



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**



MARKS: 150

TIME: 2 hours



MEACCP1



**This question paper consists of 12 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. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
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	Company Financial Statements	60	50
2	Financial Indicators and Cash Flow Statement	35	30
3	Interpretation of Company Financial Information	35	30
4	Audit report, Major Shareholding and Corporate Governance	20	10
TOTAL		150	120

QUESTION 1: COMPANY FINANCIAL STATEMENTS (60 marks; 50 minutes)**1.1 COMPANY CONCEPTS**

Match the concepts in column A with the descriptions in column B. Write only the letter (A – D) next to the question number (1.1.1 – 1.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Memorandum of Incorporation	A	Represents the total number of shares that a company can issue.
1.1.2	Limited Liability	B	Revenue generated during an accounting period should be matched to expenses during the same period.
1.1.3	Authorised share capital	C	Sets out the rights, duties and responsibilities of shareholders and directors.
1.1.4	Matching concept	D	The business is responsible for its own debts and in case of insolvency owners only lose their investment in the business.

(4)

1.2 BUTTERNUT LIMITED

The following information relates to Butternut Limited. The financial year ended on 28 February 2022.

REQUIRED:

- 1.2.1 Complete the Statement of Comprehensive Income for the year ended 28 February 2022. Certain amounts have been entered in the Answer book for you. (35)
- 1.2.2 Prepare the following notes to the Statement of Financial Position:
- Fixed Assets (Refer to information C). (12)
 - Ordinary Share Capital (Refer to information D). (9)



INFORMATION:

A. Extract of a list of Balances/Totals on 28 February 2022:

PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2022	
	R
Ordinary share capital	?
Retained income (1 March 2021)	1 525 000
Land and Buildings	6 789 720
Vehicles	452 000
Equipment	760 000
Accumulated depreciation on vehicles (1 March 2021)	236 000
Accumulated depreciation on equipment (1 March 2021)	650 000
Trading stock	1 534 000
Debtors control	521 300
Provision for bad debts	22 000
Creditors Control	774 290
SARS: Income tax (Dr)	150 000
SARS: PAYE	44 800
Pension fund	15 800
Loan	?
Sales	5 970 000
Cost of sales	3 200 000
Debtors allowances	70 000
Salaries and Employers' contribution	921 268
Directors' fees	840 000
Audit fees	76 000
Sundry Expenses	292 330
Bad debts	12 100
Bad Debts recovered	3 860
Rent income	234 000
Interest on fixed deposit	27 000
Dividends on ordinary shares	55 000

B. ADJUSTMENTS:

- (i) No entry has been made for stock returned by a debtor with a selling price of R15 000. Goods are marked-up at 50% on cost.
- (ii) Trading stock on hand as per physical stock taking on 28 February 2022 amounted to R1 531 000.
- (iii) A debtor, B. Onion, was declared insolvent. His estate paid 40c in the rand. An amount of R450 was received and recorded. Write off the balance as irrecoverable.
- (iv) Provision for bad debts must be adjusted to R20 321.
- (v) Advertising is included in Sundry Expense. An amount of R30 000 has been paid for January to March 2022.

- (vi) Auditors are owed an amount of R24 000 in fees.
- (vii) Rent income has been received up to 31 May 2022. Rent was increased by 10% on 1 December 2021.
- (viii) The loan statement from Moola Bank reflected the following:



Balance at beginning of financial year	R948 000
Repayments during the year	423 000
Interest capitalised	?
Balance at end of financial year	R600 000

- (ix) R17 000 is still owed to SARS.

C Fixed Assets

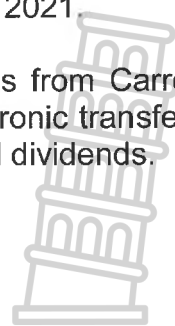
- (i) Land and buildings were purchased during the financial year for R2 000 000. This has been properly recorded.
- (ii) Depreciation on vehicles is calculated 20% p.a. on the diminishing balance method. The total depreciation for the financial year amounted to R83 200.

