



**education**  
**MPUMALANGA PROVINCE**  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING P1**

Stanmorephysics.com  
JUNE 2024

**MARKS: 150**

**TIME: 2 Hours**



**This question paper consists of 9 pages,  
A formula sheet and a 12 – 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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to achieve part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information 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 STATEMENT	60	45
2	CASH FLOW STATEMENT & FINANCIAL INDICATORS	45	35
3	ANALYSIS AND INTERPRETATION	30	30
4	CORPERATE GOVERNANCE	15	10
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: COMPANY FINANCIAL STATEMENT (60 marks; 45 minutes)**

**BRUCEE LIMITED**

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

**REQUIRED:**

**1.1 Refer to Information F:**

Calculate the correct net profit after tax for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease. (11)

**1.2** Prepare the following notes to the Statement of Financial Position for the financial year on 29 February 2024.

- Trade and other receivables (9)
- Ordinary share capital (6)
- Retained income (11)

**1.3** Complete the Statement of Financial Position on 29 February 2024. Show workings. (24)

**NOTE:** Certain figures are provided in the ANSWER BOOK.

**INFORMATION:**

**A. Amounts extracted from the books on 29 February 2024 (before taking into account all adjustment below):**

	R
Ordinary share capital	7 724 000
Retained income (1 March 2023)	875 300
Fixed assets (carrying value)	7 351 880
Loan from DBSA Bank	284 000
Trading stock	346 000
Trade debtors	1 080 000
Fixed deposit: Papi Bank	560 000
Bank (favourable)	3 530 000
SARS: Income tax (provisional payments)	155 000
Creditors' control	1 924 400
Provision for bad debts	18 000

**B. Share capital:**

DATE	INFORMATION
1 March 2023	1 500 000 ordinary shares in issue at, R6,20 per share
30 April 2023	300 000 ordinary shares repurchased at 70 cents above the average share price. This transaction was not recorded.
1 January 2024	Additional shares issued
29 February 2024	1 240 000 ordinary shares in issue

**C. Dividends:**

- Final dividend of 13 cents per share were paid on 2 March 2023.
- An interim dividend of 35 cents per share was paid on 31 August 2023.
- Final dividends of 30 cents per share were declared on 29 February 2024.

**D. Loan from DBSA Bank**

- Interest of R48 000 has not been recorded by the business.
- The capital repayment of R50 000 will be made in the next financial year.

**E.** The company has invested in two fixed deposit of equal value. 50% of **one** fixed deposit will mature on 31 May 2024.

**F.** A creditor with a debit balance of R10 600 must be transferred to the Debtors ledger.

**G. Net profit before tax**, R1 023 780, was calculated before correcting the following.

- Provision for bad debts must be decreased by R1500
- Interest on loan was not taken into consideration. Interest on the loan is capitalised.
- Rent income received amounted to R52 560. It included the rent for March and April 2024. The rent was increased by 15% on 1 January 2024.
- Trading stock, R14 000 was damaged by storm during the year. The insurance company accepted the claim and will cover 80% of the claim. The insurance claim will be processed during May 2024.
- An additional Insurance policy was taken out on 1 November 2023. The annual premium of R10 200 was paid and recorded.
- A further R56 000 is still owed for income tax.

**QUESTION 2 : CASH FLOW STATEMENT**

**(45 marks; 35 minutes)**

The information relates to KPM LTD for the financial year end 30 June 2024.

**REQUIRED:**

2.1 Choose a term to complete each of the following statements. Write only the term next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.

Profitability;    Market value;    Debt-Equity ;    Liquidity;    Efficiency
--

2.1.1 The ... ratio indicate the financial leverage of a company.

2.1.2 ... ratios are used by investors and management to see how a company is doing compared to others in its industry.

2.1.3 ... ratios focus on the company's ability to pay short-term obligations.

