



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ACCOUNTING P1

COMMON TEST

Stanmorephysics.com

JUNE 2023

MARKS: 150

TIME: 2 Hours

This question paper consists of 10 pages including a formula sheet
and An Answer Book of 8 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. A Financial Indicator Formula Sheet is attached at the end of this question paper.
8. Write neatly and legibly.
9. Use the information and table below as a guide when answering the question paper.
Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income and notes	50	40
2	Statement of Financial Position & Share Capital Note	30	25
3	Cash Flow Statements and Financial Indicators	40	30
4	Interpretation of Financial Statements	30	25
TOTAL		150	120

QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME AND NOTES

(50 marks; 40 minutes)

1. TONGAAT LTD

You are provided with information from the books of Tongaat Ltd. The financial year ended on 28 February 2023.

REQUIRED:

1.1 Refer to information A, B and C.

Calculate the missing amounts denoted by (a) to (c) on the incomplete Fixed Asset note provided. (15)

1.2 Prepare the Statement of Comprehensive Income for the year ended 28 February 2023. (35)

INFORMATION:

A. Incomplete Fixed Asset Note

	VEHICLES	EQUIPMENT
Carrying value at the beginning of the year	519 200	92 500
Cost	814 000	620 000
Accumulated depreciation	(294 800)	(527 500)
Movements		
Addition at cost	0	55 000
Disposal at carrying value	(a)	0
Depreciation	(b)	(c)
Carrying value at the end of the year		
Cost		
Accumulated depreciation		

- (i) New equipment was bought for R55 000 on 1 September 2022. This transaction has been recorded.

Provide for depreciation on equipment at 15% p.a. on cost price.

- (ii) A vehicle was sold for cash R91 150 on 1 December 2022. The details of the asset sold from the Fixed asset Register were as follows:

Date	Cost price	Accumulated depreciation
1 March 2022	R165 000	R66 000
Depreciation rate of 20% p.a. on the diminishing balance method		

B. EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2023

	R
Mortgage Loan: Best Bank	1 700 000
Fixed deposit: Best Bank	1 411 250
Trading stock	690 000
Provision for bad debts	15 000
SARS (Income tax) Dr	640 000
Sales	?
Cost of sales	9 000 000
Rent income	179 900
Interest on fixed deposit	?
Rates and taxes	272 500
Insurance	66 500
Salaries and wages	1 875 000
Consumable goods	84 700
Interest on loan	?
Sundry expenses	?

C. Additional information and adjustments:

- (i) Selling prices are determined by using a mark-up of 60% on cost. Trade discounts of R100 000 were allowed to customers during the financial year.
- (ii) The provision for bad debts must be adjusted to R12 000.
- (iii) Rent income was received for 13 months to 31 March 2023. On 1 January 2023 the rent decreased by 5%.
- (iv) Insurance included a policy with a yearly premium of R9 600. It was paid on 1 August 2022 and the policy expires on 31 July 2023.
- (v) Trading stock was damaged in a fire which broke out in the storeroom. The insurance company accepted the claim and pay R120 000 which covered 80% of the claim. This amount was received on 28 February 2023, but was not recorded in the books of the business. Write off the balance.
- (vi) One employee was omitted from the Salaries Journal for December 2022. His salary details are:

Net salary	Employer's contribution	Deductions
R46 000	R9 800	R14 500

Employer's contribution is posted to Salaries and wages.

- (vii) Interest on fixed deposit was earned at 8% per year, the interest is not capitalised.

NOTE: 188 750 was matured on 1 September 2022, transaction was recorded.

- (viii) Interest on loan is the balancing figure.

- (ix) Operating profit on sales: 20%.

- (x) After taking into account the above additional information and adjustments, it was determined that an additional R200 870 is still owed to SARS in respect of income tax for the year.

