



# GAUTENG PROVINCE

EDUCATION  
REPUBLIC OF SOUTH AFRICA

**JUNE EXAMINATION**  
**GRADE 12**  
**2024**

Stanmorephysics.com  
**ACCOUNTING**  
**(PAPER 1)**

**TIME: 2 hours**

**MARKS: 150**

**ACCOUNTING P1**



**C2711E**

**X10**



12 pages + 1 formula sheet and an answer book of 10 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 questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
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, Notes and Statement of Financial Position	65	52
2	Cash Flow Statement and Interpretation	40	32
3	Analysis and Interpretation of Financial Indicators	35	28
4	Audit Reports and Corporate Governance	10	8
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME, NOTES AND STATEMENT OF FINANCIAL POSITION (65 marks; 52 minutes)**

**1.1 COMPANY CONCEPTS**

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

COLUMN A	COLUMN B
1.1.1 Director	A Responsible for expressing an opinion on the financial statements of a company
1.1.2 IFRS	B Owners of the company
1.1.3 Independent auditor	C An elected member of the board responsible for running the business and implementing policy
1.1.4 Shareholders	D Guidelines for the preparation of financial statements to ensure consistency

(4 x 1) (4)

**1.2 JONTY LIMITED**

The following information relates to Jonty Limited. The financial year ends on 29 February 2024.

**REQUIRED:**

**1.2.1 Refer to Information C.**

Calculate the missing amounts denoted by (i) to (iv) on the Fixed Asset Note. (10)

1.2.2 Complete the Statement of Comprehensive Income (Income Statement) for the year ended 29 February 2024. Certain amounts have been entered in the Income Statement. (28)

**1.2.3 Refer to Information D.**

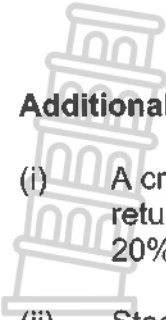
Complete the Ordinary Share Capital Note. (7)

1.2.4 Complete the Equity and Liabilities section of the Statement of Financial Position (Balance Sheet) on 29 February 2024. (16)

## INFORMATION:

## A. Extract of a list of balances/totals on 29 February 2024:

Balance Sheet Accounts Section	R
Ordinary share capital	6 600 000
Retained income (29 February 2024)	?
Land and buildings	7 890 720
Mortgage Loan: ZX-Bank	1 609 000
Vehicles	452 000
Equipment (1 March 2023)	790 000
Accumulated depreciation on vehicles (1 March 2023)	236 000
Accumulated depreciation on equipment (1 March 2023)	710 000
Trading stock	1 230 000
Provision for bad debts	22 000
Creditors' control	774 290
Shareholders for dividends	?
SARS: Income tax (Provisional payments)	150 000
<b>Nominal Accounts Section</b>	
Sales	3 345 000
Cost of sales	2 787 500
Salaries and wages	921 268
Audit fees	76 000
Directors' fees	1 540 000
Sundry expenses	292 330
Commission income	82 600
Bad debts	14 100
Bad debts recovered	3 260
Rent income	208 250
Packing material	3 700
Interest on fixed deposit	27 000
Ordinary share dividends	55 000



**B. Additional information and adjustments:**

- (i) A credit note for R14 400 was issued on 29 February 2024 for goods returned by customer P. Mahlangu. Goods were sold with a mark-up of 20% on cost price. No entry has been made for this transaction.
- (ii) Stock on hand, as per physical stock taking on 29 February 2024:
  - Trading stock R1 239 000
  - Packing material R980
- (iii) A debtor, Z. Smith was declared insolvent. Her estate paid 55c in the rand. An amount of R660 was received and recorded. The balance of her account must be written off.
- (iv) Provision for bad debts must be adjusted to R21 220.
- (v) The premises have been rented for the past five years. The rent for March 2024 has been received and recorded. Due to renovations, the rent was decreased by 25% per month for only three months, from April to June 2023.
- (vi) A debtor with a credit balance of R10 900 is to be transferred to the Creditors' Ledger.
- (vii) The company has three directors earning the same monthly fee. Two directors have been employed since 2022, and a new director was appointed on 1 September 2023. One director went overseas and was only paid until 31 December 2023. Provide for the outstanding director's fees.
- (viii) The loan statement received from ZX Bank on 29 February 2024 indicated the following:

	<b>R</b>
Balance at beginning of financial year	2 509 000
Repayments per month (including interest)	75 000
Interest capitalised	?
Balance at end of financial year	1 984 000

**NOTE:**

- The interest and repayments of the loan will remain the same for the next financial year.

(ix) **SARS Income tax:**

R17 000 is still payable to SARS.