(3x1) (3)

2.2 Complete the reconciliation between the profit before changes in working capital. (6)

2.3 Complete the Cash Flow Statement for the year ended 30 June 2024. (26)

2.4 Calculate the following financial indicators for 2024:

- Current Ratio (3)
- Earnings per share (3)
- Return on shareholders' equity (4)

**INFORMATION:**

**A. Extract from the Statement of Financial Position on 30 June 2024:**

	2024 R	2023 R
Fixed assets at carrying value	1 664 700	1 230 000
Financial Assets	500 000	900 000
<b>Current Assets</b>	<b>2 289 388</b>	<b>840 300</b>
Inventory	350 700	484 000
Debtor's control	482 258	356 300
Accrued Income	9 842	-
Cash and cash equivalents	1 446 588	
<b>Current Liabilities</b>	<b>1 448 100</b>	<b>1 230 300</b>
Creditor's control	623 200	491 078
Bank overdraft	-	258 600
SARS (PAYE)	-	10 022
Shareholders for dividends	778 500	450 000
SARS (Income tax)	46 400	20 600
Shareholders Equity	7 166 850	6 142 800
Loan: Rhino Bank	?	1 822 000

**B. Share capital:**

1 July 2023	1 500 000 shares in issue
18 December 2023	An additional 250 000 shares were issued at R7.
30 April 2024	20 000 shares were repurchased from a retired shareholder. He was paid R0,50 above the average share price and would no longer qualify for dividend. 1 730 000 shares were issued at the end of the year.

**C. Dividends:**

- Total dividends for the year amounted to R1 041 000.

**D. Fixed Assets**

- An old vehicle with a carrying value of R25 300.
- Depreciation for the year amounted to R190 000
- New fixed assets were purchased during the year.

**E. Loan Statement from Rhino Bank:**

- Interest is calculated at 20% per annum. It is capitalised and paid annually with the capital reduction.
- Capital reduction on loan amounted to R50 000.

**F. Profit and income tax:**

- Net profit after tax amounted to R590 688.
- Income tax is calculated at 28% of the net profit.



**QUESTION 3: ANALYSIS AND INTERPRETATION ( 30 marks; 30 minutes)**

You are provided with the information of two companies, SUGAR Ltd and SPICE Ltd.

**REQUIRED**

- 3.1 Briefly explain the difference between solvency and liquidity. (2)
- 3.2 Which company is most liquid in 2024?  
 Explain what the main problem is in respect to liquidity for the OTHER (7)  
 company, quoting TWO financial indicators.
- 3.3 Which company is most solvent in 2024?  
 Explain your answer, quoting ONE financial indicator and compare it to the (4)  
 other company to support your answer.
- 3.4 Compare the two companies' degree of risk and financial gearing. (7)  
 Which company is better geared in 2024?
- 3.5 The dividend pay-out policy used by each company is different in 2024. (6)  
 Explain the policy used by EACH company. Provide figures to support your  
 explanation in EACH case.
- 3.6 Explain whether the directors should be satisfied or not with the market price (4)  
 of the companies on the JSE at the end of the financial year. Quote TWO  
 financial indicators in EACH case.

**INFORMATION:**

The following financial indicators were calculated for the past two years for the two companies:

	SUGAR LTD		SPICE LTD	
	2024	2023	2024	2023
Debt / Equity ratio	0,84:1	0,27:1	0,1:1	0,42:1
Total assets to total liabilities	2,9:1	2,3:1	2,1:1	2,4:1
Current ratio	3,4:1	1,8:1	1,7:1	2,1:1
Acid-test ratio	0,98:1	0,7:1	1,1:1	1,4:1
Stock-holding period	115 days	85 days	42 days	63 days
% return on average shareholders' equity after tax	25,2%	23,9 %	28,1%	26,3%
% return on total capital employed before tax	26 %	28 %	5%	4,5%
Net asset value per share	337 cents	330 cents	425 cents	390 cents
Interest on loan	18%	17%	18%	17%
Dividends per share	528 cents	530 cents	292 cents	330 cents
Earnings per share	540 cents	552 cents	730 cents	690 cents
Market price on JSE	400 cents	350 cents	363 cents	400 cents

**QUESTION 4: CORPORATE GOVERNANCE**

**(15 marks; 10 minutes)**

You are provided with an extract from the audit report and an article relating to donations of suppliers from a financial institution. Use the information presented and your general knowledge on companies to answer the questions.

