



education

Department of
Education
FREE STATE PROVINCE

GRADE 12

JUNE EXAMINATION

PAPER 1

ACCOUNTING

Stanmorephysics.com
JUNE 2024

EKSAMINER: Me. L.A. Andrews
MODERATOR: Mnr. P.J. Fouche

MARKS: 150
TIME: 2 hours

This question paper consists of 10 pages,
a formula sheet included and an 9-page answer book.

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 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 the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. If you choose to do so, you may use the financial indicator formula sheet which is attached at the end of this question paper. Use of this formula sheet is not compulsory.
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 and fixed asset note	60	50
2	Cash Flow Statements and financial indicators	40	30
3	Interpretation of Company Financial Information	35	30
4	Corporate governance	15	10
TOTAL		150	120

QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME (60 marks; 50 minutes)

1.1 RUDO SPORTS STORES LTD

The information relates to the financial year ended 29 February 2024. The company trades in various sports items.

REQUIRED:

- 1.1.1 **Refer to Information B (i).**
Calculate the value of the closing stock of golf balls on 29 February 2024, using the first-in-first-out method. (3)
- 1.1.2 **Refer to Information B (iii).**
Calculate:
- Profit or loss on disposal of the vehicle (6)
 - Total depreciation for the year (9)
- 1.1.3 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (42)

INFORMATION:

A. Extract from the Pre-adjustment Trial Balance on 29 February 2024:

Balance Sheet Accounts section	2024	2023
Vehicles	1 420 000	1 564 000
Accumulated depreciation on vehicles	?	420 000
Equipment	538 000	476 000
Accumulated depreciation on equipment	?	?
Fixed deposit: Hilke Bank	320 000	
Trading stock	1 253 000	
Debtors' control	221 440	
Provision for bad debts	?	19 888
SARS: Income tax (provisional tax payments)	450 000	
Nominal accounts section		
Sales	?	
Cost of sales	9 600 000	
Salaries and wages	1 551 100	
Employers' contributions	73 900	
Commission income	265 500	
Rent income	259 500	
Audit fees	166 600	
Consumable stores	88 900	
Repairs	53 100	
Directors' fees	1 056 000	
Bad debts	22 800	
Sundry expenses	247 740	
Interest on fixed deposit	?	
Interest expense	135 900	

B. Adjustments and additional information:



- (i) A physical stock count on 29 February 2024 revealed stock of R1 192 600 on hand. However, this figure excluded the closing stock figure for golf balls. Note that the first-in-first-out method is used to value the stock.

Details of the golf balls are as follows:

	UNITS	UNIT PRICE (R)	TOTAL (R)
Stock on 1 March 2023	1 500	20	30 000
Purchases: 15/5/2023	8 000	25	200 000
20/12/2023	3 000	28	84 000
Stock on 28 February 2024	1 900	?	?

- (ii) Consumable stores used during the year amounted to R77 400.

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

Vehicles:

- An old vehicle was sold on 1 November 2023 for R35 000 cash. Details of the vehicle sold:

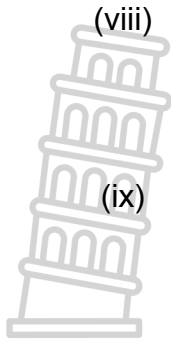
Cost price	R144 000
Accumulated depreciation on 1 March 2023	R90 000

- Vehicles are depreciated at 20% p.a. on the diminishing price method.
- No new vehicles were purchased during the year.

Equipment:

- Equipment was purchased on 1 September 2023.
- Depreciated is calculates at 10% p.a. on cost.

- (iv) Goods are sold at a mark-up of 50% on cost. During February 2024, old stock costing R200 000 was sold for cash at 25% below cost. This transaction was recorded.
- (v) 85% of the audit fees have been paid.
- (vi) Received R5 360 from the insolvent estate of a debtor Gorgie Crook. His estate paid 80 cents per rand of his outstanding balance. The amount received was recorded. The balance of his account must still be written off.
- (vii) The provision for bad debts must be adjusted to 8% of the outstanding debtors.