## C. Incomplete Fixed Asset Note and additional information:

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value at the beginning of the year		416 000	
Cost	(i)		790 000
Accumulated depreciation		(236 000)	(710 000)
<b>Movements</b>			
Addition at cost	1 500 000	0	150 000
Disposal at carrying value		(ii)	0
Depreciation		(83 200)	(iv)
Carrying value at the end of the year	7 890 720	(iii)	
Cost	7 890 720	452 000	
Accumulated depreciation		(247 200)	

- Land and buildings were purchased during the financial year for R1 500 000. This has been properly recorded.
- Depreciation on vehicles is calculated at 20% p.a. on the diminishing-balance method. The total depreciation for the financial year amounted to R83 200.
- On 29 February 2024 a vehicle costing R200 000 was sold for cash, for R118 000. The business made a loss of R10 000 on the sale of the asset.
- Depreciation on equipment is calculated at 15% p.a. on the cost price. The company decided to invest in new equipment since the equipment was very old. The new equipment was bought on 1 November 2023 at a total cost of R150 000.

## D. Shares and dividends

- Authorised shares consist of 3 000 000 shares.
- On 1 March 2023, there were 1 000 000 shares in issue.
- On 1 November 2023, the company repurchased 120 000 shares at R7,20 each, which was 20% above the average share price. These shares do not qualify for final dividends.
- 10% of unissued shares on 1 March 2023 were issued at R6,60 per share on 22 February 2024.
- A final dividend of 22 cents per share was declared on 29 February 2024. All shareholders on the shares register qualify for the final dividend.

E. The net asset value per share on 29 February 2024 is 620 cents.

**QUESTION 2.: CASH FLOW STATEMENT AND INTERPRETATION**

**(40 marks; 32 minutes)**

**DRUA LTD**

Drua Ltd is an apparel company specialising in the sale of rugby jerseys and other rugby apparel.

**REQUIRED:**

- 2.1 Calculate the CASH FLOW FROM OPERATING ACTIVITIES section of the Cash Flow Statement by completing the following:
- (a) Operating profit before changes in working capital (4)
  - (b) Changes in working capital. You must also indicate whether there is an increase/decrease in the item. Circle or underline the correct option provided in the ANSWER BOOK. (9)
  - (c) Income tax paid (4)
  - (d) Dividends paid (3)
  - (e) Cash Flow from operating activities (6)
- 2.2 Calculate the CASH FLOW FROM FINANCING ACTIVITIES section of the Cash Flow Statement by completing the following:
- (a) Retained Income Note (5)
  - (b) Cash Flow from financing activities (5)
- 2.3 The Cash Flow Statement reflects some important decisions made by the directors over the past year. Explain ONE good decision and ONE bad decision made by the directors. Provide calculations/figures to support your answer. (4)



**INFORMATION:****A. Extract of a list of balances on 31 March 2024 (after adjustments):**

	2024	2023
Sales	13 500 000	
Cost of sales	8 437 500	
Depreciation	?	
Interest on loan	185 000	
Net profit before income tax	1 995 000	
Net profit after income tax	1 396 500	
Fixed assets (carrying value)	2 314 000	2 884 000
Fixed deposit: Gen Bank	210 000	150 000
Ordinary shareholders equity	11 200 000	9 675 000
Ordinary share capital	8 925 000	7 800 000
Retained income	2 661 750	1 875 000
Loan: BN Bank (14%)	?	1 425 000
SARS (income tax)	48 000 Cr	27 000 Dr
Shareholder for dividends	157 500	107 250
Trading stock	1 005 000	870 000
Consumable stores on hand	14 250	13 400
Debtors' control	122 800	139 400
Bank	1 456 700 Dr	413 670 Cr
Deposit for water and electricity	30 000	15 000
Creditors' control	89 200	104 300
SARS (PAYE)	12 500	14 780

**B. Additional information:****(i) Ordinary share capital:**

- 1 500 000 shares have been authorised.
- 650 000 shares were issued at the end of the previous financial year, 31 March 2023.
- 100 000 ordinary shares were issued on 31 January 2024.
- A number of ordinary shares were repurchased from unhappy shareholders. These shares were repurchased at R17,50 per share; the average price was R12,75 at the time of the repurchase.
- 700 000 ordinary shares were in issue at the end of the financial year 31 March 2024.

**(ii) Fixed assets:**

- No fixed assets were bought or sold during the current financial period.

**(iii) Loans:**

- Interest on loan is capitalised.
- Payments (including interest) for the year were R710 000.



(iv) Dividends:

- The total dividends for the year, R372 250.

(v) Fixed deposits:

- Additional investment in fixed deposit of R60 000 during the year.

40

**QUESTION 3: ANALYSIS AND INTERPRETATION OF FINANCIAL INDICATORS**

(35 marks; 28 minutes)

3.1 Match the category of financial indicators with the correct description in the table below. Write only the letter (A – E) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK, e.g. 3.1.4 F.

A	Profitability
B	Liquidity
C	Solvency
D	Return
E	Risk

3.1.1 Measures how well the business performed over an accounting period (1)

3.1.2 Measures how well the owner's investment in the business has performed (1)

3.1.3 Measures the ability of a business to manage short-term debt (1)

**3.2 JACKSON LTD**

The following information relates to Jackson Ltd. The financial year of the company ends on 30 April.

