informant) alerted the chief executive officer (CEO) that Donald has no post-graduate qualifications. It was subsequently discovered that he had also lied about the job offer from Rose Ltd.

(6)

4.3 NEPTUNE LTD

Refer to the information presented by the external auditors.

Concern was raised about the productivity of the business and the remuneration (fees and salaries) of directors and employees.

REQUIRED:

Provide ONE point of possible mismanagement or corruption under EACH of the following subheadings. Quote relevant figures to support your answer in EACH case.

- Payment of directors' fees (3)
- Salaries of other employees (3)

Information identified by the external auditors on 30 April:

NOTE: Rand amounts are expressed in millions.

	% change R	2023		2022	
		No.	Amount R	No.	Amount R
General information:					
Gross profit	+ 8,1%		335 m		310 m
Operating profit	– 4,7%		101 m		106 m
Net profit	– 3,0%		96 m		99 m
Directors' fees:	+ 37,6%	11	90,8 m	8	66 m
Chief executive officer	+ 44,4%	1	26,0 m	1	18 m
Chief financial officer	+ 5,0%	1	12,6 m	1	12 m
Other full-time directors	+ 45,0%	9	52,2 m	6	36 m
Average fee (per other directors)	- 3,3%		5,8 m		6 m
Other employees:					
Salaries	+ 29,7%	275	91,3 m	220	70,4 m
Average salary (per employee)	+ 3,8%		332 000		320 000

15

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 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:

1. Trading stock at the end of a financial year may be used if required in a question.
2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).
3. 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.

STICKER



CENTRE NUMBER

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EXAMINATION NUMBER

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**SENIOR CERTIFICATE EXAMINATIONS/
NATIONAL SENIOR CERTIFICATE EXAMINATIONS**

ACCOUNTING P1

GRADE 12

2023

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			



This answer book consists of 10 pages.

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 STARLIGHT LTD

1.2.1

Calculate: Value of the closing stock of light bulbs on 28 February 2023, using the weighted-average method.

WORKINGS	ANSWER

4

1.2.2

Calculate: Profit or loss on disposal of vehicle

WORKINGS	ANSWER

5

Calculate: Total depreciation for the year

WORKINGS	ANSWER
Vehicles	
Equipment	



7

1.2.3 Statement of Comprehensive Income for the year ended 28 February 2023

Sales	17 850 000
Cost of sales	(10 200 000)
Gross profit	7 650 000
Other income	
Commission income	85 900
Rent income	
Gross operating income	
Operating expenses	(4 894 900)
Salaries and wages	
Audit fees	
Directors' fees	
Sundry expenses	219 760
Bad debts	
Depreciation	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	
Net profit before tax	
Income tax	(858 140)
Net profit after tax	2 002 500

CURRENT ASSETS	7 605 150
Inventories	
Trade and other receivables	
Cash and cash equivalents	

11

TOTAL MARKS
60



QUESTION 2

2.1 RETAINED INCOME NOTE

Balance at beginning of year	237 400
Net profit after tax	1 526 000
Ordinary share dividends	
Balance at end of year	

9

2.2 Calculate: Change in loan

WORKINGS	ANSWER

2

Calculate: Proceeds from shares issued

WORKINGS	ANSWER


3

2.3

CASH EFFECTS OF OPERATING ACTIVITIES	
Cash generated from operations	2 340 300
Income tax paid	
Dividends paid	

10

2.4

Calculate: Current ratio	
WORKINGS	ANSWER
	
Calculate: Net asset value (NAV)	
WORKINGS	ANSWER
Calculate: % return on total capital employed (ROTCE) NOTE: The average capital employed is R20 343 500.	
WORKINGS	ANSWER

2

4

5

TOTAL MARKS
35



QUESTION 3

3.1

Explain whether or not the company is managing their working capital efficiently. Quote TWO financial indicators, with figures and trends.



5

3.2

Calculate the total number of additional shares that Denise purchased.

CALCULATION	ANSWER

4

Give ONE possible reason why Denise was determined to become the majority shareholder.

2

3.3.1

The Cash Flow Statement revealed decisions taken by the directors. Identify TWO major decisions taken by the directors in 2023 that were different to those from the previous year. Quote figures.

Decision 1	
Decision 2	

Give ONE reason for these decisions.



6

3.3.2 Explain the impact of these decisions on the degree of financial risk over the two years. Quote ONE financial indicator, with figures and trends.



3

3.3.3 Explain how these decisions affected the gearing of the company. Quote ONE financial indicator, with figures and trends.