QUESTION 2: STATEMENT OF FINANCIAL POSITION & NOTE (30 marks; 25 minutes)**HARRY LTD.**

You are provided with information relating to Harry Limited, a public company, for the financial year ended 28 February 2023. The business buys and sell decoders.

REQUIRED:

- 2.1 Calculate the closing stock (stock on hand) on 28 February 2023. (4)
Use information C
- 2.2 Complete the Ordinary Share Capital Note. (8)
- 2.3 Complete the Statement of Financial Position on 28 February 2023. (18)

INFORMATION:

A. The following were extracted from the records on 28 February 2023.

	R
Fixed Asset (carrying value)	2 121 090
Fixed Deposit: Richmond Bank	830 200
Inventory (refer to Information C)	?
Trade and other receivables	787 200
Bank (favourable)	364 800
Cash float	3 000 000
SARS Income Tax (Provisional tax)	?
Ordinary Share Capital	?
Retained Income	14 960
Loan: Umdoni Bank	1 532 800
Trade and other payables	362 700

B. Share capital and dividends:

- Authorised shares consists of 3 000 000 shares.
- On 1 March 2022, there were 1 800 000 shares in issue.
- On 1 July 2022, the company repurchased 120 000 shares at R2.40 each. This was 20% above average share price.
- 25% of unissued shares on 1 March 2022 were issued at R2.50 per share on 1 November 2022.
- All shares on the share register were declared with final dividend of 22 cents per share on 28 February 2023.

C. Inventory:

The business sells satellite decoders.

Closing stock of 1 260 units must be valued using the first-in-first-out method. Two batches of stock were purchased during the year. There were no missing items.

	NUMBER OF UNITS	COST PRICE PER UNIT	TOTAL COSTS R
Opening stock	1 500	R1 600	2 400 000
Purchases:			
Batch 1 (April. 2022)	1 800	R1 750	3 150 000
Batch 2 (September 2022)	1 200	R1 950	2 340 000
TOTAL	3 000		5 490 000

D. Loan Statement from Tambo Bank

Balance 1 March 2022	1 840 000
Capitalised interest for the year	130 800
Annual Repayment (Including Interest)	307 200

The capital portion for the repayment of the loan in the next financial year remains the same as the current financial year.

E. Amount owed to SARS on 28 February 2023 is a balancing figure.

QUESTION 3: CASH FLOW STATEMENT AND FINANCIAL INDICATORS**(40 Marks; 30 Minutes)**

You are provided with information extracted from the records of Sivukile Ltd for the financial year ended 28 February 2023.

REQUIRED:

- 3.1 Prepare the Retained income Note on 28 February 2023: (8)
- 3.2 Complete the Cash Flow Statement for the year ended 28 February 2023. (26)
- Some of the figures are entered in the ANSWER BOOK.
Where notes are not required, show ALL workings.
- 3.3 Calculate the following for the year ended 28 February 2023:
- 3.3.1 Debt-equity ratio (3)
- 3.3.2 Net asset value per share (3)

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

	R
Depreciation	178 000
Interest expense	52 000
Net profit before tax	358 000
Net profit after tax	264 480

B. Figures obtained from the Balance Sheet and notes on 28 February

	2023	2022
Fixed assets (carrying value)	2 714 030	2 354 390
Financial assets	150 000	230 000
Current assets	599 600	509 510
Inventories	194 600	262 000
Trade debtors	400 000	210 700
SARS: Income tax	-	2 110
Cash and cash equivalents	5 000	34 700
Shareholders' equity	?	2 008 000
Ordinary share capital	2 016 000	1 680 000
Retained income	?	328 000
Non-current liabilities	500 000	800 000
Current liabilities	239 850	285 900
Trade creditors	117 816	197 900
Shareholders for dividends	102 000	88 000
SARS: Income tax	6 300	-
Bank overdraft	12 750	-

C. Share capital

- 400 000 shares were issued before 28 February 2022.
- On 1 March 2022 the company repurchased 120 000 shares from dissatisfied shareholders at R4,50 each
- On 1 September 2022 an additional 234 920 share were issued @ R5 per share.