On 28 February 2022 a vehicle costing R200 000 was sold for a cash amount of R118 000. The business made a loss of R10 000 on the sale of the asset.

- (iii) Depreciation on equipment is calculated at 15% p.a. on the cost price.

D. Shares and Dividends

- (i) Authorised share capital comprises of 3 000 000 ordinary shares.
- (ii) 2 000 000 Shares were in issue on 1 March 2021.
- (iii) 250 000 Shares were issued at R7 each on 1 April 2021.
- (iv) The directors decided to buy back 10 000 shares from Carrot, an existing shareholder, at R4,50 per share. An electronic transfer was made on 1 December 2021. She is entitled to final dividends.



QUESTION 2: FINANCIAL INDICATORS AND CASH FLOW STATEMENT
(35 marks; 30 minutes)

2.1 **CONCEPTS**

Choose the correct answer from the options given to match the statements. Write down only the answer next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.

Solvency;	Gearing;	Liquidity;	Profitability
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- 2.1.1 The ability of the business to meet its short term obligations. (1)
- 2.1.2 Total assets : Total liabilities (1)
- 2.1.3 The extent to which the business is making use of loans. (1)

2.2 **MALVA LIMITED**

Malva Limited provided you with extracts from their financial records for the year ended 28 February 2022.

REQUIRED:

Prepare the Cash Flow Statement for the year ended 28 February 2022.
(Where applicable, show calculations to earn part marks.) (32)



INFORMATION:

A. Extract from the Income Statement



	R
Depreciation	19 974
Income Tax	198 240

B. Extract from the Statement of Financial Position on 28 February 2022

	28 Feb 2022	28 Feb 2021
ASSETS		
Non-current Assets	1 331 328	1 205 760
Fixed Assets	1 175 328	977 760
Financial Assets	156 000	228 000
Cash and cash equivalent	985 390	30
EQUITY AND LIABILITIES		
Shareholders' equity	2 999 880	1 302 120
Ordinary Share Capital	2 850 000	1 200 000
Retained Income	149 880	102 120
Non-current Liabilities	420 000	1 284 000
Bank overdraft	0	80 130
Shareholders for Dividends	312 000	16 800
SARS Income Tax	12 450	4 800

C. Share Capital and Dividends

- On 1 March 2021 the business had 100 000 shares in issue at an average price of R12 per share.
- The business paid interim dividends of 120 cents per share on 31 May 2021.
- On 1 September 2021 the business issued new shares.
- On 28 February 2022 the business repurchased 10 000 shares at R23 per share. This was R3 above the average share price.
- A final dividend was declared on 28 February 2022.

D. Fixed Assets

Equipment was sold at carrying value. The details for this equipment is as follows:

Cost price	R48 000
Accumulated depreciation to date sold	R24 684
Date Sold	1 April 2021
Selling price	?

QUESTION 3 INTERPRETATION OF COMPANY FINANCIAL INFORMATION**(35 marks; 30 minutes)****FINANCIAL INDICATORS OF TWO COMPANIES**

Your friend is an existing shareholder of two companies that sell designer shoes and handbags. She presents you with information of both companies.

REQUIRED:

- 3.1 Calculate the following financial indicators:
- Net Asset Value of Prada Ltd. (3)
 - Debt-Equity Ratio of Guess Ltd. (3)
- 3.2 Your friend is of the opinion that the liquidity position of Prada Ltd. is better than that of Guess Ltd. Quote TWO financial indicators (with figures) to support her opinion. (6)
- 3.3 Guess Ltd. paid off a large portion of its loan during the financial year. Quote TWO financial indicators with relevant figures to motivate why this was not a good decision taken by the directors. (7)
- 3.4 Will the shareholders be satisfied with the price at which the new shares were issued for both companies? Explain by quoting ONE relevant financial indicator with figures for each company. (6)
- 3.5 Your friend owns 30 000 shares in each of the companies.
- Calculate the dividends that she earned from each company. (2)
 - Compare and comment on the dividend pay-out policies of the two companies. Provide calculations in your explanation. (4)
 - Explain ONE reason for the dividend pay-out of each company. (4)