4

3.4.1 Certain shareholders expressed concern about the change in the dividend payout policy. Explain TWO points to support their opinion.

Point 1

Point 2

4


3.4.2 Explain whether shareholders would be satisfied with the trend in the % return and earnings of the company, as well as the dividends they earned. Quote TWO financial indicators, with figures and trends.



6

3.5

In EACH case, provide evidence for the shareholders' concerns over these trends, and explain why they would be concerned about the future prospects for the company. Quote figures and trends.

Issues	Evidence of concern	Reason for concern
 Cash and cash equivalents		
Market price of shares on JSE		

6

TOTAL MARKS
40



QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	

3

4.2

Explain THREE questions that the shareholders would want to raise with the board of directors at the meeting.	
Point 1	
Point 2	
Point 3	

6

4.3

Provide ONE point of possible mismanagement or corruption under EACH of the following subheadings. Quote relevant figures to support your answer in EACH case.	
Payment of directors' fees	
Salaries of other employees	

6

TOTAL MARKS
15



TOTAL: 150



basic education

Department:
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REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MARKING GUIDELINES

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). 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. Unless otherwise stated, give full marks for the correct answer. If 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 component parts within workings that earn no part marks, these will 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 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 question)
8. This marking guideline is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
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 and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios. If only one line is presented, assume it is the numerator.
13. 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 ☒.
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/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1

1.1

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

4

1.2 STARLIGHT LTD

1.2.1 Calculate: Value of the closing stock of light bulbs on 28 February 2023, using the weighted-average method

WORKINGS	ANSWER
<p>3 921 500 two marks (416 000 + 3 478 000) one mark</p> <p><u>3 894 000 ✓</u> + <u>27 500 ✓</u> x 1 700</p> <p>55 000 ✓ (8 000 + 47 000) one mark</p> <p>Weighted average: 71,30 three marks</p>	<p>121 210 ✓ operation one part correct if x 1 700</p>

4

1.2.2 Calculate: Profit or loss on disposal of vehicle

WORKINGS	ANSWER
<p>104 000 x [20% x 9/12]</p> <p>91 500 ✓ – (104 000 ✓ – 15 600 ✓) ✓</p> <p>for 1 of the 2 components within workings</p> <p>88 400 three marks</p> <p>Accept alternative arrangements for calculations such as:</p> <p>104 000 – 15 600 – 91 500</p>	<p>3 100 ✓ operation one part correct ignore sign</p> <p>If SP > CV = Profit or SP < CV = Loss</p>

5

Calculate: Total depreciation for the year

WORKINGS	ANSWER
<p>Vehicles</p> <p>15 600 ✓ + 145 200 ✓ = 160 800 two marks (see above)</p>	<p>281 100 ✓ operation one part correct for vehicles + equipment</p>
<p>Equipment</p> <p>774 000 x 15% 48 000 x [15% x 7/12]</p> <p>116 100 ✓✓ + 4 200 ✓✓ = 120 300 four marks for 1 of the 2 components within workings</p>	

7

1.2.3 Statement of Comprehensive Income for the year ended 28 February 2023

Sales		17 850 000
Cost of sales		(10 200 000)
Gross profit		7 650 000
Other income	operation	170 900 <input checked="" type="checkbox"/>
Commission income		85 900
Rent income	89 700 ✓ – 7 800 ✓✓	81 900 <input checked="" type="checkbox"/> *
Profit on sale of asset*	* could be a loss see 1.2.2 check if SP > NCV	3 100 <input checked="" type="checkbox"/>
Gross operating income	6	7 820 900
Operating expenses		(4 894 900)
Salaries and wages	balancing figure could be a negative	2 218 100 <input checked="" type="checkbox"/>
Audit fees	155 200 + 38 800	194 000 <input checked="" type="checkbox"/> *
Directors' fees	2 015 000 ✓ – 130 000 ✓✓ 2015 000 x 29/31 OR 65 000 x 29 OR 1 560 000 + 325 000	1 885 000 <input checked="" type="checkbox"/> *
Sundry expenses		219 760
Bad debts	16 200 ✓ + 2 250 ✓✓ [9 000 x 20/80] two marks in total	18 450 <input checked="" type="checkbox"/> *
Depreciation	see 1.2.2	281 100 <input checked="" type="checkbox"/>
Trading stock deficit	2 969 800 ✓ – (2 774 800 ✓ + 121 210 <input checked="" type="checkbox"/> 2 896 010 two marks see 1.2.1 Do not accept 2 969 800 or 2 774 800 as final answers	73 790 <input checked="" type="checkbox"/> *
Provision for bad debts adjustment	must be an expense	4 700 ✓✓
	18	
Operating profit	GOI - OE	2 926 000 <input checked="" type="checkbox"/>
Interest income	balancing figure; accept if negative	34 000 <input checked="" type="checkbox"/>
Profit before interest expense		2 960 000
Interest expense	Note: one mark on 165 600 165 600 ✓ x 60% OR 165 600 – 66 240 (690 000 – 524 400) one mark OR (13 800 x 12) x 60% If x 60% OR –40%	(99 360) <input checked="" type="checkbox"/>
Net profit before tax	NPAT + Inc Tax	2 860 640 ✓
Income tax		(858 140)
Net profit after tax	5	2 002 500