**REQUIRED:**

3.2.1 Calculate the following financial indicators for the year ending 30 April 2024:

- Net profit after tax on sales (3)
- Returns on shareholders' equity (4)

3.2.2 Comment on the ability of Jackson Ltd to control expenses. Quote financial indicators and figures to support your answer. (3)

3.2.3 The directors of the company feel that working capital has improved over the financial period. Quote TWO financial indicators and figures that support the directors' opinion. Comment on the figures provided. (6)

3.2.4 The directors decided to take out an additional loan at the start of the current period. In hindsight, some of the directors think that this was a poor decision. Discuss the impact that the additional loan has on the business. Quote financial indicators and figures to support your answer. (6)

3.2.5 Jenny Gusto is a shareholder of the company. She currently owns 12 500 shares and is considering selling her shares as she views the company as underperforming.

Provide ONE reason with financial indicators and figures to support Jenny's view to sell her shares.

Provide ONE reason with financial indicators and figures to convince Jenny to reconsider her decision and keep the shares. (6)

3.2.6 If Jenny sells her shares now, calculate whether she will make a profit or a loss. Jenny purchased all the shares at an issue price of R5,80 per share, two years ago. (4)

### INFORMATION:

#### A. Extract of a list of balances and totals for the year ended 30 April:

	2024	2023
Sales	6 750 000	5 940 000
Cost of sales	4 500 000	3 960 000
Operating expenses	1 180 000	1 120 000
Net profit before tax	945 000	735 000
Income tax (30%)	283 500	220 500
Trading stock	182 300	211 300
Ordinary share capital	3 900 000	3 600 000
Retained income	420 000	380 000
Shareholders for dividends	123 400	168 100
SARS (income tax)	43 400	32 800

## B. Financial indicators on 30 April:

	2024	2023
Net profit after tax on sales	?	8,7%
Operating expenses on sales	17,5%	18,9%
Current ratio	1,9 : 1	2,8 : 1
Acid-test ratio	1,2 : 1	0,6 : 1
Average debtors' collection period	35 days	29 days
Average creditors payment period	62 days	40 days
Return on shareholders' equity	?	12%
Return on average capital employed	16%	18%
Debt-equity ratio	1 : 1	0,4 : 1
Net asset value per share	805 cents	776 cents
JSE market price per share	702 cents	791 cents
Alternative investments interest rate	7,5%	7,5%
Interest rate on loans	18%	14%
Credit policy	30 days	30 days
Supplier terms	60 days	60 days
Rate of inflation	5%	4%

35

## QUESTION 4: AUDIT REPORTS AND CORPORATE GOVERNANCE

(10 marks; 8 minutes)

## AUDIT REPORT

Refer to the extract of an audit report on Broderick Limited below and answer the following questions.

- 4.1 What kind of audit report did Broderick Ltd receive from the independent auditors, Vilakazi and Son? (1)
- 4.2 As a shareholder, explain why would you be concerned about this audit report? State TWO points. (4)
- 4.3 Give TWO examples of audit evidence that auditors will require when fulfilling their duties. (2)

**INFORMATION:****EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS****Basis for our opinion**

The company's procurement policy states that purchases over R500 000 must be approved by the board of directors and supported by three quotations from independent suppliers.

During the year under review the company purchased a vehicle at a cost of R1 100 000. This was approved by the CEO without reference to the board. Only one quotation was received.

**Audit opinion**

Because of the significance of this matter, we have not been able to obtain sufficient audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial statements of Broderick Ltd for the year ended 29 February 2024.

*Vilakazi and Son, CA (SA)*

**4.4 CORPORATE GOVERNANCE**

Shareholders and employees associated with a company will be particularly interested in whether the company is well governed and managed by the directors.

According to the Companies Act, 2008 (Act 11 of 2008), a company must have a Remunerations Committee. Explain the role/responsibility of this committee and give a reason why this committee is necessary.

(3)

10

**TOTAL: 150**

## GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	

**NOTE:**

- \* In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.



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**JUNE EXAMINATION  
GRADE 12  
2024**

**ACCOUNTING  
(PAPER 1)  
ANSWER BOOK**

<b>NAME AND SURNAME:</b>	
<b>NAME OF SCHOOL:</b>	

QUESTION	TOPIC	MARKS	LEARNER'S MARKS	MODERATOR'S MARKS
1	Statement of Comprehensive Income, Notes and Statement of Financial Position	65		
2	Cash Flow Statement and Interpretation	40		
3	Analysis and Interpretation of Financial Indicators	35		
4	Audit Reports and Corporate Governance	10		
<b>TOTAL</b>		<b>150</b>		

10 pages

**QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME, NOTES AND STATEMENT OF FINANCIAL POSITION (65 marks; 52 minutes)**

**1.1 COMPANY CONCEPTS**

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

**1.2 JONTY LIMITED**

**1.2.1**

No.	Workings	Answer
(i)		
(ii)		
(iii)		
(iv)		

10

## 1.2.2 Statement of Comprehensive Income for the year ended 29 February 2024

Sales (3 345 000)		
Cost of sales (2 787 500)		
Gross profit		
Other income		
Commission income	82 600	
Bad debt recovered	3 260	
Rent income (208 250)		
Gross operating income		
Operating expenses		
Salaries and wages	921 268	
Audit fees	76 000	
Loss on sale of asset	10 000	
Sundry expenses	292 330	
Bad debts (14 100)		
Depreciation (83 200)		
Directors' fees (1 540 000)		
Operating profit		
Interest income	27 000	
Profit before interest expense		
Interest expense		
Net profit before tax		
Income tax		
Net profit after tax		28



