



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**2024 PRE-TRIAL  
EXAMINATION**

**ACCOUNTING P1**

**MARKS: 150**

**TIME: 2 HOURS**

This question paper consists of 10 pages,  
a formula sheet and a 11-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 earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or black/blue 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.

<b>QUESTION</b>	<b>TOPIC</b>	<b>MARKS</b>	<b>MINUTES</b>
<b>1</b>	Company Financial Statements	60	45
<b>2</b>	Cash Flow Statement and Financial Indicators	40	30
<b>3</b>	Interpretation of Financial Information	35	30
<b>4</b>	Corporate Governance	15	15
<b>TOTAL</b>		<b>150</b>	<b>120</b>

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

You are provided with information from the records of Fassi Ltd for the financial year ended 29 February 2024.

**REQUIRED:**

- 1.1 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (32)  
**Note:** Some information is included in the ANSWER BOOK.
- 1.2 Prepare the following notes to the Statement of Financial Position:
- 1.2.1 Ordinary share capital (8)
- 1.2.2 Retained income (8)
- 1.3 Complete the **EXTRACT** from the **EQUITY AND LIABILITIES** section of the Statement of Financial Position. (12)

**INFORMATION:****A. Extract of relevant balances/totals from the books on 29 February 2024:**

Ordinary share capital	?
Retained income	?
Mortgage loan	375 500
Trading stock (before stocktaking)	450 300
Debtors' control	520 200
Provision for bad debts (1 March 2023)	19 500
Creditors' control	512 100
SARS: Income tax (provisional tax payments)	975 900
Rent income	109 200
Salaries and wages	843 200
Directors' fees	2 300 000
Audit fees	102 000
Interest income	?
Sundry expenses	?
Ordinary share dividends (interim)	342 000

- B.** The gross profit for the year ended 29 February 2024 was calculated at R8 480 000. A mark-up of 100% on cost was achieved.

- C. The following adjustments was not taken into account:
- i) Stocktaking on 29 February 2024 revealed the following:  
Trading stock, R468 200.
  - ii) Adjust the provision for bad debts to 5%.
  - iii) 75% of the audit fees was paid.
  - iv) The company had four directors during the entire financial year, receiving the same monthly fee. Two of the directors are still owed their fees for February 2024.
  - v) Office space was rented out from 1 May 2023. On 1 January 2024 the rent was increased by R1 200 per month. The rent for February 2024 is outstanding.
  - vi) Sundry expenses and Interest income are the balancing figures.

D. Mortgage loan

- Provide for interest on loan capitalised.
- A fixed monthly repayment of R8 300 have been made and recorded for the financial year ended 29 February 2024.
- The loan statement received reflected a closing balance of R427 000.
- Loan repayments in the next financial year will include a capital portion equal to one-fifth ( $\frac{1}{5}$ ) of the outstanding loan amount.

E. Operating profit on sales was 25%.

F. Income tax at 28% of the net profit amounted to R1 186 640.

G. **Share capital and dividends:**

Authorised share capital: 1 900 000 ordinary shares.

1 April 2024	Payments were received for the remaining 25% of unissued shares. These shares were issued at R3,90 per share.
1 September 2024	Interim dividends were paid.
26 February 2024	200 000 shares were repurchased at R,4,50 per share.
29 February 2024.	A final dividend of 30 cents per share was declared. All shareholders during the year were entitled to final dividends.

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

**NONGENA LTD**

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

**REQUIRED:**

- 2.1 Complete the following note to the Cash flow statement:  
Reconciliation between net profit before tax and cash generated from operations (11)
- 2.2 Calculate the following amounts that would appear on the Cash Flow Statement.
- 2.2.1 Income tax paid (4)
- 2.2.2 Dividends paid (4)
- 2.2.3 Purchase of fixed assets (5)
- 2.2.4 Net change in cash and cash equivalents (4)
- 2.3 Calculate the following financial indicators for the financial year ended 29 February 2024.
- 2.3.1 Current ratio (3)
- 2.3.2 % return on average capital employed (5)
- 2.3.3 Dividends per share (4)

**INFORMATION:**

**A. Extract from the Statement of Comprehensive Income for the year ended 29 February 2024:**

Sales	4 042 500
Cost of sales	2 541 000
Depreciation	240 640
Interest expense	120 120
Income tax	245 560
Net profit after income tax	631 440