**REQUIRED:**

**4.1 Auditing:**

**4.1.1 Refer to Information A:**

Did Cool Bank Group Ltd received a qualified / unqualified / disclaimer of opinion. Explain your choice. (3)

4.1.2 Newspaper reports have indicated that Kagiso and Associates have been found guilty of misconduct in terms of audit work done at several large firms. Explain how this may influence shareholders of Cool Bank Group Ltd. State TWO points. (4)

**4.2 Shareholders concerns and opinions:**

**4.2.1 Refer to information B:**

With reference to the statement made by the CEO, Singo, which says “our focus goes beyond just providing banking services but also includes identifying a way in which we can provide our support in other areas that will make an impact in up-lifting communities”.

Mention TWO examples of services, other than banking, that can be offered by financial institutions such as Cool Bank Group Ltd to communities. (2)

4.2.2 One of the shareholders of Cool Bank Group Ltd raised a concern to the CEO that the company spend R1 200 000 for Rob Ferreira Hospital when they should be looking at cutting costs due to economic instabilities.

Explain THREE points that the CEO can use to support the company’s decision. (6)



**A. EXTRACT: AUDIT REPORT OF COOL BANK GROUP LTD.**

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Cool Bank Group Ltd as at 31 December 2023, and as well as the financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS) and the requirements of the companies Act of South Africa.

**Kagiso and Associates**  
**Chartered Accountants (SA)**  
**31 December 2023**

**B. EXTRACT: CORPORATE GOVERNANCE REPORT.**

**COOL BANK GROUP LTD DONATES SUPPLIES TO  
ROB FERREIRA HOSPITAL**

As part of Cool Bank Group Ltd.'s ongoing commitment to the uplift of communities where it operates, the country's biggest lender, has procured much-needed supplies worth R1 200 000 for Rob Ferreira Hospital in the city of Mbombela. Our purpose as Cool Bank Group Ltd is as follows; Africa is our home; we drive her growth.

However, this growth can only be achieved if we ensure the health and wellness of our communities. This means that our focus goes beyond just providing banking services but also includes identifying the way in which we can provide our support in other areas that will make an impact in up-lifting communities," says Singo.

**15**

**TOTAL: 150**



<b>GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET</b>	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \div 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \div 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE: *</b> 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.	



NAME OF SCHOOL

NAME OF CANDIDATE

CLASS NO

**NATIONAL SENIOR CERTIFICATE**

**ACCOUNTING P1**

**GRADE 12**

**JUNE 2024**

**SPECIAL ANSWER BOOK**

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
<b>TOTAL</b>			

This answer book consist out of 12 pages



**Ordinary share capital**

**2 000 000 Authorised shares**

**ISSUED**

<b>1 500 000</b>		
<b>1 240 000</b>		<b>7 724 000</b>

<b>6</b>

**Retained income**


<b>11</b>



**1.3 STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED  
29 FEBRUARY 2024**

<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Fixed assets</b>		<b>7 351 880</b>
<b>Current assets</b>		
<b>Inventory</b>		
<b>TOTAL ASSETS</b>	<b>6</b>	
<b>EQUITY &amp; LIABILITIES</b>		
<b>Ordinary shareholders equity</b>		
<b>Ordinary share capital</b>		<b>7 724 000</b>
<b>Non-current liabilities</b>		
<b>Current liabilities</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		

23
----

<b>TOTAL MARKS</b>
60

**QUESTION 2**

**2.1 Choose a term to complete each of the following statements. Write only the term next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.**