1.2.3 Ordinary Share Capital Note

Authorised share capital: 3 000 000 ordinary shares

1 000 000	Ordinary shares at the beginning	
(120 000)	Shares repurchased	
	Shares at the end of the year	6 600 000

7

1.2.4 Equity and Liabilities section of the Statement of Financial Position on 29 February 2024

<b>EQUITY AND LIABILITIES</b>	
<b>ORDINARY SHAREHOLDERS' EQUITY</b>	
Ordinary share capital	6 600 000
Retained income	
<b>NON-CURRENT LIABILITIES</b>	
Mortgage loan	
<b>CURRENT LIABILITIES</b>	
Trade and other payables (774 290)	
<b>TOTAL EQUITY AND LIABILITIES</b>	

16

65

**QUESTION 2.: CASH FLOW STATEMENT AND INTERPRETATION**

(40 marks; 32 minutes)

DRUA LTD

2.1

<b>(a) Operating profit before changes in working capital</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

4
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<b>(b) Changes in working capital. Indicate whether there is an increase or decrease. Circle or underline the correct option.</b>	
Increase in Inventory	(135 850)
Increase/Decrease in debtors	
Increase/Decrease in creditors	
<b>Changes in working capital</b>	

9
---

<b>(c) Income tax paid</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

4
---

<b>(d) Dividends paid</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

3
---

<b>(e) Cash Flow from Operating Activities</b>	
<b>WORKINGS</b>	<b>ANSWER</b>

6
---

2.2 (a) Retained Income Note

Balance at the beginning of the year	1 875 000
Ordinary share dividends	(372 250)
Final dividend	157 500
Balance at year end	2 661 750

5

(b) Cash Flow from financing activities	

5

2.3

The Cash Flow Statement reflects some important decisions made by the directors over the past year. Explain ONE good decision and ONE bad decision made by the directors. Provide calculations/figures to support your answer.

Good decision with figures	Explanation
Bad decision with figures	Explanation

4

40

**QUESTION 3: ANALYSIS AND INTERPRETATION OF FINANCIAL INDICATORS**  
(35 marks; 28 minutes)

3.1

3.1.1	
3.1.2	
3.1.3	

3

3.2 JACKSON LTD

3.2.1


Net profit after tax on sales	
WORKINGS	ANSWER

3

Return on shareholders' equity	
WORKINGS	ANSWER

4

3.2.2

Comment on Jackson Ltd's ability to control expenses. Quote financial indicators and figures to support your answer.


3

## 3.2.3

The directors of the company feel that working capital has improved over the financial period. Quote TWO financial indicators and figures that support the directors' opinion. Comment on the figures provided.

6

## 3.2.4

The directors decided to take out an additional loan at the start of the current period. In hindsight, some of the directors think that this was a poor decision. Discuss the impact that the additional loan has on the business. Quote financial indicators and figures to support your answer.

6

**3.2.5**

Jenny Gusto is a shareholder of the company. She currently owns 12 500 shares and is considering selling her shares as she views the company as underperforming.

Provide ONE reason with financial indicators and figures to support Jenny's view to sell her shares.

--

3

Provide ONE reason with financial indicators and figures to convince Jenny to reconsider her decision and keep her shares.

--

3

**3.2.6**

If Jenny sells her shares now, calculate whether she will make a profit or loss. Jenny purchased all the shares at an issue price of R5,80 per share, two years ago.

WORKINGS	ANSWER

4

35

**QUESTION 4: AUDIT REPORTS AND CORPORATE GOVERNANCE**

(10 marks; 8 minutes)

4.1 What kind of audit report did Broderick Ltd receive from the independent auditors, Vilakazi and Son?

--	--

	1

4.2 As a shareholder, explain why you would be concerned about this audit report. State TWO points.

--	--

	4

4.3 Give TWO examples of audit evidence that auditors will require when fulfilling their duties.

--	--

	2

4.4 Explain the role/responsibility of the remuneration committee and give a reason why this committee is necessary.

Explanation:	
Reason:	

	3

	10

**TOTAL: 150**

**END**







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**JUNE EXAMINATION  
GRADE 12**

**2024**

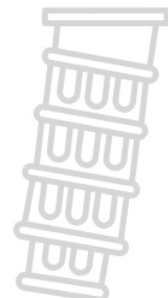
**ACCOUNTING  
(PAPER 1)  
ANSWER BOOK**