29

– 1 for foreign items (max -2)

For misplaced items mark the workings, but penalise on the final answer

Ignore brackets

*operation, one part correct

CURRENT ASSETS	7 605 150
Inventories 2 774 800 ✓ + 121 210 <input checked="" type="checkbox"/> see 1.2.1 OR 2 969 800 one mark – 73 790 one m.mark (deficit) see SOCI	2 896 010 <input checked="" type="checkbox"/> *
Trade and other receivables ✓ <input checked="" type="checkbox"/> ✓ <input checked="" type="checkbox"/> two accuracy marks 645 250 – 2 250 – 25 720 + 130 000 + 16 860 ✓✓ bad debts prov BD directors fees SARS: Income tax	764 140 <input checked="" type="checkbox"/> *
Cash and cash equivalents balancing figure	3 945 000 <input checked="" type="checkbox"/>

11

* operation, one part correct

TOTAL MARKS	60
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QUESTION 2

2.1 RETAINED INCOME NOTE

Balance at beginning of year	237 400
Net profit after tax	1 526 000
Shares repurchased 180 000 ✓ x 1,20 ✓✓ (11,05 – 9,85) two marks OR 1 989 000 one mark – 1 773 000 two marks	(216 000) Ignore brackets ✓* Not 1 989 000 Not 1 773 000
Ordinary share dividends operation (int + final)	(917 800) ✓*
Interim dividends 1 070 000 x 32c	342 400 ✓✓* one part correct
Final dividends	575 400 ✓
Balance at end of year Inspect operation; must subtract shares repurchased & OSD	629 600 ✓*

* operation. one part correct

2.2

Calculate: Change in loan	
WORKINGS	ANSWER
7 200 000 – 6 348 000	852 000 ✓✓ Ignore brackets no part mark
Calculate: Proceeds from shares issued	
WORKINGS	ANSWER
no part marks (1 370 000 + 180 000 – 1 250 000) 300 000 ✓✓ x 11,40	3 420 000 ✓ If x 11,40
OR (13 959 500 – 12 312 500) + 1 773 000 1 647 000 one mark one method mark - see 2.1	3 420 000 one method mark

2.3

CASH EFFECTS OF OPERATING ACTIVITIES	155 200 operation; one part correct in totals or in workings ✓
Cash generated from operations	2 340 300
Interest paid	(648 000) ✓ Must be in brackets
Income tax paid 1 526 000 x 30/70 42 100 ✓ + 654 000 ✓✓ + 23 600 ✓ OR – 42 100 – 654 000 – 23 600 Be alert to other alternative presentations such as brackets or T-account.	(719 700) ✓* Must be in brackets
Dividends paid see 2.1 475 000 ✓ + 342 400 ✓ OR – 475 000 – 342 400 OR 475 000 one mark + (917 800 – 575 400) one m.mark	(817 400) ✓* Must be in brackets

* operation, one part correct

2.4

Calculate: Current ratio	
WORKINGS	ANSWER
$1\,479\,600 : 822\,000$ Allocate ONE mark for both amounts (if no final answer / incorrect final answer)	1,8: 1 ✓✓ operation one part correct in form x : 1
2	
Calculate: Net asset value (NAV) * 100 does not constitute 'one part correct'	
WORKINGS	ANSWER
$\frac{14\,589\,100 \text{ two marks} \quad \text{see 2.1}}{13\,959\,500 \checkmark + 629\,600 \checkmark} \times 100^*$ $\frac{1\,370\,000 \checkmark}{1\,370\,000 \checkmark}$	1 064,9 cents ✓ operation one part correct accept R10,65 or 1065 cents Answer must be reflected in R or c
4	
Calculate: % return on total capital employed (ROTCE) NOTE: The average capital employed is R20 343 500. * 100 does not constitute 'one part correct'	
WORKINGS	ANSWER
$\frac{2\,828\,000 \text{ three marks} \quad \text{see 2.3}}{2\,180\,000 \text{ or } 1\,526\,000 \times 100/70}$ $\frac{1\,526\,000 \checkmark + 654\,000 \checkmark + 648\,000 \checkmark}{20\,343\,500 \checkmark} \times 100^*$	13,9% ✓ operation one part correct % sign not necessary
5	

TOTAL MARKS

35



QUESTION 3

3.1

Explain whether or not the company is managing their working capital efficiently. Quote TWO financial indicators, with figures and trends.