- (viii) The company has two directors who were appointed in 2020. A third director was appointed on 1 August 2023. The directors all earn the same monthly fee. One director has already been paid for March 2024.
- (ix) The monthly rent did not change during the year. During November 2023 the tenant paid R13 500 for repairs to the premises. He deducted this from his rent for November 2023, as repairs are the responsibility of the company. The repairs were not recorded. The rent for March 2024 was received and deposited during February 2024.
- (x) R4 800 is still owed to SARS on 29 February 2024.

60

QUESTION 2: CASH FLOW STATEMENT, NOTES AND FINANCIAL INDICATORS
(40 marks; 30 minutes)

MASIMANGA LTD.

The information relates to Masimanga Ltd for the financial year ended 29 February 2024.

REQUIRED:

- 2.1 Prepare the note for Ordinary share capital on 29 February 2024. (6)
- 2.2 Calculate the Cash flow from changes in working capital. Show all calculations. (6)
- 2.3 Complete the following sections of the Cash Flow Statement for the year ended 29 February 2024.
- 2.3.1 Cash flow from operating activities (8)
- 2.3.2 Cash flow from financing activities (8)
- 2.3.3 Net change in cash and cash equivalents (4)
- 2.4 Calculate the following financial indicators on 29 February 2024:
- 2.4.1 Debt: Equity ratio (3)
- 2.4.2 % Return on average Shareholders' Equity (5)



INFORMATION:

A. Shares and dividends:

DATE	DETAILS OF SHARES
1 March 2023	600 000 in issue
30 June 2023	200 000 new shares issued
1 January 2024	50 000 shares repurchased at R1,70 above than the average share price
29 February 2024	750 000 shares in issue

- An interim dividend of R162 000 was paid on 30 September 2023.
- A final dividend was declared on 29 February 2024.

B. Extract from the Statement of Comprehensive Income (Income Statement) for the year ended 29 February 2024:

Net profit before tax	R1 475 000
Net profit after tax	1 032 500

C. Extract from the Statement of Financial Position (Balance sheet) for the year ended 29 February 2024:

		2024	2023
Inventories		456 500	373 200
Trade and other receivables	Note 1	241 500	372 000
Cash and cash equivalents		34 800	35 000
Ordinary shareholders' equity		8 482 300	6 140 000
Ordinary share capital		7 875 000	6 000 000
Retained income		607 300	140 000
Loan: Sharks Bank		6 785 840	2 456 000
Trade and other payables	Note 2	614 600	676 000
Bank overdraft		0	113 200

D. Trade and other receivables

Note 1	2024	2023
Trade debtors	195 300	372 000
Prepaid expenses	14 700	0
SARS – Income Tax	31 500	0
	241 500	372 000

E. Trade and other payables

Note 2	2024	2023
Trade creditors	352 100	455 000
SARS – Income Tax	0	29 500
Shareholders for dividends	262 500	191 500
	614 600	676 000

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION (35 marks; 30 minutes)

LITCHFIELD LTD

The information relates to the financial year ended on 29 February 2024.

REQUIRED:

NOTE: Provide figures, trends, financial indicators or calculations in EACH case to support your comments and explanations.

- 3.1 The company's total sales increased from 2023 to 2024 and the operating activities have been better controlled in 2024.
- Quote TWO financial indicators, which indicate better control over operating activities. (4)
 - Quote and explain ONE relevant indicator with a figure, which directly contributed to the increase in sales.. (2)
- 3.2 Identify TWO financial indicator, which indicate a decline in the liquidity of the company. (4)
- 3.3 The directors decided to increase the loan at the beginning of 2023. Explain why you agree with their decision. Quote TWO financial indicators with trends. (8)
- 3.4 Some shareholders buy shares in companies as a short-term investment while others do it as a long-term investment.
Explain how the change in the dividend pay-out policy affected the investment choices of each type of shareholder. Provide comparative figures. (6)
- 3.5 Shareholders are divided on the price paid for the re-purchase of shares.
Provide ONE point in support of and ONE point against the price paid for shares. Quote ONE financial indicator for each point. (4)
- 3.6 **Refer to Information C**
- The directors of the company decided to issue an additional 50 000 shares in the new financial year.
- Calculate the minimum number of shares K. Jardim must buy to become a majority shareholder. (5)
 - Mention ONE point why K. Jardim wants to become a majority shareholder. (2)