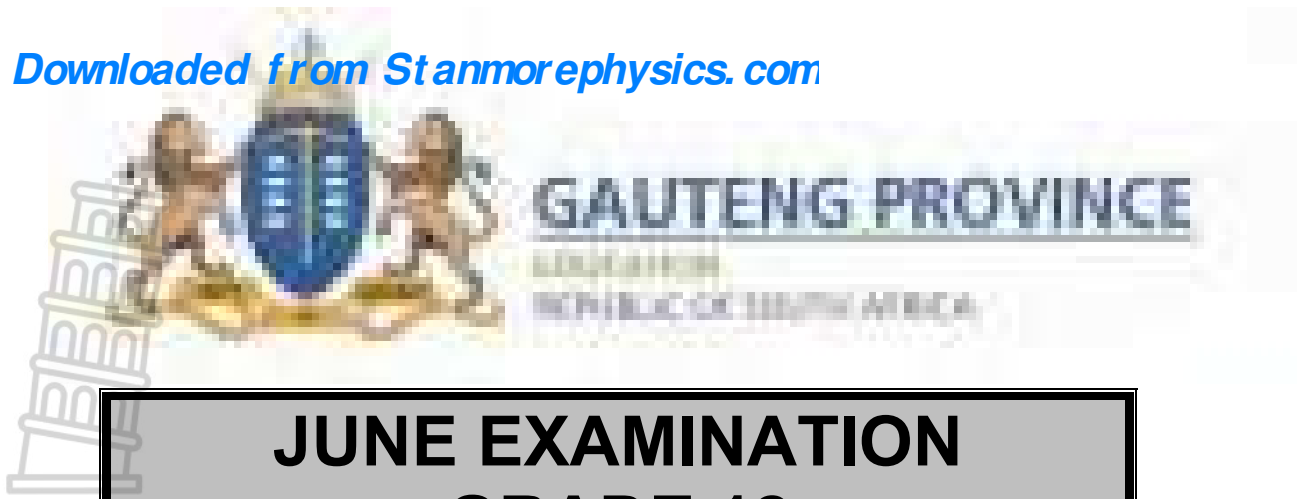
ACCOUNTING ANSWER BOOK P1



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# JUNE EXAMINATION GRADE 12

## 2024

# MARKING GUIDELINES

## ACCOUNTING

### (PAPER 1)

11 pages

#### 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 correct answers. If answer is incorrect, mark workings.
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 memo for components of workings, these do not carry the method mark for the 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. 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, marker must inspect reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

**QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME, NOTES AND STATEMENT OF FINANCIAL POSITION**

**1.1 COMPANY CONCEPTS**

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

4

**1.2 JONTY LIMITED**

**1.2.1**

No.	Workings	Answer
(i)	7 890 720 – 1 500 000	6 390 720 ✓
(ii)	$200\,000 \checkmark - \begin{matrix} [200\,000 - 118\,000 - 10\,000] \\ 72\,000 \checkmark \checkmark \\ \text{one component correct} \end{matrix}$ <p style="text-align: center;">OR</p> $416\,000 \checkmark - 83\,200 \checkmark - \begin{matrix} [452\,000 - 247\,200] \\ 204\,800 \checkmark \end{matrix}$ <p style="text-align: center;">OR</p> <p>[118 000 + 10 000] signs must be correct. No part marks. R128 000 Four marks.</p>	<p>128 000 ✓ one part correct</p> <p>If workings given as final answer, give the marks for the workings</p>
(iii)	452 000 – 247 200	204 800 ✓
(iv)	$79\,999 \checkmark + \begin{matrix} 80\,000 - 1 \quad 150\,000 \times (15/100 \times 4/12) \\ 7\,500 \checkmark \checkmark \\ \text{one component correct} \end{matrix}$	<p>87 499 ✓ one part correct</p>

10

1.2.2 Statement of Comprehensive Income for the year ended 29 February 2024

Sales (3 345 000 – 14 400 ✓)		3 330 600	✓	
Cost of sales (2 787 500 – 12 000 ✓)	ignore brackets	(2 775 500)	✓	
Gross profit	Operation, Sales – Cost of sales	5	555 100	✓
Other income				
Commission income			82 600	
Bad debt recovered			3 260	
Rent income (208 250 – 17 000 ✓✓)			191 250	✓
Provision for bad debt adjustment		4	780	✓
Gross operating income				
Operating expenses				
Salaries and wages			921 268	
Audit fees			76 000	
Loss on sale of asset			10 000	
Sundry expenses			292 330	
Bad debts (14 100 + 540 ✓)			14 640	✓
Depreciation (83 200 + 87 499 ✓)	see 1.2.1 (iv)		170 699	✓
Directors' fees (1 540 000 + 55 000 ✓ + 55 000 ✓)	110 000 two marks		1 650 000	✓
Trading stock deficit (1 230 000 ✓ +12 000 ✓ – 1 239 000 ✓)	see cos		3 000	✓*
Packing Material (3 700 – 980)		13	2 720	✓✓
Operating profit				
Interest income			27 000	
Profit before interest expense				
Interest expense (2 509 000 one mark –1 984 000 one mark)			(375 000)	✓#
900 000 ✓ – 5 25 000 ✓✓)				
75 000 x 12				
Net profit before tax				
Income tax (150 000 + 17 000)			(167 000)	✓#
Net profit after tax		6		

28

#must be in brackets \*one part correct. Method marks for final answer, check learner operations.