**B. Extract from the Statement of Financial Position at the end of February:**

	2024	2023
Fixed assets	1 987 625	1 850 200
Financial assets	?	?
<b>Current assets</b>	<b>1 085 765</b>	<b>934 490</b>
Inventories	710 500	672 500
Trade and other receivables	290 115	256 830
Cash and cash equivalents	85 150	5 160
<b>Ordinary Shareholders' Equity</b>	<b>2 090 200</b>	<b>1 850 800</b>
Ordinary share capital	1 600 000	1 400 000
Retained income	490 200	450 800
Mortgage loan: Nala Bank	435 000	510 000
<b>Current Liabilities</b>	<b>728 190</b>	<b>820 890</b>
Trade and other payables	429 660	466 620
SARS: Income tax	10 530	25 870
Shareholders for dividends	288 000	210 000
Bank overdraft	0	118 400

C. A vehicle was sold at carrying value during the year for R110 500.

**E. Ordinary share capital:**

- 140 000 shares in issue 1 March 2023.
- On 30 April 2023, 30 000 additional shares were issued and R300 000 was received.
- R110 000 was paid for 10 000 shares repurchased on 1 December 2024.

**F. Dividends:**

- An interim dividend of 80c per share was paid 1 September 2023.
- A final dividend was declared on 29 February 2024.



**QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**

**(35 marks; 30 minutes)**

**OZONE LTD**

The financial year ends on 28/29 February each year.

**REQUIRED:**

**NOTE:** Where comments or explanations are required, you must:

- Quote financial indicators and trends with figures
- Give a reason or an explanation on the relevant financial indicators

3.1 Choose the statement from COLUMN B that matches a category of financial indicators in COLUMN A. Write only the letter (A-E) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
3.1.1 Liquidity	A Is the business managing expenses effectively to increase profitability?
3.1.2 Risk and gearing	B Is the investment in the company better than investing in alternative investments?
3.1.3 Return to shareholders	C Will the company be able to pay off its current debts?
3.1.4 Operating efficiency	D Will the company be able to pay off all its debts using existing assets?
	E How is the company managing loans or borrowed capital?

(4 x 1 ) (4)

3.2 The directors are satisfied with the improvement in the current ratio and acid-test ratio. Explain why you would disagree with them regarding the company's liquidity. Quote TWO financial indicators. (6)

3.3 Retention or distribution of profits to shareholders. (4)

- Comment on whether the company tends to towards retaining or distributing its profits. Quote relevant financial indicators. (4)

- Explain how the distribution of profits could affect the share price on the JSE. Give ONE explanation in favour and ONE against the distribution of profits. (4)

3.4 Explain why the shareholders should be satisfied with the return they get from the company. Quote a financial indicator and figures. (4)

3.5 Comment on the gearing and degree of risk for 2024. Quote TWO relevant indicators in your comment. (6)

3.6 All the new shares issued on 29 February 2024 were sold to the CEO, Imran. Explain TWO points why you think the shareholders are not happy with this. Quote figures. (4)

3.7 Calculate Imran's percentage shareholding on 29 February 2024. Comment on your findings. (3)

**INFORMATION:****A. Financial indicators, market prices of shares and interest rates:**

	2024	2023
Mark-up %	60%	70%
Current ratio	2,2 : 1	1,6 : 1
Acid-test ratio	0,9 : 1	0,7 : 1
Debtors' collection period	49 days	30 days
Stock-holding period	103 days	69 days
Debt-equity ratio	0,4 : 1	0,1 : 1
Earnings per share	98 cents	96 cents
Dividends per share	85 cents	77 cents
Return on average shareholders' equity (ROSHE)	13,5%	11,9%
Return on capital employed (ROTCE)	16,4%	15,3%
Net asset value per share	778 cents	728 cents
Interest rate on loans	13%	12%
Market value on JSE	780 cents	725 cents
Interest rate on fixed deposit	10%	10%
Price at which new shares were issued	510 cents	

**B. Share capital and shareholding of Imran.**

	2024	2023
Number of shares authorised	4 000 000	4 000 000
Number of shares issued	2 550 000	2 500 000
Number of shares owned by Imran	1 295 000	1 245 000

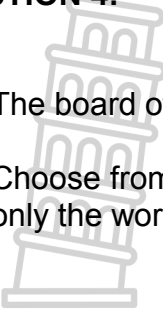




**QUESTION 4: CORPORATE GOVERNANCE****(15 marks; 15 minutes)**

4.1 The board of directors have different committees with various roles to fulfil.

Choose from the list of committees below to complete the sentences that follow. Write only the word(s) next to the question numbers (4.1.1 to 4.1.2) in the ANSWER BOOK.