<b>2.1.1</b>	
<b>2.1.2</b>	
<b>2.1.3</b>	

<b>3</b>

**2.2 RECONCILIATION BETWEEN THE PROFIT BEFORE CHANGES IN WORKING CAPITAL.**

Net profit before tax	820 400
Depreciation	190 000
Interest expense	364 400
<b>Profit before changes in working capital</b>	<b>1 374 800</b>
Change in working capital	
<b>Cash generated from operations</b>	

<b>6</b>

**2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2024.**

	Notes	R
<b>Cash flows from operating activities</b>		
<b>Cash generated from operations</b>		
<b>Cash flows from investing activities</b>		
<b>Cash flows from financing activities</b>		
<b>Payment of loan</b>		<b>50 000</b>
<b>Net change in cash and cash equivalents</b>		



2.3 Calculate the following financial indicators:

<b>Current ratio</b>	<input type="text"/> <input type="text"/>
<b>Earnings per share</b>	<input type="text"/> <input type="text"/>
<b>Return on Shareholders Equity</b>	<input type="text"/> <input type="text"/>

<b>TOTAL MARKS</b>
<b>45</b>



**QUESTION 3**

**3.1 Briefly explain the difference between solvency and liquidity.**



2

**3.2 Which company is most liquid?**

--

**Explain what the main problem is in respect to liquidity for the OTHER company, quoting TWO financial indicators.**

--



7

3.3 Which company is most solvent?

Explain your answer, quoting ONE financial indicator and compare it the other company to support your answer.

4

3.4 Compare the two companies' degree of risk and financial gearing. Which company is better geared?

	SUGAR LTD	SPICE LTD
DEGREE OF RISK		
FINANCIAL GEARING		
COMMENT		

7

3.5 The dividend policy used by each company has been maintained for the last past years. Explain the policy used by EACH company. Provide figures to support your explanation in EACH case.

	EXPLANATION (with figures)
SUGAR LTD	
SPICE LTD	

6

3.6 Explain whether the directors should be satisfied or not with the market price of the companies on the JSE at the end of the financial year. Quote TWO financial indicators in EACH case.

4

TOTAL MARKS
30



**QUESTION 4**

**4.1.1** Did Cool Bank Group Ltd received a qualified / unqualified / disclaimer of opinion. Explain your choice.

3

**4.1.2.** Newspaper reports have indicated that Kagiso and Associates have been found guilty of misconduct in terms of audit work done at several large firms. Explain how this may influence shareholders of Cool Bank Group Ltd. State TWO points.

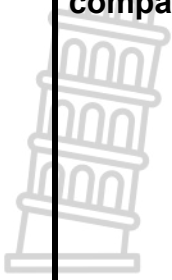
4

**4.2.1** Mention TWO examples of services, other than banking, that can be offered by financial institutions such as Cool Bank Group Ltd to communities.

2

4.2.2

Explain **THREE** points that the CEO can use to support the company's decision.



6

<b>TOTAL MARKS</b>
15

**TOTAL: 150**





**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING P1  
JUNE 2024  
MARKING GUIDELINES**

**MARKS: 150**

**MARKING PRINCIPLES:**

1. Unless otherwise stated in the marking guideline, 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. Full marks for correct answer. If answer incorrect, mark the workings provided.
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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. 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 .
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

**This marking guideline consists of 12 pages.**

**QUESTION 1**

**1.1 Correct net profit after tax**

<b>Incorrect Net profit before tax</b>	<b>1 023 780</b>	
Provision for bad debts adjusted	+ 1 500 ✓	
Interest expenses	- 48 000 ✓	
Rent income	-8 280 ✓✓	
Loss on stock due to damage	-2 800 ✓✓	
Insurance	+ 6 800 ✓✓	
Income tax (155 000 + 56 000)	-211 000 ✓✓*	
<b>Net profit after tax</b>	<b>726 000 ✓*</b>	<b>11</b>