INFORMATION:

A. Financial indicators calculated on 28/29 February:

	2024	2023
Mark-up % achieved	55%	75%
% operating expenses on sales	18,3%	22,2%
% operating profit on sales	21,1%	15,5%
% net profit on sales	17,7%	13,9%
Current ratio	4,6:1	2,3:1
Debtors' collection period	33 days	45 days
Stock holding period	96 days	62 days
Creditors payment period	61 days	52 days
% return on shareholders' equity (ROSHE)	19,5%	17,6 %
Dividend pay-out rate	40%	80%
Debt-equity ratio	0,4:1	0,2:1
% return on total capital employed (ROTCE)	12 %	10,5%
Net asset value per share (NAV)	1 200 cents	900 cents

B. Additional information on 28/29 February:

	2024	2023
Market price of shares	1 320 cents	1 050 cents
Repurchase price of shares	1 420 cents	
Interest on loans	10%	10%
Interest on alternative investments	6%	6%

C. Shares and percentage shareholding on 28 February 2024

Number of shares in issue	650 000
% shareholding of K. Jardim	48%

QUESTION 4: CORPORATE GOVERNANCE AND AUDIT REPORTS

(15 marks; 10 minutes)

You are provided with the following extract for Don Ltd from the report of the independent auditors.

REQUIRED:

- 4.1 Refer to the underlined words in paragraph 2.
● Give TWO examples of audit evidence. (4)
- 4.2 Explain why an independent auditor would want to see evidence that the following GAAP principles were applied:
● Matching (2)
● Going concern (2)
- 4.3 Refer to paragraph 3. Explain why you would be satisfied with this audit report opinion. Provide TWO reasons (4)
- 4.4 To whom is an audit report addressed? Give a reason for your answer. (3)

INFORMATION:

EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

Paragraph 1 We have audited the annual financial statements of Jayden Ltd set out on Pages 10 to 21 for the year ended 30 June 2023. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Paragraph 2 **An audit includes:**
● Investigating, on a test basis, evidence supporting the amounts in the financial statements
● Assessing the accounting principles used and significant estimates made by management;
● Evaluating the overall presentation of financial statement .

Paragraph 3 **Audit opinion:**
In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 30 June 2023 and the results of their operations and cash flow for the year ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act.

Green & Mahala, Chartered Accountants (SA)

15

TOTAL: 150 MARKS

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<p>NOTE:</p> <ol style="list-style-type: none"> 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice. 	



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GRADE 12 - EXAMINATION ACCOUNTING P1 - JUNE 2024

SURNAME: _____

NAME: _____

SCHOOL: _____

QUESTION	MARKS	MARKER	MODERATOR
1			
2			
3			
4			
TOTAL	150		

1.1 RUDO SPORT STORES LTD

1.1.1 Calculate the value of the closing stock of golf balls on 29 February 2024, using the first-in-first-out method.

WORKINGS	ANSWER

3

1.2.2 Calculate: Profit or loss on disposal of the vehicle

WORKINGS	ANSWER

6

Calculate: Total depreciation for the year

WORKINGS	ANSWER
Vehicles	
Equipment	

9

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

Sales	
Cost of sales	(9 600 000)
Gross profit	
Other income	
Commission income	265 500
Gross operating income	
Operating expenses	
Salaries and wages	1 551 100
Employers' contribution	73 900
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	(135 900)
Net profit before tax	
Income tax	
Net profit after tax	1 060 800

42

TOTAL MARKS
60

QUESTION 2

2.1 Note for Ordinary Share Capital on 29 February 2024

600 000	Ordinary shares at the beginning	
200 000	New shares issued	
	Shares at the end of the year	7 875 000

6

2.2 Cash generated from Operations

Net profit before tax	
Depreciation	
Interest expense	
Profit before changes in working capital	
Net change in working capital	
Increase in inventories	(83 300)
Cash generated from operations	