Social and ethics committee	Risk committee
Audit committee	Remuneration committee

4.1.1 ... examine the impact of the public activities and their products or service to the environment, health and public safety.

4.1.3 ... ensure fair salaries and bonuses.

(2 x 1) (2)

4.2 You are provided with an extract about a corporate scandal on the next page.

Use the information presented and your knowledge on corporate governance to answer the following questions.

4.2.1 Identify and explain the type of audit report referred to in paragraph 3. (3)

4.2.2 Provide TWO points why an existing shareholder would be concerned about this report? (4)

4.2.3 Explain why Emerald auditing firm was used to audit the company financial statements. (2)

4.2.4 Explain TWO concerns from the extract which relates to poor corporate governance and provide ONE consequence in each case. (4)



**INFORMATION:**

**GALA GLOBAL LTD**

Gala Global did deals with companies that were secretly linked to former CEO George Steffens and his close alliances. The company inflated its profits and assets by R180 billion by forging documents.

Gala cooked up false income to boost some of its failing companies. George also granted himself and the CFO, Tania Steffens (his new wife), an undeclared incentive.

Emerald auditing firm discovered irregularities and refused to sign-off on the company's books. CEO George Steffens resigned a few days later.

15

**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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales / Credit Purchases}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*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:

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**GRADE 12**

**2024 PRE-TRIAL  
EXAMINATION**

**ACCOUNTING P1  
ANSWER BOOK**

QUESTION	MAXIMUM MARKS	MARKS OBTAINED	MODERATED MARK
1	60		
2	40		
3	35		
4	15		
<b>TOTAL</b>	<b>150</b>		

This answer book consists of 11 pages.

## QUESTION 1

## 1.1 FASSI LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
29 FEBRUARY 2024

Sales	
Cost of sales	
Gross profit	8 480 000
Other income	
Commission income	53 000
Gross income	
Operating expenses	
Depreciation	506 800
Sundry expenses	
Operating profit	
Interest income	
Net profit before interest expense	
Interest expense	
Net profit before tax	
Income tax	(1 186 640)
Net profit after tax	

**1.2.1 ORDINARY SHARE CAPITAL**

	<b>Shares in issue 1 March 2023</b>	<b>4 417 500</b>

<b>8</b>

**1.2.2 RETAINED INCOME**

<b>Balance on 1 March 2023</b>	<b>1 682 400</b>
<b>Ordinary share dividends</b>	
<b>Balance on 28 February 2024</b>	

<b>8</b>

**1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024  
EXTRACT FROM EQUITY AND LIABILITIES**

<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
<b>Trade and other payables</b>	

<b>TOTAL MARKS</b>	<b>60</b>	
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**QUESTION 2**

**2.1 RECONCILIATION BETWEEN NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS**

Net profit before tax	877 000
Adjustments in respect of:	
Depreciation	240 640
Interest expense	120 120
Operating profit before changes in working capital	1 237 760
Cash effects of changes in working capital.	
Cash generated from operations	

11

**2.2 Calculate the following amounts that would appear on the Cash Flow Statement.**

**2.2.1 Income tax paid**

WORKINGS	ANSWER

4

**2.2.2 Dividends paid**

WORKINGS	ANSWER

4

2.2.3

Purchase of fixed assets	
WORKINGS	ANSWER

5

2.2.4

Net change in cash and cash equivalents	
WORKINGS	ANSWER

4

2.3 Calculate the following financial indicators for the financial year ended 29 February 2024.

2.3.1

Current ratio	
WORKINGS	ANSWER

3



2.3.2 % return on average capital employed

WORKINGS		ANSWER

5

2.2.3 Dividends per share

WORKINGS		ANSWER

4

TOTAL MARKS	40	
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**QUESTION 3**

3.1

3.1.1	
3.1.2	
3.1.3	
3.1.4	

4

3.2

The directors are satisfied with the improvement in the current ratio and acid-test ratio. Explain why you would disagree with them regarding the company's liquidity. Quote TWO financial indicators.

6

3.3

Retention or distribution of profits to shareholders.