D. Fixed assets

- Extensions to the existing buildings were completed during the financial year.
- Fixed asset was sold at carrying value of R180 000 during the financial year.

E. Dividends

- An interim dividend of R78 000 was paid on 30 September 2022.
- The final dividend was declared on 28 February 2023.

QUESTION 4: ANALYSIS AND INTERPRETATION (30 Marks; 25 Minutes)

- 4.1** Choose a term from COLUMN B that matches the description in COLUMN A. Write only the letter (A–D) next to the question number (4.1.1–4.1.4) in the ANSWER BOOK, for example 4.1.5 F.

COLUMN A		COLUMN B	
4.1.1	Ability of the business to pay off all its debts.	A	gearing
4.1.2	Ability of the business to pay off its short-term debts.	B	return on equity
4.1.3	The benefit that shareholders receive for investing in the company.	C	solvency
4.1.4	The extent to which a company is financed by loans.	D	liquidity
		E	profitability

(4 x 1) (4)

4.2 BINGOMA LTD

You are provided with information relating to Bingoma Ltd for the financial year ended 30 June 2023.

Where financial indicators are required to support your answer, name the financial indicator, the actual figure/ratio/percentage and trends.

REQUIRED:

4.2.1 Profitability:

Quote and explain TWO financial indicators which proves that Lewis managed to control expenses more efficiently and is more profitable. (4)

4.2.2 Dividends, earnings and returns:

- Explain whether the change in the dividend pay-out rate in 2023 will benefit the company or not. (3)

- Dube Nomvelo, a shareholder who owns 7 000 shares, is satisfied with the dividends she has received despite the change in the dividend policy. Explain why she feels this way. (3)

- Comment on the % return on shareholders' equity of the company. (3)

4.2.3 Risk and gearing:

- Comment on how the increase in the loan affected the risk and gearing in 2023. Quote TWO financial indicators. State ONE point in each case (with figures). (6)

4.2.4 Share capital and % shareholding: Refer to information C and D

- Calculate number of shares Vish bought on 30 September 2022. (5)
- Explain the effect of 50.1% shareholding of Vish at the AGM. Provide ONE point. (2)

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

	2023	2022
% Operating profit on sales	23.4%	20.7%
% Operating expenses on sales	13.4%	17%
% Net profit on sales	14.6%	18%
Solvency ratio	2.5 : 1	1.8 : 1
Debt-equity ratio	0.4 : 1	0.2 : 1
Earnings per share	68 cents	78 cents
Dividends per share	40 cents	56 cents
Dividend pay-out rate	59%	71%
% Return on average shareholders' equity	12.4%	10.1%
% Return on average capital employed	17.1%	14.2%
Net asset value per share	420 cents	510 cents

B. Additional information on 28 February:

	2023	2022
Market price of shares on stock exchange	320 cents	490 cents
Interest rate on loans	13%	13%
Interest rate on fixed deposit	9.5%	8.5%

C. Issue and repurchase of shares:

	2023
Number of shares in issue at the beginning (1 March 2022)	1 200 000
Number of shares repurchased on 1 September 2022, none of Vish's shares were repurchased.	80 000
Number of new shares issued on 30 September 2022	180 000

D. Extract from shareholders' register

	Vish
Number of shares she owned on 1 March 2022	?
% shareholding after buy back of shares 2 September 2022	44%
Number of new shares brought by her on 30 September 2022	?
% shareholding on 28 February 2023	50.1%

4.2.4 Share capital and % shareholding: Refer to information C and D

- Calculate number of shares Vish bought on 30 September 2022. (5)
- Explain the effect of 50.1% shareholding of Vish at the AGM. Provide ONE point. (2)