1.2.3 Ordinary Share Capital Note

Authorised share capital: 3 000 000 ordinary shares

1 000 000	Ordinary shares at the beginning	6 000 000 <input checked="" type="checkbox"/> * Balancing figure
(120 000)	Shares repurchased @ average price of R6,00 ✓✓ if (720 000) award full marks	(720 000) <input checked="" type="checkbox"/> # Do not accept R864 000
200 000 ✓	Shares issued at R6,60 (must be x 6.60)	1 320 000 <input checked="" type="checkbox"/>
1 080 000 <input checked="" type="checkbox"/>	Shares at the end of the year	6 600 000

7

#must be in brackets

\*one part correct

1.2.4 Equity and Liabilities section of the Statement of Financial Position on 29 February 2024

<b>EQUITY AND LIABILITIES</b>		
	See 1.2.3	Two marks
<b>ORDINARY SHAREHOLDERS' EQUITY</b> (1 080 000 <input checked="" type="checkbox"/> x 620c ✓)		6 696 000
Ordinary share capital		6 600 000
Retained income	balancing figure OSE - OSC	96 000 <input checked="" type="checkbox"/>
<b>NON-CURRENT LIABILITIES</b>		1 459 000
	[1 609 000 + 375 000] [2 509 000 - 1 984 000]	
Mortgage loan (1 984 000 ✓ - 525 000 ✓)		1 459 000 <input checked="" type="checkbox"/>
<b>CURRENT LIABILITIES</b>		1 691 790 <input checked="" type="checkbox"/>
Trade and other payables	rent income transfer directors' fees (774 290 + 17 000 <input checked="" type="checkbox"/> + 10 900 ✓ + 110 000 <input checked="" type="checkbox"/>	912 190 <input checked="" type="checkbox"/> *
#Shareholders for dividends (1 080 000 (see 1.2.3) x 0,22)		237 600 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
#Current portion of the loan	see loan above	525 000 <input checked="" type="checkbox"/>
#SARS (Income tax)		17 000 ✓
<b>TOTAL EQUITY AND LIABILITIES</b>	operation	9 846 790 <input checked="" type="checkbox"/>

16

\* one part correct

# Can be part of trade and other payables

65

**QUESTION 2: CASH FLOW STATEMENT AND INTERPRETATION**

**DRUA LTD**

2.1

<b>(a) Operating profit before changes in working capital.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$(2\ 884\ 000 - 2\ 314\ 000) \text{ one mark}$ $1\ 995\ 000 \checkmark + 570\ 000 \checkmark + 185\ 000 \checkmark$	$2\ 750\ 000 \checkmark$ <p style="margin: 0;"><b>one part correct</b></p>

<b>4</b>
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<b>(b) Changes in working capital. You must also indicate whether there is an increase/decrease in the item. Circle or underline the correct option.</b>	
<b>Increase in Inventory</b>	<b>(135 850)</b>
Increase/Decrease <input checked="" type="checkbox"/> check learner answer in debtors 154 400 one mark                      152 800 one mark $(139\ 400 + 15\ 000) \checkmark - (122\ 800 + 30\ 000) \checkmark$	$1\ 600 \checkmark \#$ <p style="margin: 0;"><b>one part correct</b></p>
Increase/Decrease <input checked="" type="checkbox"/> check learner answer in creditors 101 700 one mark                      119 080 one mark $(89\ 200 + 12\ 500) \checkmark - (104\ 300 + 14\ 780) \checkmark$	$(17\ 380) \checkmark \#$ <p style="margin: 0;"><b>one part correct</b></p>
<b>Changes in working capital</b> <b>must include inventory</b>	<b>(151 630) <input checked="" type="checkbox"/></b>
<b>Accept the reversal of signs #signs must be correct.</b>	

<b>9</b>
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<b>(c) Income tax paid</b>							
<b>WORKINGS</b>	<b>ANSWER</b>						
$(1\ 995\ 000 - 1\ 396\ 500) \text{ one mark}$ $-27\ 000 \checkmark + 598\ 500 \checkmark - 48\ 000 \checkmark$ <table border="1" style="margin: 5px auto; border-collapse: collapse;"> <tr> <td style="padding: 2px 10px;">27 000</td> <td style="padding: 2px 10px;">598 500</td> </tr> <tr> <td style="padding: 2px 10px;">48 000</td> <td></td> </tr> <tr> <td style="padding: 2px 10px;"><b>523 500</b></td> <td></td> </tr> </table>	27 000	598 500	48 000		<b>523 500</b>		$523\ 500 \checkmark$
27 000	598 500						
48 000							
<b>523 500</b>							
<b>Accept the reversal of signs or T-account</b>							

<b>4</b>
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<b>(d) Dividends paid</b>					
<b>WORKINGS</b>	<b>ANSWER</b>				
$(372\ 250 - 157\ 500)$ $107\ 250 \checkmark + 214\ 750 \checkmark$ <table border="1" style="margin: 5px auto; border-collapse: collapse;"> <tr> <td style="padding: 2px 10px;"><b>322 000</b></td> <td style="padding: 2px 10px;">107 250</td> </tr> <tr> <td style="padding: 2px 10px;">157 500</td> <td style="padding: 2px 10px;">372 250</td> </tr> </table>	<b>322 000</b>	107 250	157 500	372 250	$322\ 000 \checkmark$
<b>322 000</b>	107 250				
157 500	372 250				
<b>Accept the reversal of signs or T-account</b>					