Comment on whether the company tends to towards retaining or distributing its profits. Quote relevant financial indicators.

4

Explain how the distribution of profits could affect the share price on the JSE. Give ONE explanation in favour and ONE against the distribution of profits.

In Favour	Against

4

3.4 Explain why the shareholders should be satisfied with the return they get from the company. Quote a financial indicator and figures.

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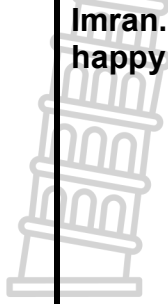
4

3.5 Comment on the gearing and degree of risk for 2024. Quote TWO relevant indicators in your comment.

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6

3.6 All the new shares issued on 29 February 2024 were sold to the CEO, Imran. Explain TWO points why you think the shareholders are not happy with this. Quote figures.



4

3.7 Calculate Imran's percentage shareholding on 29 February 2024. Comment on your findings.

3

TOTAL MARKS	35	
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**QUESTION 4**

4.1	4.1.1		
	4.1.3		2

4.2.1 Identify and explain the type of audit report referred to in paragraph 3.

Type of report:

Explanation:

3

4.2.2 Provide TWO points why an existing shareholder would be concerned about this report?

4

4.2.3 Explain why Emerald auditing firm was used to audit the company financial statements.

2

4.2.4 Explain TWO concerns from the extract which relates to poor corporate governance and provide a consequence in each case.

CONCERN	CONSEQUENCE

4

TOTAL MARKS	15	
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TOTAL: 150





## NATIONAL SENIOR CERTIFICATE

### GRADE 12

### 2024 PRE-TRIAL EXAMINATION

### ACCOUNTING P1 MARKING GUIDELINE

**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 a correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark for that figure (not the method mark for the answer). Note: figures stipulated in the marking guidelines as components of workings are marked together; these do not carry the method mark for parts thereof.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, markers must inspect reasonableness of the answer.
10. 'Operation' means check operation. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 11 pages.

**QUESTION 1**

**1.1 FASSI LTD**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
29 FEBRUARY 2024**

<b>Sales</b>		16 960 000	✓	
<b>Cost of sales</b>		(8 480 000)	✓	
<b>Gross profit</b>		<b>8 480 000</b>		2
<b>Other income</b>	operation	193 300	☑	
<b>Commission income</b>		<b>53 000</b>		
Rent income	109 200 ✓ + 13 200 ✓✓	122 400	☑*	
Trading stock surplus	(468 200 – 450 300)	17 900	☑✓	
<b>Gross income</b>	GP + OI	8 673 300	☑	8
<b>Operating expenses</b>	GI - OP	(4 433 300)	☑	
<b>Depreciation</b>		<b>506 800</b>		
Salaries and wages		843 200	✓	
Provision for bad debts-adjustment	26 010 – 19 500	6 510	☑✓	
Directors fees	2 300 000 ✓ + 100 000 ✓✓ or 2 300 000 x <sup>48</sup> / <sub>46</sub> one mark two marks	2 400 000	☑*	
Audit fees	102 000 ✓ + 34 000 ✓✓	136 000	☑*	
<b>Sundry expenses</b>	balancing figure	540 790	☑	
<b>Operating profit</b>	Sales x 25%	4 240 000	☑☑	15
<b>Interest income</b>	NPbIE - OP	49 500	☑	
<b>Net profit before interest expense</b>	NPbT + IE	4 289 500	☑	
<b>Interest expense</b>		(51 500)	✓✓	
<b>Net profit before tax</b>	1 186 640 x <sup>100</sup> / <sub>28</sub>	4 238 000	✓✓	
<b>Income tax</b>		<b>(1 186 640)</b>		
<b>Net profit after tax</b>	NbT - Tax	<b>3 051 360</b>	☑	7

1 foreign items (max – 2); misplaced items, award marks for workings only  
Note Principle 11 when awarding method marks: Operation as per candidate's operation)

\* 1 part correct

32



**1.2.1 ORDINARY SHARE CAPITAL**

1 425 000 ✓	<b>Shares in issue 1 March 2023</b>	<b>4 417 500</b>	
1 900 000x25% 475 000 ✓	6 270 000+1 900 000 <b>Shares issued during the year (@ R3.90)</b>	1 852 500	✓*
(200 000) ✓	<b>Shares repurchased (ASP: R3,30 ✓)</b> Ignore brackets on this line; mark absolute figures only	(660 000)	✓ one part correct
1 700 000 ✓	<b>Shares in issue on 29 February 2024</b> Operation and should be OB+SI-SBB	5 610 000	✓