INFORMATION:

A. Extract from the Statement of Financial Position on 28 February 2022

	GUESS LTD.	PRADA LTD.
Shareholders' Equity	1 011 150	2 116 800
Ordinary Share Capital	808 000	1 593 000
Retained Income	203 150	523 800
Non-current Liabilities	202 230	1 270 080

B. Financial indicators

	GUESS LTD.	PRADA LTD.
Current ratio	3,6 : 1	2,4 : 1
Acid-test ratio	0,6 : 1	1,2 : 1
Stock turnover rate	4 times	8 times
Debt-equity ratio	?	0,6 : 1
% return on average shareholders' equity	25,4%	14,5%
% return on total capital employed	18,4%	10,2%
% interest rate on loans	10,5%	10,5%
Market price per share on JSE	710 cents	910 cents
Net asset value per share	535 cents	?
Dividends per share	230 cents	245 cents
Earnings per share	350 cents	285 cents

C. Both companies have the same number of shares in issue at the end of the current financial year; 189 000 shares.

D. Additional information

- **Guess LTD.** issued additional shares at **450 cents** per share.
- **Prada LTD.** issued additional shares at **1 200 cents** per share.



QUESTION 4 AUDIT REPORT, MAJOR SHAREHOLDING AND CORPORATE GOVERNANCE (20 Marks; 10 Minutes)

4.1 AUDIT OF COLLIE LIMITED

You are provided with the following extract for Collie Limited from the report of the independent auditors.

REQUIRED:

- 4.1.1 What type of audit report did Collie Ltd receive? (2)
- 4.1.2 Who is the audit report addressed to? (1)
- 4.1.3 Explain why the Companies Act makes it a requirement for public companies to be audited by an independent auditor. Give ONE reason. (2)
- 4.1.4 The auditor's report refers to the International Financial Reporting Standards (IFRS). Explain why auditors have to take IFRS into account in expressing their opinion. (2)

INFORMATION:

We have audited the annual financial statements of Collie Limited for the year ended 28 February 2022.

During the course of our audit we established that the valuation of Land and Buildings were materially overstated by an amount of R12m.

Because of the significance of the matter described above, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Collie Limited for the year ended 28 February 2022. This is specified in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

**Kees Koggeljaan CA(SA)
Koggeljaan & Partners**

4.2 MOUNTAIN LTD

Lize Smit has a fixed deposit that will mature at the end of June 2022 and has decided not to take out another fixed deposit. She intends to invest part of her money in shares, at Mountain Ltd.

Lize currently has an investment of 200 000 shares at Mountain Ltd.

She has requested you to assist her to calculate the number of additional shares she will have to buy in order to qualify for majority status.

REQUIRED:

- 4.2.1 Refer to the information provided below to calculate the number of additional shares, to be invested by Lize Smit to qualify as a majority shareholder and the price that she has to pay. (4)

Information extracted from the annual report:

	MOUNTAIN LTD	
	FEB 2022	FEB 2021
Number of shares issued by Mountain Ltd	600 000	400 000
Market price at JSE	4,40	

CORPORATE GOVERNANCE

- 4.3 Choose a description from COLUMN B that matches the type of director in COLUMN A. Write only the letter (A–C) next to the question numbers (4.3.1 to 4.3.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
4.3.1 Executive director	A member of the board but not responsible for daily management functions
4.3.2 Delinquent director	B member of board who also has management responsibilities
4.3.3 Non-executive director	C found guilty of serious misconduct

(3 x 1) (3)

4.4 LEMON TREE LTD

An independent auditor revealed that Citra Clementine, the CEO of Lemon Tree Ltd, has been engaging in several under-handed tender agreements with certain clients. Clementine was taking these decisions on her own, without the approval of the Board of Directors.

- 4.4.1 What is your understanding of the term “under-handed”? (2)
- 4.4.2 Provide TWO possible reasons why Citra could be engaging in such agreements. (2)
- 4.4.3 How is it possible that Citra could take these decisions on her own? Provide TWO reasons. (2)

20

TOTAL: 150



GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
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.	

