



# KWAZULU-NATAL PROVINCE

EDUCATION  
REPUBLIC OF SOUTH AFRICA

## NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING  
COMMON TEST  
MARCH 2023

[Stanmorephysics.com](http://Stanmorephysics.com)

MARKS: 100

TIME: 1½ Hours

This question paper consists of 7 pages including a formula sheet and a 5-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 the 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 the questions.
7. Where applicable, show all calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information and table below as a guide when answering the question. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Financial Position	45	40
2	Ordinary Share Capital, Retained Income, Cash Flow Statement and Financial Indicators	40	35
3	Interpretation of Financial Statements	15	15
<b>TOTAL</b>		<b>100</b>	<b>90</b>

**QUESTION 1** ( 45 Marks; 40 Minutes)  
**CALCULATION OF NET PROFIT, RETAINED INCOME NOTE AND STATEMENT OF FINANCIAL POSITION**  
**Dumbe LTD**

The following information relates to Dumbe Ltd. The financial year ended 28 February 2023.

**REQUIRED:**

- 1.1 Calculate the correct Net Profit after tax for the year ended 28 February 2023. (indicate a + for increase and a – for decrease) (9)
- 1.2 Prepare the Retained Income note on 28 February 2023. (6)
- 1.3 Complete Statement of Financial Position (Balance Sheet) on 28 February 2023. Show workings. (30)

**INFORMATION:**

**A. List of balances before taking into account all adjustments below:**

	28 February 2023	28 February 2022
	(R)	(R)
Ordinary share capital	?	?
Retained income	?	300 000
Fixed assets (carrying value)	4 423 160	
Loan from: Illovu Bank	?	1 800 000
Trading stock	468 750	
Trade debtors	440 500	
Trade creditors	437 600	
Fixed deposit: Shuter Bank	?	
Bank (favourable)	?	
SARS: Income tax (provisional payments)	547 400	
Consumable stores on hand	18 000	
Accrued income	11 500	

- B.** The following information has not yet been taken into account. At this point, the net profit before tax was R2 200 750:
- (i) On 1 December 2022 M.K Mkhize, a debtor, returned merchandise. A credit note for R2 000 was issued to her. (The cost price was R1 250.) No entries were made for the return of the merchandise. These items were returned to stock.
  - (ii) The Internal Auditor discovered that the profit on disposal of a vehicle R8 000, was incorrectly recorded as a loss.
  - (iii) The External Auditors are owed a further R28 000 after completing the audit.
  - (iv) KB Builders was paid R200 000 for the construction of a storeroom (R120 000) and repairs and maintenance (R80 000.) The entire amount was debited to repairs account in error.

- (v) The repayment on the loan are fixed at R40 000 per month (including capitalized interest).

The balances as per loan statement were:

- 1 March 2022, R1 800 000
- 28 February 2023, R1 521 000

Provide for interest on loan.

- (vi) After taking into account the corrections above, it was determined that an additional R25 000 is still owed to SARS in respect of income tax for the year.

**C. Shares:**

30 November 2022 80 000 shares bought back on at R2.50 higher than the average price of R6.50.

28 February 2023 500 000 in issue @ R6,50 each at the end of the financial year.

**D. Dividends:**

- Interim dividends of R75 400 was paid on 30 September 2022.
- A final dividend of 20 cents per share was declared on 28 February 2023.

- E. A fixed monthly instalment of R40 000 (to cover loan repayment and interest) has to be paid over the full period of the loan.

Interest will decline over the life of the loan. The interest on the loan budgeted for the next financial year is R158 000

**F. Financial indicator:**

Current ratio	1.4:1
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**QUESTION 2** (40 marks; 35 minutes)  
**ORDINARY SHARE CAPITAL NOTE LANCE SHEET, CASH FLOW STATEMENT AND FINANCIAL INDICATOR CALCULATION**

You are provided with information relating to Radisson Blue Limited, a public company, for the financial year ended 28 February 2023.