<b>3</b>
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<b>(e) Cash Flow from Operating Activities</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\text{See (a)} \quad \text{See CIW} \quad \text{See (c)} \quad \text{See (d)}$ $2\ 750\ 000 \checkmark - 151\ 630 \checkmark - 185\ 000 \checkmark - 523\ 500 \checkmark - 322\ 000 \checkmark$ $(1\ 600 - 135\ 850 - 17\ 380) \text{ one method mark, must see all}$	$1\ 567\ 870 \checkmark$ <p style="margin: 0;"><b>one part correct</b></p>

<b>6</b>
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**2.2 (a) Retained income note**

signs must be correct

<b>Balance at the beginning of the year</b>	<b>1 875 000</b>
Net profit after tax	1 396 500 ✓
4,75	
Repurchase of shares (50 000 ✓✓ x (17,50 – 12,75))	(237 500) ☑ one part correct
<b>Ordinary share dividends</b>	<b>(372 250)</b>
Interim dividend (372 250 – 157 500)	214 750 ✓
<b>Final dividend</b>	<b>157 500</b>
<b>Balance at year end</b>	<b>2 661 750</b>

5
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signs must be correct

<b>(b) Cash Flows from Financing Activities</b>	362 500 ☑ Operation
Proceeds from issue of shares (7 800 000 – 637 500 – 8 925 000)	1 762 500 ✓☑ one part correct
Repurchase of shares (50 000 x 17,50)	(875 000) ☑#
Decrease in loans (185 000 – 710 000)	(525 000) ✓

5
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# Method mark only if repurchase shares as calculated in retained income note x 17,50

**2.3**

**The Cash Flow Statement reflects some important decisions made by the directors over the past year. Explain ONE good decision and ONE bad decision made by the directors. Support your answer with figures.**

<b>Good decision with figures ✓</b>	<b>Explanation ✓</b>
<b>Be aware of other valid options</b>	
Decreased loan with R525 000	The reducing of the loan will improve the companies' debt/equity ratio and the company will be improve its' creditworthiness.
Repurchased shares R875 000 / Issue of shares R1 762 500 or 100 000 shares (If answer issue of shares, explanation - funds available to repurchase shares and investments)	Shares were repurchased from <u>unhappy</u> shareholders. There were enough funds left for this transaction from the new issue of shares or the cash flows from operating activities/or issue shares to have funds available.
<b>Bad decision with figures ✓</b>	<b>Explanation ✓</b>
Increase in fixed deposit R60 000  # If answer fixed deposit (with figures) as good decision award only one mark. No mark for explanation if given as good decision.	The directors should have invested more funds into the Fixed deposit. The end of year cash on hand is R1 456 700. This should be invested in income generating assets.
No investment in fixed assets R0	The directors should have invested in purchasing fixed assets to grow income-generating assets. The end of year cash on hand is R1 456 700 and should be invested.

4
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40
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**QUESTION 3: ANALYSIS AND INTERPRETATION OF FINANCIAL INDICATORS**

3.1	3.1.1	A ✓	Profitability
	3.1.2	D ✓	Return
	3.1.3	B ✓	Liquidity

3
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**3.2 JACKSON LTD**

3.2.1

Net profit after tax on sales	
WORKINGS	ANSWER
(945 000 – 283 500) one mark $\frac{661\,500 \checkmark \times 100}{6\,750\,000 \checkmark \quad 1}$	9,80% ✓ Do not accept 0.98

3
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Return on shareholders' equity	
WORKINGS	ANSWER
(945 000 – 283 500) one mark $\frac{661\,500 \checkmark}{\frac{1}{2} (4\,320\,000 \checkmark + 3\,980\,000 \checkmark) + (3\,900\,000 + 420\,000) + (3\,600\,000 + 380\,000)} \times \frac{100}{1}$ 4 150 000 two marks	15,9% ✓ One part correct Accept 15.94% or 16% Do not accept 0.159, 0.154 or 0.16

4
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(x100 is not one part correct)

3.2.2

Comment on Jackson Ltd's ability to control expenses. Quote financial indicators and figures to support your answer.
Financial indicator ✓ Quote figures with trend ✓ Comment, can compare to inflation rate ✓  Operating expenses on sales, improved/decreased (from 18,9%) to 17,5%/ by 1,4 basis points/ by 7,4%  Net profit after tax on sales increased/ improved (from 8.7%) to 9.8% see 3.2.1/ by 1.1% points / by 12.6%  Any ONE of the following comments: <ul style="list-style-type: none"> <li>The company is controlling expenses well as compared to the previous year.</li> <li>Efficient cost control which led to increased profits.</li> <li>Less sales are being used to cover expenses. The company should be more profitable this year.</li> </ul>

3
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3.2.3

The directors of the company feel that working capital has improved over the financial period. Quote TWO financial indicators and figures that support the directors. Comment on the figures provided.

Financial indicator ✓ ✓ Quote figures and trend ✓ ✓ Comment ✓ ✓  
Do not accept average debtors' collection period or average creditors' payment period due to credit policy of 60 days Award part-marks for incomplete answers

Current ratio decreased from 2,8:1 to 1,9:1/by 0.7:1 (2,8 – 1,9)

Acid test ratio improved from 0,6:1 to 1,2:1/by 0.6:1 (1.2 – 0,6)

- The decrease in the current ratio is good for the business as the company has more liquid current assets than last year / Company is using its current assets more efficiently./ Trading stock on hand decreased.
- The increase in acid-test ratio is good for the business as the company is now able to cover short-term debt without having to sell stock.