6

2.3.1 CASH FLOW FROM OPERATING ACTIVITIES

Cash generated from operations	
Interest paid	
Income tax paid	
Dividends paid	

8

2.3.2

CASH FLOW FROM FINANCING ACTIVITIES	

8

2.3.3

NET CHANGE IN CASH AND CASH EQUIVALENT	

4

2.4.1

Calculate the following financial indicators on 29 February 2024: Debt: Equity ratio	
WORKINGS	ANSWER

3

2.4.2

% Return on average Shareholders' Equity	
WORKINGS	ANSWER

5

TOTAL MARKS
40



QUESTION 3

3.1

The company's total sales increased from 2023 to 2024 and the operating activities have been better controlled in 2024. Quote TWO financial indicators, which indicate better control over operating activities.

4

Quote and explain ONE relevant indicator with a figure, which directly contributed to the increase in sales.

2

3.2

Identify TWO financial indicators, which indicate a decline in the liquidity of the company.

4

3.3

The directors decided to increase the loan at the beginning of 2023. Explain why you agree with their decision. Quote TWO financial indicators with trends.

8

3.4 Some shareholders buy shares in companies as a short-term investment while others do it as a long-term investment.

Explain how the change in the dividend pay-out policy affected the investment choices of each type of shareholder. Provide comparative figures.	
Short-term shareholders	
Long-term shareholders	

6



3.5 Shareholders are divided on the price paid for the re-purchase of shares.

Provide ONE point in support of and ONE point against the price paid for shares. Quote ONE financial indicator with figures for each point.	
In support of the price paid	
Against the price paid	

4

3.6 The directors of the company decided to issue an additional 50 000 shares in the new financial year.

Calculate the minimum number of shares K. Jardim must buy to become a majority shareholder.
Mention ONE point why K. Jardim wants to become a majority shareholder.


5

2

TOTAL MARKS
35

QUESTION 4

4.1 Give TWO examples of audit evidence



4

**4.2 Explain why an independent auditor would want to see evidence that the following GAAP principles were applied:
Matching**

Going concern


4

4.3 Refer to paragraph 3. Explain why you would be satisfied with this audit report opinion. Provide TWO reasons.

4

4.4 To whom is an audit report addressed? Give reason for your answer.

Reason



3

TOTAL MARKS
15



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GRADE 12 - EXAMINATION

ACCOUNTING - JUNE 2024

PAPER 1

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. 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 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. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 9 pages.

1.1 RUDO SPORT STORES LTD

1.1.1 Calculate the value of the closing stock of golf balls on 29 February 2024, using the first-in-first-out method.

WORKINGS	ANSWER
$1\,900 \checkmark \times 28 \checkmark$	$53\,200 \checkmark^*$ operation one part correct

3

1.2.2 Calculate: Profit or loss on disposal of the vehicle

WORKINGS	ANSWER
$144\,000 \checkmark - (90\,000 \checkmark + 7\,200 \checkmark \checkmark) - 35\,000 \checkmark$ $144\,000 - 90\,000 - 7\,200 - 35\,000$ <p style="text-align: right;"><small>144 000 – 90 000 = 54 000 x [20% x 8/12] 97 200 three marks</small></p>	$11\,800 \checkmark$ operation one part correct

6

Calculate: Total depreciation for the year

WORKINGS	ANSWER
<p>Vehicles</p> <p>Asset disposal <small>see above</small> $7\,200 \checkmark$</p> <p>Old $(420\,000 + 7\,200 - 97\,200) \text{ OR } 420\,000 - 90\,000$ $1\,420\,000 \checkmark - 330\,000 \checkmark \checkmark^* \times 20/100 = 218\,000 \checkmark$ $1\,090\,000$ two marks</p> <p style="text-align: right;"><small>225 200 five marks</small></p>	$275\,900 \checkmark$ operation one part correct for vehicles + equipment
<p>Equipment</p> <p>New $62\,000 \times 10/100 \times 6/12$ $3\,100 \checkmark \checkmark$</p> <p>Old $476\,000 \times 10/100$ $47\,600 \checkmark$</p> <p style="text-align: right;"><small>50 700 three marks</small></p>	