\*One part correct

**1.2 TRADE AND OTHER RECEIVABLES**

Trade debtors (1 080 000 - 10 600)	1 090 600 ✓✓	
Provision for bad debts (18 000 – 1 500)	(16 500) ✓✓*	
	Must subtract 1 500m.m.	
Net trade debtor <span style="float: right;">operation</span>	1 074 100 ✓✓*	
Accrued income (14 000 X 80%) or (14 000 – 2 800) <i>Stanmorephysics</i> See 1.1 Loss on stock due to damage	11 200 ✓✓	
Prepaid expenses <span style="float: right;">see 1.1 Insurance</span>	6 800 ✓	
<b>Trade debtors</b>	<b>1 092 100 ✓✓*</b>	<b>9</b>

\*one part correct



**Ordinary share capital**

**2 000 000 Authorised shares**

**ISSUED**

<b>1 500 000</b>	Ordinary shares at R6,20 (1 March 2023)	9 300 000✓	
(300 000)✓	Repurchase of shares (ASP:R6,20)	(1 860 000) ✓✓	
		Do not accept 300 000 x 0.70	
40 000☑	Ordinary shares  Always treat this as the balancing figure. Ignore workings on this aspects	284 000☑  Balancing figure	
<b>1 240 000</b>	Ordinary share at end of the year	<b>7 724 000</b>	<b>6</b>

**Retained income**

Balance at the beginning of the year		875 300✓	
Net profit after tax	see 1.1	726 000☑	
Repurchase of shares (300 000 X 70 cents)	ignore brackets	(210 000) ✓✓	
<b>Dividends for the year</b>	operation	(792 000)☑*	
Interim (1 200 000✓ X 35 cents✓)	One part correct	420 000☑*	
Final (1 240 000 X 30 cents)	One part correct	372 000✓☑*	
Balance at the end of the year	Operation	599 300☑*	
Balance at the beginning of the year		875 300✓	<b>11</b>

**1.3 STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED  
 29 FEBRUARY 2024**

<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Fixed assets</b>		<b>7 351 880</b>
Fixed deposit (560 000 – 140 000✓✓)	<b>3</b>	420 000✓ Must subtract FD matured
<b>Current assets</b>		
<b>Inventory</b>		
Trade and other receivables	see 1.2 T&OR	1 092 100✓
Cash and cash equivalent (3 530 000✓ + 140 000✓ – 2 070 000✓✓ See FD (ASP + above ASP)		1 600 000✓
<b>TOTAL ASSETS</b>	<b>6</b>	
<b>Equity &amp; Liabilities</b>		
<b>ORDINARY SHAREHOLDERS EQUITY</b>		<b>8 323 300✓</b>
<b>Ordinary share capital</b>		<b>7 724 000</b>
Retained income	<b>2</b>	599 300✓
<b>Non-current liabilities</b>		<b>282 000</b>
(284 000 + 48 000) Loan (332 000✓✓ – 50 000✓)	<b>4</b>	282 000✓
<b>Current liabilities</b>		<b>2 421 280✓</b>
Trade and other payables transfer see rent inc (1 924 400✓ + 10 600✓ + 8 280 ✓)		1 943 280✓*
Short term loan	see loan above	50 000✓
Shareholders for dividends	see 1.2 RI	372 000✓
SARS: Income tax		56 000✓
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8</b>	

**23**

Inspect : SARS IT and SFD may be included in T&OP

-1 foreign item (max -2); presentation -1 (max -1); misplaced items, award marks for workings only

**TOTAL MARKS**  
**60**

**QUESTION 2**

**2.1 Choose a term to complete each of the following statements. Write only the term next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.**

<b>2.1.1</b>	Debt- Equity✓
<b>2.1.2</b>	Market Value✓
<b>2.1.3</b>	Liquidity✓

<b>3</b>

**2.2 RECONCILIATION BETWEEN THE PROFIT BEFORE CHANGES IN WORKING CAPITAL.**

<b>Net profit before tax</b>	<b>820 400</b>
<b>Depreciation</b>	<b>190 000</b>
<b>Interest expense</b>	<b>364 400</b>
<b>Profit before changes in working capital</b>	<b>1 374 800</b>
<b>Change in working capital</b>	119 600☑
Decrease in inventory ( 484 000 – 350 700)	133 300✓
Increase in receivables( 356 300 – 492 100)	(135 800)✓✓
Increase in payables ( 501 100 – 623 200)	122 100✓✓
<b>Cash flows from operating activities</b>	