**8**

\*operation if 4 417 500 – 475 000

**1.2.2 RETAINED INCOME**

<b>Balance on 1 March 2023</b>		<b>1 682 400</b>	
4,50 – 3.30 (ASP) Repurchase of shares (200 000 x 1,20)		(240 000)	✓✓ one part correct
Net profit after tax	see 1.1	3 051 360	✓
<b>Ordinary share dividends</b>	operation	(912 000)	✓
• Interim dividends		342 000	✓
• Final dividends (1 900 000 x 30 cents)		570 000	✓✓ one part correct
<b>Balance on 28 February 2024</b>	one part correct	3 518 760	✓

**8**

**1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024**

**EXTRACT FROM EQUITY AND LIABILITIES**

<b>NON-CURRENT LIABILITIES</b>		341 600	
Mortgage loan 427 000 ✓ - 85 400 ✓✓		341 600	✓*
<b>CURRENT LIABILITIES</b>			
<b>Trade and other payables</b>			
audit fees directors fees 512 100 ✓ + 34 000 ✓ + 100 000 ✓		646 100	✓*
Current portion of the loan	see loan above	85 400	✓
SARS (Income tax) 1 186 640 – 975 900		210 740	✓✓
Shareholders for dividends	see 1.2.2	570 000	✓

**12**

-1 F foreign items (max – 2); misplaced items, award marks for workings only  
- P presentation (max -2 if no appropriate details)

\* one part correct

<b>TOTAL MARKS</b>	<b>60</b>	
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**QUESTION 2**

**2.1 RECONCILIATION BETWEEN NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS**

<b>Net profit before tax</b>	<b>877 000</b>
<b>Adjustments in respect of:</b>	
<b>Depreciation</b>	<b>240 640</b>
<b>Interest expense</b>	<b>120 120</b>
<b>Operating profit before changes in working capital</b>	<b>1 237 760</b>
<b>Cash effects of changes in working capital.</b> operation	(108 245) <input checked="" type="checkbox"/>
<b>Increase in inventory</b> 710 500 ✓ – 672 500 ✓	(38 000) <input checked="" type="checkbox"/> *
<b>Increase in receivables</b> 290 115 ✓ – 256 830 ✓	(33 285) <input checked="" type="checkbox"/> *
<b>Decrease in payables</b> 466 620 ✓ - 429 660 ✓)	(36 960) <input checked="" type="checkbox"/> *
<b>Cash generated from operations</b> operation	<b>1 129 515</b> <input checked="" type="checkbox"/>

<b>11</b>
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**2.2 Calculate the following amounts that would appear on the Cash Flow Statement.**

**2.2.1 Income tax paid**

WORKINGS	ANSWER
$25\ 870\ \checkmark + 245\ 560\ \checkmark - 10\ 530\ \checkmark$ Accept alternative arrangement for calculations e.g. signs reversed, ledger / note format.	260 900 <input checked="" type="checkbox"/> one part correct

<b>4</b>
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**2.2.2 Dividends paid**

WORKINGS	ANSWER
$210\ 000\ \checkmark + 136\ 000\ \checkmark\checkmark$ Accept alternative arrangement for calculations e.g. signs reversed, ledger / note format.	346 000 <input checked="" type="checkbox"/> one part correct

<b>4</b>
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**2.2.3 Purchase of fixed assets**

WORKINGS	ANSWER
$1\ 987\ 625 \checkmark + 240\ 640 \checkmark + 110\ 500 \checkmark - 1\ 850\ 200 \checkmark$ Accept alternative arrangement for calculations e.g. signs reversed, ledger / note format.	488 565 <input checked="" type="checkbox"/> one part correct

5

**2.2.4 Net change in cash and cash equivalents**

WORKINGS	ANSWER
$113\ 240$ two marks $(118\ 400 - 5\ 160) \checkmark\checkmark + 85\ 150 \checkmark$ Accept note format.	198 390 <input checked="" type="checkbox"/> one part correct

4

**2.3 Calculate the following financial indicators for the financial year ended 29 February 2024.**

**2.3.1 Current ratio**

WORKINGS	ANSWER
$1\ 085\ 765 \checkmark : 728\ 190 \checkmark$	$1.5 : 1$ <input checked="" type="checkbox"/>