Financial indicator ✓ ✓ figure and trend ✓ ✓ any ONE explanation ✓

Any two indicators:

- Current ratio has decreased (from 1,3:1) to 0,9:1 / by 0,4 : 1
- Acid test ratio has decreased (from 0,6:1) to 0,3:1 / by 0,3 : 1
- Debtors' average collection period increased (from 30,8 days) to 42,4 days / by 11,6 days.

Possible explanations for ONE mark:

The business will experience difficulty in meeting short term debts / does not have enough liquid assets (cash) to cover current liabilities / debtors take too long to settle accounts / too much stock on hand.

5

3.2

Calculate the total number of additional shares that Denise purchased.

CALCULATION	ANSWER
<p>(51% x 1 500 000) two marks</p> <p>765 000 ✓✓ – 540 000 ✓</p> <p>Do not accept 50% + 1 share or 50% + 100 shares</p>	<p>225 000 ✓</p> <p>operation one part correct</p>

4

Give ONE possible reason why Denise was determined to become the majority shareholder.

Any ONE valid reason ✓✓ must relate to influence over control

Part mark for incomplete/unclear responses

Expected responses e.g.

- She wants to have full control of the company.
- She wants to influence all decisions of the company in the future.
- She wants to address the issue of incompetent directors/influence new appointments who can contribute to the growth of the company
- She feels she can kick-start a turn-around of the current situation.

Possible responses for one mark e.g.

To gain more dividends / make a capital gain on the shares

2

3.3.1

The Cash Flow Statement revealed decisions taken by the directors. Identify TWO major decisions taken by the directors in 2023 that were different to those from the previous year. Quote figures.

TWO decisions ✓ ✓ Figures ✓ ✓

- In 2023 the company issued more shares for R3 750 000 (in 2022 the company bought back shares for R250 000).
- In 2023 they repaid R1 800 000 of the loan (in 2022 the company borrowed R3 500 000). Do not accept R1 700 000 as a valid figure.

Give ONE reason for these decisions.

ONE valid reason ✓✓ part marks for incomplete/unclear responses

- Place less reliance on loans / pay less interest / improve or reduce financial risk
- There is an attempt to sustain the company by using equity (own capital)

6

3.3.2 Explain the impact of these decisions on the degree of financial risk over the two years. Quote ONE financial indicator, with figures and trends.

Financial indicator ✓ with figure(s) and trend ✓

Debt/equity ratio decreased (from 0,4 : 1) to 0,1 : 1 / by 0,3 : 1)

Explanation ✓

Reduced or lower financial risk / less reliance on loans / use of own (share) capital

3

3.3.3 Explain how these decisions affected the gearing of the company. Quote ONE financial indicator, with figures and trends.

Financial indicator ✓ with figure(s) and trend ✓

ROTCE dropped (from 11,4%) to 9% / by 21,1% / by 2,4% points

Explanation of gearing (compared to interest rate) ✓✓ part marks for incomplete/unclear responses

Expected responses:

- ROTCE is below the interest rate of 13%; was negatively geared in 2022 and dropped further in 2023.
- Company was not making effective use of loans in 2022 and this trend has continued in 2023 in spite of effects of attempts to reduce the loan.

4

3.4.1 Certain shareholders expressed concern about the change in the dividend payout policy. Explain TWO points to support their opinion.

Any TWO valid points ✓✓ ✓✓ part marks for incomplete/unclear responses

N.B. Figures are not compulsory here:

- The increase in the dividend pay-out rate (from 67,6%) to 106,7% means that funds must be used from retained income / depleting company funds / paid higher dividends whilst earnings were low.
- The directors want to distract shareholders by trying to appease them in order to distract them from the poor performances of the company / misleading.
- Directors are acting irresponsibly by showing no intentions for the growth of the company / Company is not retaining funds for future growth.
- Directors should have focused on improving the cash resources because they are actually depleting cash resources.

Responses for one mark e.g.

Dividend pay-out rate increased significantly / directors want to be re-elected

4

3.4.2 Explain whether shareholders would be satisfied with the trend in the % return and earnings of the company, as well as the dividends they earned. Quote TWO financial indicators, with figures and trends.