9

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

Sales (9 600 000 – 200 000 x 1,5 + 200 000 x 0,75) 14 100 000 ✓✓ + 150 000 ✓✓	14 250 000 ✓*
Cost of sales	(9 600 000)
Gross profit operation 6	4 650 000 ✓
Other income operation	519 780 ✓
Commission income	265 500
Rent income (259 500 ✓ + 13 500 ✓ – 21 000 ✓✓) OR 259 500 + 13 500 x 12/13	252 000 ✓*
Provision for bad debts adjustment (19 888 – 17 608)	2 280 ✓✓*
Gross operating income 9	5 169 780 ✓
Operating expenses operation	(3 554 780) ✓
Salaries and wages	1 551 100
Employers' contribution	73 900
Audit fees (166 600 ✓ + 29 400 ✓) OR (166 600 / 85 * 100)	196 000 ✓*
Consumable stores	77 400 ✓
Repairs (53 100 + 13 500)	66 600 ✓✓*
Directors' fees (1 056 000 ✓ – 33 000 ✓✓) 1 056 000 x 31/32	1 023 000 ✓*
Bad debts (22 800 ✓ + 1 340 ✓✓)	24 140 ✓*
Sundry expenses	247 740 ✓
Depreciation see 1.2.2	275 900 ✓
Trading stock deficit [1 253 000 ✓ – (1 192 600 ✓ + 53 200 ✓)] 1 245 800 two marks 1.2.1	7 200 ✓*
Loss on sale of asset * could be a profit see 1.2.2	11 800 ✓
Operating profit GOI – OE 23	1 615 000 ✓
Interest income balancing figure	36 500 ✓
Profit before interest expense	1 651 500 ✓
Interest expense	(135 900)
Net profit before tax NPAT + Inc Tax	1 515 600
Income tax (450 000 + 4 800)	(454 800) ✓✓
Net profit after tax * operation, one part correct 4	1 060 800

42

– 1 for foreign items (max -2) for misplaced items mark the workings

TOTAL MARKS
60

QUESTION 2

2.1 Note for Ordinary Share Capital on 29 February 2024

600 000	Ordinary shares at the beginning	6 000 000 ✓
200 000	New shares issued balancing figure	2 400 000 <input checked="" type="checkbox"/>
(50 000) ✓	Repurchased 50 000 shares at R10,50 ✓	(525 000) <input checked="" type="checkbox"/> one part correct
750 000 ✓	Shares at the end of the year	7 875 000

6

2.2 Cash generated from Operations

Net profit before tax	
Depreciation	
Interest expense	
Profit before changes in working capital	
Net change in working capital	
Increase in inventories	(83 300)
Decrease in receivables $(372\ 000 \checkmark - 210\ 000 \checkmark \checkmark)$ <small>195 300 + 14 700</small>	162 000 <input checked="" type="checkbox"/> *
Decrease in payables $(455\ 000 - 352\ 100)$	(102 900) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Cash generated from operations	

6

2.3.1 CASH FLOW FROM OPERATING ACTIVITIES

Cash generated from operations	
Interest paid	
Income tax paid 29 500 ✓ + 442 500 ✓ ✓ + 31 500 ✓ Be aware of signs reversed, use of brackets or ledger account formats Final must be a negative	(503 500)* <input checked="" type="checkbox"/> one part correct
Dividends paid 191 500 ✓ + 162 000 ✓ Be aware of signs reversed, use of brackets or ledger account formats Final must be a negative	(353 500)* <input checked="" type="checkbox"/> one part correct

8

2.3.2	CASH FLOW FROM FINANCING ACTIVITIES	6 119 840 <input checked="" type="checkbox"/> *	8
		one part correct	
	Shares issues see 2.1	2 400 000 <input checked="" type="checkbox"/> *	
	Buy back of shares one mark two marks (525 000 ✓ + 85 000 ✓✓) OR (50 000 x R12,20)	(610 000) <input checked="" type="checkbox"/> *	
	Increase in loan (6 785 840 – 2 456 000)	4 329 840 ✓✓	

2.3.3	NET CHANGE IN CASH AND CASH EQUIVALENT	113 000 <input checked="" type="checkbox"/> *	4
		one part correct	
	Cash (opening balance) (-113 200 + 35 000)	(78 200) ✓✓	
	Cash (closing balance)	34 800 ✓	