3

2.3.2 % return on average capital employed

WORKINGS		ANSWER
$\frac{877\,000 \text{ one mark} + 120\,120 \text{ one mark}}{997\,120 \checkmark\checkmark}$ $\times \frac{\frac{1}{2}(2\,525\,200\checkmark + 2\,360\,800\checkmark)}{2\,443\,000 \text{ two marks}}$ <p>OR <math>\frac{1}{2}[(2\,090\,200+435\,000) + (1\,850\,800+510\,000)]</math></p>	$\frac{100}{1}$	<p>40.8% <input checked="" type="checkbox"/></p> <p>one part correct must use average (1/2) must include OSHE + NCL</p>

5

2.2.3 Dividends per share

WORKINGS		ANSWER
$80c \checkmark + \frac{288\,000}{160\,000} 180c \checkmark\checkmark$		<p>260c <input checked="" type="checkbox"/></p> <p>one part correct</p>

4

The 'x 100' is not deemed as 'one part correct'  
 Numerators and denominators must be marked as such.  
 Do not award marks for any operations done to stand-alone figures e.g. no tick if anything else added to 997 120.  
 Superfluous entries: award marks for correct figures, apply  to final answer.

<b>TOTAL MARKS</b>	<b>40</b>	
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**QUESTION 3**

3.1	3.1.1	C ✓
	3.1.2	E ✓
	3.1.3	B ✓
	3.1.4	A ✓

4

**3.2 The directors are satisfied with the improvement in the current ratio and acid-test ratio. Explain why you would disagree with them regarding the company’s liquidity. Quote TWO financial indicators.**

**TWO financial indicators ✓✓ figures and trends ✓✓**

- The stock-holding period increased from 69 days to 103 days (by 34 days).
- Debtors’ collection period increased from 30 days to 49 days (by 19 days)
- Current ratio increased from 1,6 : 1 to 2,2 :1, **AND** the Acid-test ratio increased from 0,7 : 1 to 0,9 : 1.  
(should mention figures and trend for both ratio’s for two marks)

**Explanation: ✓✓**

- Too much liquid assets (cash tied up on stock)/ over investment in stock / the difference in current and acid-test ratios reflects stock piling/ stock can become obsolete.
- The business has relaxed/ neglected its collection policies/ cash flow problems for the business.

6

**3.3 Retention or distribution of profits to shareholders.**

**Comment on whether the company tends to towards retaining or distributing its profits. Quote relevant financial indicators.**

**Financial indicators (DPS and EPS)✓ Figures ✓**

DPS in 2023 is 77c out of EPS of 96c (19c retained)  
 DPS in 2024 is 85c out of EPS of 98c (13c retained)

**OR**

**Financial indicator** one mark    **Figures** one mark

Dividend pay-out rate in 2023 , 80,2% and 2024, 86,7%,

**Comment** ✓✓ part marks for unclear / partial answer

The company tends to distribute the majority of its profits to shareholders.

4

<p><b>Explain how the distribution of profits could affect the share price on the JSE. Give ONE explanation in favour and ONE against the distribution of profits.</b></p>			
<p><b>In Favour</b> one valid point ✓ ✓</p> <ul style="list-style-type: none"> <li>Shareholders will be happy and the shares on the JSE will look more attractive to shareholders who are looking for instant returns.</li> <li>Increased demand for shares will increase the value of shares or share price</li> </ul>	<p><b>Against</b> one valid point ✓ ✓</p> <ul style="list-style-type: none"> <li>Shareholders are looking for capital growth in the value of shares, this could depress the price as it affects the retained income.</li> <li>Prospective shareholders might see this as the company not having any growth potential/ future projects or a need to re-invest profits back into the company.</li> </ul>		
<table border="1" style="margin-left: auto;"> <tr><td style="width: 20px; height: 20px;"></td></tr> <tr><td style="text-align: center;">4</td></tr> </table>			4
4			

<p><b>3.4</b></p>	<p><b>Explain why the shareholders should be satisfied with the return they get from the company. Quote a financial indicator and figures.</b></p> <p>Financial indicator ✓    Figures and trend ✓</p> <p>ROSHE improved (from 11,9%) to 13,5%</p> <p>Comment (comparison to interest on alternative investment) ✓✓</p> <ul style="list-style-type: none"> <li>ROSHE is above interest on alternative investment (fixed deposit) of 10%</li> </ul>	<table border="1" style="margin-left: auto;"> <tr><td style="width: 20px; height: 20px;"></td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
4				