Financial indicator ✓ ✓ figures and trend ✓ ✓

Any TWO of:

- ROSHE decreased (from 7,2%) to 5,7% / by 1,5% points / 20,8%
- EPS decreased (from 74c) to 60c / by 14c / drop in profitability by 18,9%
- DPS increased (from 50c) to 64c / by 14c / by 28%

Explanation (figures not compulsory here) ✓✓ part marks for incomplete/unclear responses


- Returns are below interest rate on fixed deposits [alternative investment of 7%]
- Some shareholders may be satisfied with a [14 cent] increase in DPS / others concerned that company pays high dividends when profits dropped
- Due to high dividends, dividend yield improved (from 4,9%) to 7,5% / by 2,6% points / 53,1%

6

3.5

In EACH case, provide evidence for the shareholders' concerns over these trends, and explain why they would be concerned about the future prospects for the company. Quote figures and trends.

Award relevant mark allocation if correct evidence, figures or reasons are placed in the incorrect columns.

Issues 	Evidence of concern Figure ✓ ✓ Comparison ✓ ✓	Reason for concern ✓ ✓ Be alert to other valid reasons
Cash and cash equivalents	C&CE decreased by R836 000 OR C&CE decreased (from R1,914m) to R1,078m over the two years OR Net outflow in 2023 of R836 000 compared to net inflow of R2,2m in 2022	Operating activities reflects deficit / ineffective use of available funds / generating funds with no intention to increase profitability / liquidity issues in the future if trend continues
Market price of shares on JSE	The market price on the JSE has decreased (from 1 020 cents) to 850 cents / The market price of 850 cents is less than the NAV of 1 007 cents.	The shares are not in demand by the public (due to general decline in company's performance) / Future prospects for the company are not good as new shareholders might not want to buy shares if the shares are not performing well

6

TOTAL MARKS

40



QUESTION 4

4.1

4.1.1	Shareholders ✓
4.1.2	Unqualified ✓
4.1.3	Disclaimer of opinion ✓

3

4.2

Explain THREE questions that the shareholders would want to raise with the board of directors at the meeting.

THREE valid reasons ✓✓ ✓✓ ✓✓ Part marks for unclear/incomplete answers
Accept points that might not be phrased as questions.
Be alert to other valid interpretations of information given in Q.

- Why was there poor control by the Board or Remunerations committee over Donald's appointment / were correct procedures not followed when deciding on his salary package / did they not check references from previous employers regarding his qualifications & experience?
- Why did the Board match the competitor's offer without verifying it properly?
- Given Donald's dishonesty (over his qualifications and job offer), has the Board conducted further investigations into his conduct (e.g. embezzlement)?
- Is there any evidence good performance by Donald in terms of influencing productivity and profitability in the company?
- Why is there no transparency regarding the significant increase in Donald's remuneration? / Were external auditors negligent in any way regarding this?
- What internal disciplinary consequences will be taken against Donald or others who appointed him (e.g. CEO, directors or remunerations committee)?
- What external or legal steps will be followed to recover the salary overpaid (due to his fraudulent CV) / to ensure Donald's dismissal?

6

4.3

Provide ONE point of possible mismanagement or corruption under EACH of the following subheadings. Quote relevant figures to support your answer in EACH case. Be alert to other valid interpretations of information given in Q.

Payment of directors' fees

Any valid point (must refer to productivity) ✓✓ Part marks for unclear/incomplete answers

Fee increases for directors were not justified or / they did not make any difference to improving the company / they do not deserve the high increases due to the decrease in the profitability (productivity) of the company.

Possible figure/s ✓

- Operating profit dropped by 4,7% and net profit decreased by 3%
- Directors fees (in total) increased by / 37,6% (R66m to R90,8m)
- The CEO received a 44,4% increase (R18m to R26m)
- Other directors fees increased by 45% (R36m to R52,2m) + extra 3 directors

Salaries of other employees

Valid point (must mention possible mismanagement) ✓✓

Employing additional employees did not contribute to better profits (productivity) / more workers should have had a positive effect on profits / possible ghost workers / under-qualified or incompetent workers employed / nepotism / poor HR decisions to increase workforce

Possible figure/s ✓

- Operating profit dropped by 4,7% (despite +8% in GP / -3% in net profit)
- The workforce increased by 25% (55 more workers)
- Salaries increased (from R70,4m) to R91,3m / by R20,9m / by 29,7%

6

TOTAL MARKS

15

TOTAL: 150