2.4.1	Calculate the following financial indicators on 29 February 2024: Debt: Equity ratio		3
	WORKINGS	ANSWER	
	6 785 840 ✓ : 8 482 300 ✓	0,8:1 <input checked="" type="checkbox"/> * one part correct;	

2.4.2	% Return on average Shareholders' Equity		5
	WORKINGS	ANSWER	
	$\frac{1\ 032\ 500\ \checkmark}{\frac{1}{2}\checkmark (6\ 140\ 000\checkmark + 8\ 482\ 300\checkmark)} \times \frac{100^*}{1}$ <div style="display: flex; justify-content: space-between; font-size: small;"> 14 622 300 two marks 7 311 150 three marks </div>	14,1% <input checked="" type="checkbox"/> * one part correct	

TOTAL MARKS
40



QUESTION 3

3.1

The company's total sales increased from 2023 to 2024 and the operating activities have been better controlled in 2024. Quote TWO financial indicators, which indicate better control over operating activities.

TWO financial Indicators ✓ ✓ figures ✓ ✓

- % operating expenses on sales decreased/improved from 22,2% to 18,3% / by 3.9 percentage points / 17,6%
- % operating profit on sales increased/improved from 15,5% to 21,1% / 5.6 percentage points / 36,1%
- % net profit on sales increased/improved from 13,9% to 17,7% / 3.8 percentage points / 27,3%

4

Quote and explain ONE relevant indicator with a figure, which directly contributed to the increase in sales.

Financial indicator ✓ comparative figure ✓

- Mark-up % achieved decreased from 75%to 55% by 20%. Reducing the markup resulted in goods being cheaper; attracted more customers and the sales increase

2

3.2

Identify TWO financial indicators , which indicate a decline in the liquidity of the company.

TWO financial indicators ✓ ✓ figures ✓ ✓

Current ratio – increased from 2,3: 1 to 4,6: 1 / by 2,3: 1/ double
Stock holding period – increased from 62 days to 96 days / by 34 days

4

3.3

The directors decided to increase the loan at the beginning of 2023. Explain why you agree with their decision. Quote TWO financial indicators with trends.

Financial indicators ✓ ✓ Figures with trends ✓ ✓

Explanation for risk ✓✓ Explanation for gearing (compared to interest rate) ✓✓

- Debt-equity ratio increased from 0,2:1 to 0,4:1 / by 0,2:1
- % return on total capital employed increased / improved from 10,5% to 12% / by 1,5%

Explanation for risk:

- Although the debt-equity ratio increased, the company is still at low risk / do not rely too much on borrowed capital.

Explanation for gearing:

- The company is positively geared / ROTCE of 12% is higher than the interest rate of 10% / making effective use of loans to generate profits.

8

3.4 Some shareholders buy shares in companies as a short-term investment while others do it as a long-term investment.

<p>Explain how the change in the dividend pay-out policy affected the investment choices of each type of shareholder. Provide comparative figures.</p>	
<p>Short-term shareholders</p>	<p>A drop in the DPR from 80% to 40% will not be welcomed by short-term investors, retaining 60% of EPS. ✓</p> <p>Explanation ✓✓ part marks for incomplete / partial / responses</p> <ul style="list-style-type: none"> • Short-term investors will view this as an opportunity lost to receive higher dividends as directors decided to retain 60% of EPS. • They invest in the short term to receive high returns, as achieved in 2023 when the pay-out rate was 80%. • They have no interest in the long-term goals of the business or future expansions, as they buy and sell shares based on market trends, to get higher returns. • They are likely to sell their shares, and invest in other companies that offer higher dividends.
<p>Long-term shareholders</p>	<p>Long-term investors will be satisfied with a change in the DPR from 80% to 40% if directors explain their intentions ✓</p> <p>Explanation ✓✓ part marks for incomplete / partial / responses</p> <ul style="list-style-type: none"> • Retaining 60% of EPS may be acceptable to long-term investors (compared to 20% in 2023), as it indicates that directors are as being responsible for ensuring the sustainability of the company. • They may be happy with the explanations of future expansion / addressing cash flow problems / improved marketing / purchasing assets, as this will contribute to better profits in the future. • They are considered loyal investors who would expect their investment in the company to grow over time.