<b>6</b>

**2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2024.**

	Notes	R
<b>Cash flows from operating activities</b>		
Cash generated from operations		
Interest paid (1 822 000 x 20%)		(364 400)✓✓
Dividends paid (450 000✓ + 1 041 000✓ – 778 500✓)		(712 500)☑
Taxation paid (229 712✓ – 20 600✓ – 46 400✓)	10	(162 712)☑
<b>Cash flows from investing activities</b>		(224 700)☑
Purchase of non-current assets (1 664 700✓ + 190 000✓ + 25 300✓ – 1 230 000✓)		(650 000)☑
Proceeds from sale of non-current assets		25 300✓
Decrease in financial asset (900 000 – 500 000)	9	400 000✓✓
<b>Cash flows from financing activities</b>		1 650 000 ☑
Proceeds of issuing of shares (250 000 x 7)		1 750 000✓
Payment of buy back of shares (20 000 x 7,5)	4	(150 000)✓✓
<b>Payment of loan</b>		<b>50 000</b>
<b>Net change in cash and cash equivalents</b>		1 705 188☑
Cash and cash equivalents at beginning of year		(258 600)✓
Cash and cash equivalents at end of year	3	1 446 588✓

2.3 Calculate the following financial indicators:

<p><b>Current ratio</b></p> $\frac{2\,289\,388 \checkmark}{1\,448\,100 \checkmark} = 1,58 : 1 \checkmark \quad (1,6:1)$	<div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto; text-align: center;">3</div>
<p><b>Earnings per share</b></p> $\frac{\text{Net profit after tax}}{\text{Number of shares issued}} \times \frac{100}{1}$ $\frac{590\,688 \checkmark}{1\,730\,000 \checkmark} \times \frac{100}{1}$ <p>= 34,1% <input checked="" type="checkbox"/></p>	<div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto; text-align: center;">3</div>
<p><b>Return on Shareholders Equity</b></p> $\frac{590\,688 \checkmark}{\frac{1}{2}(7\,166\,850 \checkmark + 6\,142\,800 \checkmark)} \times 100$ <p style="text-align: center; color: yellow;">13 309 650 two marks</p> <p>= 8,9% <input checked="" type="checkbox"/></p>	<div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto; text-align: center;">4</div>

<b>TOTAL MARKS</b>
<b>45</b>



**QUESTION 3**

**3.1 Briefly explain the difference between solvency and liquidity.**

Solvency: ability to pay off all of the business debts / ability to meet all debts in the long-term / TA:TL / TA more than TL / positive equity ✓

Liquidity: ability to pay off current / short-term debts / CA:CL / CA more than CL ✓

2

**3.2 Which company is most liquid?**

SPICE LTD ✓

**Explain what the main problem is in respect to liquidity for the OTHER company, quoting TWO financial indicators.**

Explanation ✓✓ No part marks

There is an over-investment in their inventories / stock piling / too much cash tied up in stock

TWO financial indicators ✓ ✓ Figures ✓ ✓

- Current ratio: SUGAR Ltd (3,4 : 1) and Acid-Test ratio (0,98 : 1) compared to SPICE Ltd (1,7 : 1) and (1,1 : 1)

Difference between current ratio and acid test ratio  
SUGAR Ltd (2,42 : 1) and SPICE Ltd (0,6 : 1)

- Stock holding period: SUGAR Ltd (115 days) and SPICE Ltd (42 days)

Acid test on its own is not valid

Not necessary to compare companies. Can award marks for indicators and figures if company and explanation above is incorrect.