**REQUIRED:**

- 2.1 Prepare Ordinary share capital note to the Balance Sheet on 28 February 2023: (10)  
2.2 Prepare the Cash Flow Statement for the year ended 28 February 2023. (25)  
2.3 Calculate the Rate of stock turnover for the year ended 28 February 2023: (5)

**INFORMATION:**

**A Extract from the Income Statement for the year ended 28 February 2023:**

Cost of sales	R1 328 250
Depreciation	56 000
Interest expense	78 750
Net profit before tax	747 000
Income tax	374 600

**B Extract from the Balance Sheet on 28 February:**

	2023	2022
Ordinary shareholders' equity	?	807 500
Ordinary share capital	2 371 500	?
Retained Income	?	68 000
Long-term liabilities (15% p.a.)	125 000	940 000
Investment in fixed deposit	80 000	330 000
Trading Stock	210 000	175 000
Bank (favourable balance)	?	2 000
Bank overdraft	-	922 000
Fixed/Tangible assets	1 928 600	2 937 600
SARS (Income tax)	Dr 48 100	Cr 32 400
Shareholders for dividends	?	175 000

**C Share capital**

The business has been registered with an authorised share capital of 800 000 ordinary shares.

1 March 2022	The issued share capital consisted of 184 875 ordinary shares.
30 November 2022	12 000 ordinary shares were repurchased from a retired shareholder at a total cost of R60 000.
31 January 2023	280 000 ordinary shares were issued at R6 per share.

**D Dividends**

Total dividends paid for the current financial year amounted to R480 000.

**E Fixed assets**

- Building plot was sold during the financial year, R 475 000.
- Equipment was purchased during the financial year.

### QUESTION 3

(15 marks; 15 minutes)

#### INTERPRETATION OF FINANCIAL STATEMENTS

You are provided with information relating to Umsinga Limited, a public company, for the financial year ended 28 February 2023.

#### REQUIRED:

##### 3.1 LIQUIDITY:

The directors are satisfied with the improvement in the current ratio and the acid-test ratio. Explain why you would disagree with them. Quote TWO financial indicators in your response. (4)

##### 3.2 RISK AND GEARING

Comment on the risk and gearing for both years. Quote TWO financial indicators with figures. (4)

##### 3.3 DIVIDENDS:

The directors changed the dividends policy for the current financial year.

- Comment on the dividend per share over the two years. Quote figures. (2)
- Explain the change in the dividend payout rate and give a reason for this change. Quote figures (3)
- A shareholder felt that they should be satisfied with the dividends they received as it is better than last year. Explain why you agree with him. Quote figures (2)

#### INFORMATION:

A.	2023	2022
Current ratio	2.4 : 1	1.1 : 1
Acid- test ratio	1.0 : 1	0.4 : 1
Stockholding period	102 days	32 days
Average debtors collection period	46 days	31 days
Average creditors payment period	60 days	60 days
Earnings per share	58 cents	130 days
Dividends per share	72 cents	90 cents
Dividend payout ratio	136.5%	69%
Debt-equity ratio	0.4 : 1	0.3 : 1
Return on average shareholders' equity	17.7%	31.6%
Return on total capital employed	23.2%	39%
Net asset value per share	332 cents	409 cents
Market price of shares on stock exchange	410 cents	540 cents
Interest rate on loans	13.5%	13.5%
Interest rate on fixed deposit	6.8%	7.8%

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)
$\frac{\text{Net income after tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<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>	





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REPUBLIC OF SOUTH AFRICA

### NATIONAL SENIOR CERTIFICATE

GRADE 12

#### ACCOUNTING

#### MARKING GUIDELINES

COMMON TEST

MARCH 2023

MARKS: 100

#### MARKING PRINCIPLES:

#### FINAL MEMO

M. S. MAMBO  
EXAMINER  
28/03/2023

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. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as the final figure, award one mark. 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.
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. 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.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
10. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidates operation.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒. Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f=foreign item; p=placement.

This marking guideline consists of 5 pages.