<p><b>3.5</b></p>	<p><b>Comment on the gearing and degree of risk for 2024. Quote TWO relevant indicators in your comment.</b></p> <p>TWO financial indicators ✓ ✓    figures with trends ✓ ✓</p> <ul style="list-style-type: none"> <li>Debt/equity ratio deteriorate / increased from 0,1: 1 to 0,4: 1</li> <li>ROTCE improved / increased from 15,3% to 16,4%</li> </ul> <p>Comment ✓ ✓</p> <ul style="list-style-type: none"> <li>Although Debt-equity ratio increased (deteriorate), the business is still at low risk.</li> <li>The business is making effective use of the loan, as it is positively geared/ the return is higher than the interest rate on loan at present (13%)</li> </ul>	<table border="1" style="margin-left: auto;"> <tr><td style="width: 20px; height: 20px;"></td></tr> <tr><td style="text-align: center;">6</td></tr> </table>		6
6				

3.6 All the new shares issued on 29 February 2024 were sold to the CEO, Imran. Explain TWO points why you think the shareholders are not happy with this. Quote figures.

TWO valid points with figures ✓✓ ✓✓

- Shares were sold at 510c which is below NAV of 778c (by 268c) and also below the MP of 780c (by 270c).
- The CEO used his position to disadvantage the company financially.
- The business would have made (50 000 x R7,80) R390 000 if shares were sold at MP.

4

3.7 Calculate Imran’s percentage shareholding on 29 February 2024. Comment on your findings.

$$1\,295\,000 \div 2\,550\,000 \times 100 = 50,8\% \checkmark\checkmark$$

He is now a majority shareholder. ✓

3

TOTAL MARKS	35	
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**QUESTION 4**

4.1	4.1.1	Social and ethics committee ✓	2
	4.1.3	Remuneration committee ✓	

4.2.1 **Identify and explain the type of audit report referred to in paragraph 3.**

Type of report: ✓  
Disclaimer / Withheld opinion

Explanation: ✓✓  
The auditor found irregularities and refuses to sign off on the financial statements.

4.2.2 **Provide TWO points why an existing shareholder would be concerned about this report?**

Any TWO valid points ✓✓ ✓✓

- The reputation of the company will be badly affected/ poor public image.
- Poor internal controls/ mismanagement.
- Directors appointed by them are not reliable / lose confidence in the directors/ directors have personal interest.
- Existing shareholders will doubt their investment and want to sell their shares / May lead to drop in share price.

4.2.3 **Explain why Emerald auditing firm was used to audit the company financial statements.**

Any ONE valid point ✓✓

- The firm is the independent/ external auditor express an unbiased opinion on the financial statements of Gala Global.
- The firm is bound by professional bodies to report on the fairness of financial statements.
- Shareholders relies on the opinion of an external auditor to make informed decisions about their investment in the company.
- Independent (externa) auditors are a requirement as per the companies act.



4.2.4 Explain TWO concerns from the extract which relates to poor corporate governance and provide a consequence in each case.

Any TWO valid concerns ✓ ✓		Two valid consequences ✓ ✓.	
CONCERN		CONSEQUENCE	
<ul style="list-style-type: none"> <li>• Collusion with linked companies</li> <li>• Nepotism / Conflict of interest</li> </ul>	<ul style="list-style-type: none"> <li>• Self-enrichment at the expense of the company</li> </ul>	<ul style="list-style-type: none"> <li>• Growth in company profits may be compromised.</li> <li>• Shareholder interest in shares may be negatively affected.</li> </ul>	
<ul style="list-style-type: none"> <li>• Honesty / Loyalty to the company is not recognised</li> </ul>	<ul style="list-style-type: none"> <li>• Company policies can be easily manipulated</li> <li>• No accountability / no checks and balances in place</li> </ul>		
<ul style="list-style-type: none"> <li>• Corruption not detected</li> <li>• Lack of transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Share prices will take a tumble</li> <li>• Prospective investors will not be interested / shareholders may want to sell their shares. .</li> </ul>		
<ul style="list-style-type: none"> <li>• Credibility &amp; integrity of management</li> </ul>			

4

TOTAL MARKS	15	
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TOTAL: 150