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

	2023	2022
% Operating profit on sales	23.4%	20.7%
% Operating expenses on sales	13.4%	17%
% Net profit on sales	14.6%	18%
Solvency ratio	2.5 : 1	1.8 : 1
Debt-equity ratio	0.4 : 1	0.2 : 1
Earnings per share	68 cents	78 cents
Dividends per share	40 cents	56 cents
Dividend pay-out rate	59%	71%
% Return on average shareholders' equity	12.4%	10.1%
% Return on average capital employed	17.1%	14.2%
Net asset value per share	420 cents	510 cents

B. Additional information on 28 February:

	2023	2022
Market price of shares on stock exchange	320 cents	490 cents
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Number of shares in issue at the beginning (1 March 2022)	1 200 000
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Number of new shares issued on 30 September 2022	180 000

D. Extract from shareholders' register

	Vish
Number of shares she owned on 1 March 2022	?
% shareholding after buy back of shares 2 September 2022	44%
Number of new shares brought by her on 30 September 2022	?
% shareholding on 28 February 2023	50.1%

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	

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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EXAMINER
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13/06/2023

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

MARKING GUIDELINES

COMMON TEST

JUNE 2023

MARKS: 150

MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item. No double penalty applied.
2. 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 8 pages.

QUESTION 1

1.1 Fixed Asset Note Calculations

WORKINGS		ANSWER
(a)	$99\,000 \times 20/100 \times 9/12$ 14 850 ✓✓ $99\,000 \checkmark - 14\,850 \checkmark$	$165\,000 - 66\,000 - 14\,850$ $99\,000 - 14\,850$ One mark Two + One method 84 150 ✓ One part correct
(b)	$519\,200 \checkmark - 99\,000 \checkmark$ Two marks $420\,200 \times 20/100$ 84 040 ✓✓ $84\,040 + 14\,850$	98 890 ✓ One part correct Must include Depreciation from (a) above
(c)	$92\,500 - 1$ $92\,499 \checkmark \checkmark$ $55\,000 \times 15/100 \times 6/12$ $4\,125 \checkmark \checkmark$	96 624 ✓ One part correct

1.2 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2023

	Sales (14 400 000✓ – 100 000✓)	Operation one part correct	14 300 000	✓
	Cost of sales		(9 000 000)	
5	Gross profit	Operation	5 300 000	✓
	Other operating income	Operation	176 600	✓
	Rent income (179 900 ✓ – 13 300 ✓)		166 600	✓
	Provision for bad debts adjustment (15 000 – 12 000)		3 000	✓✓
	Profit on sale of an asset (91 150 – 84 150)		7 000	✓✓
8	Operating income		5 476 600	
	Operating expenses	Operation	(2 616 600)	✓
	Rates and taxes		272 500	
	Consumable stores		84 700	
	Insurance (66 500✓ – 4 000✓)		62 500	✓
	Salaries and wages (1 875 000✓ + 60 500 ✓ + 9 800✓)	Operation	1 945 300	✓
	Loss due to fire		30 000	✓✓
	Depreciation (96 624 + 98 890) See 1.1		195 514	✓✓
13	Sundry expenses	Missing figure	26 086	✓
	Operating profit	20% of Sales	2 860 000	✓
	Interest income (64 000✓ + 56 450✓) OR 112 900 + 7 550		120 450	✓
	Operating profit before interest expenses	Operation	2 980 450	✓
	Interest expenses	Missing figure	(177 550)	✓
	Net profit before taxation	Taxation x 100/70	2 802 900	✓
	Taxation (640 000 + 200 870)		(840 870)	✓✓
9	Net profit after tax		1 962 030	

Foreign entry -1 max -2

TOTAL MARKS
50

EXAMINOR
MIG MURIST
13/09/2023

35

QUESTION 2

2.1 Calculate the closing stock (stock on hand) on 28 February 2023.

	2 340 000 ✓
60 ✓ X 1 750 ✓ =	105 000 Two marks
Closing stock =	2 445 000 ✓ operation one part correct

4

2.2 Ordinary Share Capital Note on 28 February 2023

ISSUED SHARES:			
1 800 000	Shares in issue @ R1.92 OR R2	3 456 000	3 600 000 ✓
(120 000) ✓	Buy back of shares @ R1.92 OR R2 ✓ <small>operation</small>	(230 400)	(240 000) ✓
300 000 ✓	Shares issued @ R2,50	750 000	750 000 ✓
1 980 000 ✓	<small>Operation</small>	3 975 600	4 110 000 ✓

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2.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2023.