## QUESTION 1

**1.1 Calculate the correct Net profit after tax for the year ended 28 February 2023**

Incorrect net profit before tax	2 200 750	✓
Gross profit (2 000 – 1 250) <small>Can be done separately for one mark each</small>	(750)	✓✓
Profit on sale of an asset (8 000 + 8 000)	16 000	✓
Audit fees	(28 000)	✓
Repairs (200 000 – 80 000)	120 000	✓
Interest expense	(201 000)	✓
Income tax	(572 400)	✓
<b>Net profit after tax</b> <small>Operation</small>	<b>1 534 600</b>	✓


Accept brackets instead of – If no sign, assume + Positive/negative effect & figure must be correct.

9

**1.2 Retained income**

Balance at the beginning	300 000	
Net profit after tax <small>See 1.1</small>	1 534 600	✓
Buy back of shares (80 000 x 2.50)	(200 000)	✓
Dividends <small>Operation one part correct</small>	(175 400)	✓
Paid / interim	75 400	✓
Final/ recommended (500 000 X 0.20)	100 000	✓
Balance at the end of the year <small>Operation</small>	<b>1 459 200</b>	✓

6

My g answer  
 Examiner  
 28/03/2023  


## 1.3 Statement of Financial Position on 28 February 2023.

<b>Asset</b>				
<b>Non-current assets</b>	TA – CA	5 543 160	✓	5
Tangible assets	(4 423 160 ✓ + 120 000 ✓)	4 543 160	✓	
Fixed deposit	Balancing figure	1 000 000	✓	
<b>Current assets</b>	Operation	1 277 640	✓	11
Inventory	(468 750 ✓ + 1 250 ✓ + 18 000 ✓)	488 000	✓	
Trade and other receivables	(440 500 ✓ – 2 000 ✓ + 11 500 ✓)	450 000	✓	
Cash and cash equivalent		339 640	✓	
<b>Total assets</b>	(Total equity + Liabilities = Total asset)	6 820 800	✓	
<b>Equity and liabilities</b>				
<b>Shareholders' equity</b>	Operation	4 709 200	✓	3
Ordinary share capital	500 000 X R6,50	3 250 000	✓	
Retained income	See 1.2	1 459 200	✓	
<b>Non-current liabilities</b>		1 199 000		3
	(480 000 – 158 000 one mark)			
<b>Loan</b>	(1 521 000 ✓ – 322 000 ✓) One part correct	1 199 000	✓	
<b>Current liabilities</b>	Operation	912 600	✓	8
Trade and other payables	(437 600 ✓ + 28 000 ✓)	465 600	✓	
Current portion of loan	See NCL	322 000	✓	
Shareholders for dividends	See 1.2	100 000	✓	
SARS-Income tax		25 000	✓	
<b>Total equity and liabilities</b>	Operation	6 820 800	✓	30

<b>TOTAL MARKS</b>
45

Miss M. M. M. M. M.  
 Examination  
 28/03/2023  
 L. S.



## QUESTION 2

## 2.1 Ordinary Share Capital note

<b>Authorised shares</b>		
<b>800 000 shares</b>		
<b>Issued shares</b>		
184 875 ✓	shares @ R4	R 739 500 ✓
(12 000) ✓	shares bought back @ R4 ✓	(R48 000) ✓
280 000 ✓	shares @ R6.00	R1 680 000 ✓✓
452 875 ✓	shares @	R2 371 500 ✓