7

**3.3 Which company is most solvent?**

**SUGAR LTD ✓**

**Explain your answer, quoting ONE financial indicator and compare it the other company to support your answer.**

Both business are solvent ✓

**Financial indicator with figures**  
 ✓ ✓

Total Assets : Total Liabilities  
 Sugar Ltd 2,9 : 1 more than Spice Ltd 2,1 : 1

4

**3.4 Compare the two companies' degree of risk and financial gearing. Which company is better geared?**

	<b>SUGAR LTD</b> Financial indicator with figures ✓ ✓	<b>SPICE LTD</b> Financial indicator with figures ✓ ✓
<b>DEGREE OF RISK</b>	Debt equity 0,84 : 1	Debt equity 0,1 : 1
<b>FINANCIAL GEARING</b>	ROTCE 26%	ROTCE 5%
<b>COMMENT</b>  Compare D/E for each company ✓  Compare ROTCE to interest rate ✓✓	Although SUGAR Ltd has a higher risk than SPICE Ltd, SUGAR Ltd is positively geared since the ROTCE of (26%) exceeds the interest rate on loans of (18%). OR SPICE Ltd has low risk but is negatively geared since the ROTCE of (5%) is much lower than the interest rate on loans of (18%).	

7

**3.5 The dividend policy used by each company has been maintained for the last past years. Explain the policy used by EACH company. Provide figures to support your explanation in EACH case.**

<b>EXPLANATION (with figures)</b>	
Explanation ✓	Award part marks for incomplete explanations
	Figure ✓✓
<b>SUGAR LTD</b>	SUGAR Ltd has a very high dividend pay-out policy (98% or 528 out of 540 cents) as they would want to keep the shareholders satisfied. Encourages them to remain as shareholders of the company.
<b>SPICE LTD</b>	SPICE Ltd has a lower dividend pay-out policy (40% or 292 out of 730 cents) so that they can use retained income for expansion purposes/equalisation of dividends. The shareholders should benefit in the future.

<b>6</b>

**3.6 Explain whether the directors should be satisfied or not with the market price of the companies on the JSE at the end of the financial year. Quote TWO financial indicators in EACH case.**

Indicator ✓	Figure ✓
The market price of the shares of SPICE Ltd (363 cents) is lesser than the NAV (425 cents).	
The market price of the shares of SUGAR Ltd (400 cents) is more than the NAV ( 337 cents).	

<b>4</b>

<b>TOTAL MARKS</b>
<b>30</b>





### QUESTION 4: CORPORATE GOVERNANCE

4.1.1 Did Cool Bank Group Ltd received a qualified / unqualified / disclaimer of opinion. Explain your choice.

Choice of report: ✓

Unqualified

Explanation:

Any valid explanation ✓✓

The financial statement was fairly presented in all material respects

Auditors didn't mention any wrong doing or irregularities.

3

4.1.2. Newspaper reports have indicated that Kagiso and Associates have been found guilty of misconduct in terms of audit work done at several large firms. Explain how this may influence shareholders of Cool Bank Group Ltd. State TWO points.

Any valid explanation ✓✓ ✓✓

- Their professional conduct will never be trusted
- They will not be re-appointed to do audit work
- Create bad image of the company not to trust the report
- Investors might withdraw their shares

4

4.2.1 Mention TWO examples of services, other than banking, that can be offered by financial institutions such as Cool Bank Group Ltd to communities.

Any valid explanation ✓ ✓

- Granting of loan (long and short term loan)
- Offer investments (long and short term investments)
- Provide financial advice
- Insurance (housing, car etc.)
- Drafting of will

2

4.2.2

**Explain THREE points that the CEO can use to support the company's decision.**

Any valid explanation ✓✓ ✓✓ ✓✓

- In accordance with Corporate governance/ King Code/ Company act/giving back to the community.
- Promote good image of the company/publicity/ goodwill
- Tax deductible

6

<b>TOTAL MARKS</b>
15

**TOTAL: 150**