ASSET			
Non-current assets		2 951 290	
Tangible assets		2 121 090	
Fixed deposit		830 200	
Current assets		3 600 000 ✓	
<small>Operation</small>			
Inventory	<small>see 2.1</small>	2 445 000	✓
Trade and other receivables		787 200	✓
Cash and cash equivalent (364 800 ✓ + 3 000 ✓)		367 800	✓
Total assets		6 551 290	✓
<small>Operation</small>			
EQUITY AND LIABILITIES			
Shareholders' equity		3 990 560	
<small>operation</small>			
Ordinary share capital		3 975 600	4 110 000 ✓
<small>see 2.2</small>			
Retained income		14 960	14 960
Non-current liabilities		1 487 200	1 487 200
Loan (1 663 600 two marks – 176 400 one mark) (1 532 800 ✓ + 130 800 ✓ – 176 400 ✓)		1 487 200	1 487 200 ✓
Current liabilities		1 073 530	
<small>Operation</small>			
Trade and other payables		362 700	362 700
Current portion of loan		176 400	176 400 ✓
<small>see NCL</small>			
Shareholders for dividends		435 600	435 600 ✓
<small>See 2.2 Total No of shares x 0,22</small>			
SARS-Income tax		98 830	35 570 ✓
<small>Balancing figure</small>			
Total equity and liabilities		6 551 290	6 551 290 ✓
<small>Operation</small>			

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TOTAL MARKS
30

EXAMINER
M. G. ...
13/06/2023

QUESTION 3

3.1 Retained income Note on 28 February 2023.

Balance at the beginning		328 000	✓
Net profit after tax		264 480	✓
Buy back of shares (120 000 x 0.30)		(36 000)	✓✓
Dividends	operation one part correct	(180 000)	☑
Paid		78 000	✓
Final		102 000	✓
Balance at the end	operation one part correct	376 480	☑

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3.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023

	Cash flow from operating activities		
	Cash generated from operations		
	Interest paid		
	Dividends paid (88 000✓ + 78 000✓)	Operation one part correct	(166 000) ☑
7	Tax paid (93 520✓ - 6 300✓ - 2 110✓)	Operation one part correct	(85 110) ☑
	Cash flow from investing activities	Operation one part correct	(457 640) ☑
	Purchases form Fixed assets	Operation one part correct	(717 640) ☑
	(2 714 030✓ + 178 000✓ + 180 000✓ - 2 354 390✓)		
	Proceeds from sale of fixed assets		180 000 ✓
9	Changes in financial assets (230 000 - 150 000)		80 000 ✓✓
	Cash flow from financing activities	operation one part correct	334 600 ☑
	Proceeds from shares issued (234 920 x 5)		1 174 600 ☑
	Buy-back of shares (120 000 x 4.50)	two or nothing	(540 000) ✓✓
6	Changes in loan (800 000 - 500 000)		(300 000) ✓✓
	Net change in cash and cash equivalent	operation one part correct	(42 450) ☑
	Cash and cash equivalent at the beginning		34 700 ✓
4	Cash and cash equivalent at the end (5000 - 12 750)		(7 750) ✓✓

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EXAMINER
M. S. WINDSE-
13/06/2023