6

3.2.4

The directors decided to take out an additional loan at the start of the current period. In hindsight some of the directors think this was a poor decision. Discuss the impact the additional loan has on the business. Quote financial indicators and figures to support your answer.

Debt/equity ratio ✓ Quote figures and trend ✓ Comment on risk or creditworthiness ✓  
ROTCE ratio ✓ Quote figures and trend ✓ Comment on gearing ✓

Debt/equity ratio has increased from 0,4:1 to 1:1 / by 0,6 :1

Return on total capital employed decreased from 18% to 16% / by 2 basis points / by 11%.

Explanation could be combined with figures or separate; both risk and gearing must be mentioned (implied).

- The additional loan has caused the company to move from low risk last year to high risk this year, (therefore in future the company will not be able to borrow money).
- This also means that the business is negatively geared (no longer positively geared), as the interest rate on loans currently is 18% whereas the ROTCE is 16%. / The company will likely struggle to pay the finance or interest costs on the loan.

6

3.2.5

<b>Jenny Gusto is a shareholder of the company. She currently owns 12 500 shares and is considering selling her shares as she views the company as underperforming.</b>		
<b>Provide ONE reason with financial indicators and figures to support Jenny's view to sell her shares.</b>		
Financial indicator ✓	Quote figures and trend ✓	Reason ✓
The <u>market price</u> decreased from 791 cents (R7.91) to 702 cents (R7.02) / by 89 cents/ by 11.25%.		
Reason:		
<ul style="list-style-type: none"> <li>• Jenny should be concerned because the market price indicates that the public has lost confidence in the shares and are not demanding them as much as the previous year.</li> <li>• Although the NAV increased to 805 cents, it is more than the market price that decreased to 702 cents. / Public not willing to pay what shares are worth.</li> </ul>		

3
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<b>Provide ONE reason with financial indicators and figures to convince Jenny to reconsider her decision and keep her shares.</b>		
Financial indicator ✓	Quote figures and trend ✓	Reason ✓
<u>Net asset value</u> improved / increased from 776 cents to 805 cents / by 29 cents.		
Reason:		
<ul style="list-style-type: none"> <li>• The company has experienced some growth.</li> <li>• The directors have not made decisions that reflect the growth in the NAV by 29c as seen by the decrease in the market price.</li> <li>• With good decisions by directors to improve the image of the business, the market price could improve and in the long-term the market price of R7,02 (702c) can improve.</li> <li>• Shares are a long-term investment. / NAV has increased by 29c./ Market price can increase if the directors make decisions that win the trust of the public/ improve the image of the business.</li> </ul>		
Or		
<u>Return on shareholders' equity</u> improved / increased from 12% to 15.9%(see 3.2.1) which is better than alternative investments interest rate of 7.5%		

3
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3.2.6

<b>If Jenny sells her shares now, calculate whether she will make a profit or loss on the shares. Jenny purchased all the shares at an issue price of R5,80 per share, two years ago.</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
87 750 one mark      72 500 one mark $(12\ 500 \times R7,02) \checkmark - (12\ 500 \times R5,80) \checkmark$ Or $12\ 500 \checkmark \times (R7,02 - R5,80) \checkmark$ $12\ 500 \checkmark \times R1,22 \checkmark$	15 250 <input checked="" type="checkbox"/> one part correct Profit <input checked="" type="checkbox"/>

4
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35
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**QUESTION 4: AUDIT REPORTS AND CORPORATE GOVERNANCE**

**4.1 What kind of audit report did Broderick Ltd. receive from the independent auditors Vilakazi and Son?**

Disclaimer ✓

1

**4.2 As a shareholder, explain why you would be concerned about this audit report? State TWO points.**

Any two points ✓✓ ✓✓ **Award part-marks for incomplete answers**

- This is a disclaimer/withheld/very bad report
- This does not reflect well on the company/not good for image of company.
- Proper corporate governance procedures have not been carried out.
- Proper internal control procedures have not been carried out.
- Potential investors (shareholders and lenders) will not want to invest in the company.
- The share price will be negatively affected (demand for the shares will decline).
- The company could be delisted on the JSE.
- The auditors will be more vigilant in future/could increase audit fees if they spend more time on the audits in future.
- Shareholders/Investors will lose faith in the directors/company.

4

**4.3 Give TWO examples of audit evidence that auditors will require when fulfilling their duties.**

Any two points ✓ ✓

- Asset registers,
- Source documents e.g. quotations, invoice, journals, ledgers, creditors' statements, bank statements, EFT voucher (proof of payments)
- Physical inspections,
- Contracts (signed)
- Minutes of meetings

2

4.4 Explain the role/responsibility of this committee and give a reason why this committee is necessary.

**EXPLANATION:** ✓ Note: Mark for explanation could be embedded in the reason

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

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

- 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.

3

10

**TOTAL: 150**