10

## 2.2 Cash Flow Statement on 28 February 2023

<b>Cash flow from operating activities</b>	Operation	158 750 ✓
<b>Cash generated by operations</b>		<b>1 172 600</b>
Interest paid		(78 750) ✓
Dividends paid		(480 000) ✓
Tax paid (32 400 ✓ + 48 100 ✓ + 374 600 ✓)		(455 100) ✓
Or – 32 400 – 48 100 – 374 600		One part correct out flow
<b>Cash flow from investing activities</b>	Operation	247 000 ✓
Purchases of fixed assets		
(1 928 600 ✓ + 56 000 ✓ + 475 000 ✓ – 2 937 600 ✓) or		(478 000) ✓
(2 937 600 – 1 928 600 – 56 000 – 475 000)	Operation	
Proceeds on sale of fixed assets		475 000 ✓
Decreased in fixed deposit (330 000 – 80 000)		250 000 ✓✓
<b>Cash flow from financing activities</b>	Operation	805 000 ✓
Proceeds on shares issued	See 2.1	1 680 000 ✓
Buy back of shares		(60 000) ✓
Repayment of loan (940 000 – 125 000)		(815 000) ✓✓
<b>Net change in cash and cash equivalent</b>	Operation	1 210 750 ✓
<b>Cash and cash equivalent at the beginning</b>		(920 000) ✓✓
(922 000 – 2 000)		
<b>Cash and cash equivalent at the end</b>	Operation	290 750 ✓

25

No marks should be awarded if there are no brackets indicating out flow

## 2.3 Rate of stock turnover

1 328 250 ✓  
 $\frac{1}{2} \times (210\,000 + 175\,000)$   
 6.9 times ✓ Operation one part correct

5

TOTAL MARKS

40

MS MAMLE

EXAMINER

28/03/2023

Lg



## QUESTION 3

3.1 The directors are satisfied with the improvement in the liquidity position. Explain why you would disagree with them. Quote TWO financial indicators in your response.

Financial indicators with a figures ✓ ✓ Explanation ✓ ✓

Part marks for incomplete, partial or unclear answer

- The stock holding period increased from 32 days to 102 days by 70 days (218%)
- Average debtors collection period increased from 31 days to 46 days by 15 days (48%)

Do not accept current ratio and acid test ratio

Any ONE valid explanation: part marks for incomplete / unclear explanation

- Too much liquid assets (cash) tied up in stock reflects that there is an over investment in stock/ The difference in current and acid ratios reflects stock piling.
- High stock volumes create security problems.
- Stock can easily become obsolete due to advancements in technology (can't be sold)

3.2 Comment on the risk and gearing for both years. Quote TWO financial indicators with figures.

Debt/equity ratio increased from 0.3 : 1 to 0.4 : 1 by 0.1 (33.33%) ✓

ROCE decreased from 39% to 23.2% by 15.8% ✓

Any valid comment on the above ✓ ✓ part marks for incomplete, partial or unclear answer

- Increased borrowing not effectively used to increase or improve profitability
- Although still positively geared (ROCE exceeds interest rate) the drop in profitability/ downward trend is a concern.
- Although there is low financial risk, the company is more reliant on own capital.

3.3 Comment on the dividend per share over the two years. Quote figures

ONE valid comment ✓ Figure ✓

The DPS dropped from 90 cents to 72 cents by 18 cents (20%)

Explain the change in the dividend payout rate. Quote figures

Explanation with a figure ✓

The dividend pay-out rate increased from 69% to 136.5% by 67.5% (accept 124.1% for 2023 EPS)

Give a reason for this change ✓ ✓

- Directors attempted to please the shareholders for the low profitability
- Compensation for using funds retained in previous financial years.
- No plans for growth/ expansions ( no need to retain additional funds)

A shareholder felt that they should be satisfied with the dividends they received as it is better than last year. Explain why you agree with him. Quote figures

Explanation with a comparison to another factor apart from the payout rate and a figure ✓ ✓

Responses for 2 marks:

- The drop in the market price from 540 cents to 410 cents (reflects a dividend yield DPS/MP of 17.7% this year compared to 16.7% last year) if the policy was maintained at 69% of EPS, they would received 40 cents.

Example of responses for ONE mark:

- EPS dropped from 130 cents to 58 cents by 72 cents (55%) but DPS dropped from 90 cents to 72 cents by 18 cents (20%)
- The dividend pay-out rate increased from 69% (90/130) to 136.5 or 72/58 (124.1 %)

Example of responses for NO mark :

- The dividend pay-out rate increased

TOTAL MARKS

15

Mr. G. M. M. M. M.  
Examiner  
28/03/2023  
[Signature]