3.3.1

Debt-equity ratio

$(2\ 016\ 000 + 376\ 480)$
 $500\ 000 \checkmark : 2\ 392\ 480 \checkmark$
 $0.21 : 1 \checkmark$ operation one part correct
 Accept 0.2 : 1

3

3.3.2

Net asset value per share (NAV)

$\frac{2\ 392\ 480 \checkmark}{514\ 920 \checkmark} \checkmark$ See 3.3.1 X 100
 = 464,6 or 465 cents \checkmark operation one part correct

3

TOTAL MARKS
40

Examiner! M. G. van der...
 [Signature]
 13/06/2023

EXAMINER
M. G. M. M. G.
13/06/2023

QUESTION 4

4.1

Choose the appropriate item from the list provided to fit EACH purpose below. Write only the letter (A—D) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

4.1.1	C✓
4.1.2	D✓
4.1.3	B✓
4.1.4	A✓

4

4.2.1

Quote and explain TWO financial indicators which proves that Lewis managed to control expenses more efficiently and is more profitable.

Financial indicator ✓ ✓ figure and trends ✓ ✓

- Operating expenses on sales decreased from 17% to 13.4% / by 3.6%
- % Operating profit on sales increased from 20.7% to 23.4% / by 2.7%

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

4

4.2.2

Explain whether the change in the dividend pay-out rate in 2023 will benefit the company or not.

Financial indicator and trends ✓
Dividend pay-out rate decreased from 71% or 72% to 59 % / by 12% or 13%

Explanation: ✓✓ any relevant answer

- The business show future plans to improve profitability.
- The business retained 41% for future development

3

Dube Nomvelo, a shareholder who owns 7 000 shares, is satisfied with the dividends she has received despite the change in the dividend policy. Explain why she feels this way.

Explanation with a comparison to another factor apart from the DPS ✓✓
any valid figure ✓

Dividend per share decreased by (16 cents) 28,6% while market price decreased by (170 cents) 34,7%.

The dividend yield increased from 11.4% to 12.5% / by 1.1%

Comment on the % return on shareholders' equity (ROSHE) of the company.

A Financial indicator with a figure and a trend ✓
compared to interest on alternative investment ✓✓

ROSHE increased from 10.1% to 12.4% / by 2.3%

ROSHE of 12.4% is above the interest on fixed deposit of 9.5% / by 2.9%, shareholders are receiving a better returns than alternative investment.

3

3

4.2.3 Comment on how the increase in the loan affected the risk and gearing in 2023. Quote TWO financial indicators. State ONE point in each case (with figures).

Financial indicator ✓ figure and trends ✓ Explanation ✓

Debt-equity ratio increased from 0.2 : 1 to 0.4 : 1 / by 0.2 (100%) this doubled the risk but it is still a low risk.

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

Explanation ✓

ROTC increased from 14.2% to 17.1 % / by 2.9 (or 20%). ROTCE of 17.1% is above the interest on loan of 13% / by 4.1%. This indicate a positive gearing.

Max -1 for superfluous additional financial indicators mentioned.

6

4.2.4 Calculate number of shares Vish bought on 30 September 2022.

$$1\,200\,000 - 80\,000 = 1\,120\,000 \times 44/100 = 492\,800 \checkmark\checkmark \text{ shares}$$

$$1\,120\,000 + 180\,000 = 1\,300\,000 \times 50.1/100 = 651\,300 \checkmark\checkmark \text{ shares}$$

$$651\,300 - 492\,800 = 158\,500 \checkmark \text{ shares operation one part correct}$$

5

Explain the effect of 50.1% shareholding of Vish at the AGM. Provide ONE point.

Very open-ended: accept any valid points Part marks for partial / unclear response

Possible concerns ✓✓

- Whether he will use his power to benefit the company / have other unethical motives.
- Whether he want to gain financially through directors.
- His attitude whether will support the management of the company.
- Quality of his contribution at AGMs.

2

TOTAL MARKS

30

EXAMINER
M. G. ...
13/06/2023