3.5 Shareholders are divided on the price paid for the re-purchase of shares.

<p>Provide ONE point in support of and ONE point against the price paid for shares. Quote ONE financial indicator with figures for each point.</p>	
<p>In support of the price paid</p> <p>Reason ✓</p> <p>making reference to the relevant figures ✓</p>	<p>Compare repurchase price to the market value</p> <ul style="list-style-type: none"> • Directors based their price of 1420c on the upward trend of the market price which increased (from 1050 cents) to 1320 cents / by 270 cents • Although they paid 100c (R1) more than the market price, the upward trend in market price (by 270c) may be considered fair as this shareholder may get more in the future, if the trend is maintained./ Urgently needed to get rid of a disgruntled shareholder.
<p>Against the price paid</p> <p>Reason ✓</p> <p>making reference to the relevant figures ✓</p>	<p>Compare repurchase price to the market value</p> <ul style="list-style-type: none"> • Directors may have been irresponsible to pay 1 420 cents or 100 cents more than the market price of 1 320 cents. • The company has spent more, which could have consequences on the cash resources of the business.

4

3.6 The directors of the company decided to issue an additional 50 000 shares in the new financial year.

<p>Calculate the minimum number of shares K. Jardim must buy to become a majority shareholder.</p>	
<p>Accept 50% + 1 or 50% + 100 or 51%</p> <p> $700\,000 \times 50\% + 1 = 350\,001$ ✓✓ $650\,000 \times 48\% - 312\,000 = 38\,001$ ✓✓ = 38 001 shares ✓* </p> <p>OR</p> <p> $350\,000 + 100 = 350\,100$ $350\,100 - 312\,000 = 38\,100$ shares <small>two marks two marks one part mark</small> </p> <p>OR</p> <p> $700\,000 \times 51\% = 357\,000$ $357\,000 - 312\,000 = 45\,000$ shares <small>two marks two marks one part mark</small> </p>	
<p>Mention ONE point why K. Jardim wants to become a majority shareholder.</p> <p>Any ONE valid points ✓✓ part marks for incomplete / partial / unclear responses</p> <ul style="list-style-type: none"> • To influence strategic decisions / appointment of directors. • To influence business operations. • Sees potential in the company and wants to be part of the future growth. 	

5

2

TOTAL MARKS
35

QUESTION 4

4.1 Give TWO examples of audit evidence

Any TWO separate valid examples ✓✓ ✓✓ T Part-mark for partial answers

- Source documents (provided by external organisations, verify e.g. statement of account).
- Records such as asset registers, stock records, bank statements, etc.
- Policies and procedures of the company.
- Check the internal controls and the efficiency of the internal audit.
- Report of an audit committee that assesses the internal and external audit processes / internal auditors report on ensuring internal controls.
- Any valid proof of entries in the books or financial statements concerning cash.

4

4.2 Explain why an independent auditor would want to see evidence that the following GAAP principles were applied:

Matching ✓✓

To see if incomes and expenses are recorded in the correct financial period. E.g. prepaid or deferred amounts must be considered for accurate figures.
Calculation of nett profit (only one mark)

Going concern ✓✓

Both the Income Statement and Balance Sheet are prepared as if there is no intention to stop or limit the operation of the business. E.g. declare significant amounts of stock or fixed assets purchased towards the end of the year.

4

4.3 Refer to paragraph 3. Explain why you would be satisfied with this audit report opinion. Provide TWO reasons

TWO reasons ✓✓ ✓✓

- The auditors have stated that they are satisfied with all aspects of the financial reporting by the directors.
- This is a standard reporting – (fairly presented).
- No negative comment was reported. / No qualifications mentioned.
- The auditors have not stated that the report is qualified or withheld.
- The auditor's report is unqualified.

4

4.4 To whom is an audit report addressed? Give a reason for your answer.

Shareholders ✓

Reason: ✓✓

Independent auditors are appointed by the shareholders/the shareholders are the owners of the company.

3

TOTAL MARKS
15