



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

# PREPARATORY EXAMINATION

2024

10711

ACCOUNTING

(PAPER 1)

Stanmorephysics.com

ACCOUNTING P1

TIME: 2 hours

MARKS: 150



10711E

10 pages + 1 formula sheet and a 10-page answer book

X05



**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings in order to 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. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of the formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Company Financial Statements	55	45
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	40	30
4	Corporate Governance	15	15
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: COMPANY FINANCIAL STATEMENTS (55 marks; 45 minutes)****MNISI LIMITED**

You are provided with information for the financial year ended 29 February 2024.

**REQUIRED:**

- 1.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ended 29 February 2024. (22)
- 1.2 Complete the Statement of Financial Position (Balance Sheet) on 29 February 2024. (33)

**NOTE:** Some amounts have been entered in the ANSWER BOOK.

**INFORMATION:****A. Balances and Totals on 29 February 2024:**

	R	R
Ordinary share capital	?	?
Retained income	1 038 480	?
Fixed deposit: MRJ Bank	?	0
Loan: Hlubi Bank	1 624 000	?
Debtors' Control	480 390	
Provision for bad debts	?	24 000
Trading stock	982 400	
SARS: Income tax (provincial tax payments)	1 812 730	
Bank (favourable)	?	
Creditors' control	1 024 565	
Sales	20 035 000	
Cost of sales	11 409 700	
Directors' fees	1 307 840	
Rent income	258 300	
Audit fees	69 720	
Commission income	?	
Stationery	68 300	
Dividends on ordinary shares	260 000	

**B. Adjustments and additional information:**

- (i) Commission income for the year has been received in full at a rate of 4% of total sales revenue.
- (ii) Only two thirds ( $\frac{2}{3}$ ) of the audit fees were paid. The balance will be paid in March 2024.
- (iii) The increase in the provision for bad debts by R6 500, was not recorded.
- (iv) Electronic equipment was donated to a local children's home. Gross profit of R 22 400 has been forfeited on this stock had it been sold. The mark-up on this item was 35% on cost. The bookkeeper has not yet recorded this entry.
- (v) The physical stock count on 29 February 2024 revealed the following:
- Trading stock R923 200
  - Stationery used for the year R58 520
- (vi) The rent was increased by R2 700 on 1 July 2023. Rent is received one month in advance.
- (vii) The director's fee includes R385 520, which is the half yearly fees of Mr Jabu, the sole director at the beginning of the financial year. An additional director, appointed on 1 September 2023, received the same fee as Mr Jabu. Directors' fees increased by 8% on 1 May 2023 and both directors have been paid their fees for March 2024.
- (viii) In the previous years, the business did not have any financial investments. On 1 May 2023 they invested into a fixed deposit account at 9% interest per annum. The interest is not capitalised and was correctly recorded.
- (ix) Transfer a creditor's debit balance of R3 200 from the Creditors' Ledger to her account in the Debtors' Ledger.
- (x) **Loan: Hlubi Bank**
- All transactions with respect to the loan were recorded.
  - Interest on the loan is capitalised.
  - A fixed monthly instalment (including interest) was paid in full. The repayments including interest for the year amounted to R402 000.
- NOTE:** The capital portion of the repayments will decrease by 5% over the next financial year.
- (xi) Total dividends for the year amounted to R745 000.
- (xii) An amount for tax is still receivable from SARS on 29 February 2024.
- (xiii) Total capital employed, after all adjustments were processed on 29 February 2024, was R16 176 000.

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

The information relates to Jellicoe Ltd for the year ended 29 February 2024:

**REQUIRED:**

- 2.1 Prepare the Ordinary Share Capital Note. (8)
- 2.2 Calculate the following amounts for the Cash Flow Statement:
- Income tax paid (4)
  - Dividends paid (2)
- 2.3 Complete the following sections of the Cash Flow Statement.
- Cash flow of financing activities (7)
  - Net change in cash and cash equivalents (4)
- 2.4 **Refer to Information B**
- The CEO is concerned about an increased amount of change in working capital. Identify TWO areas that affected the change and provide ONE solution to address each of the concerns. Quote figures and trends. (4)
- 2.5 Calculate the following financial indicators:
- Net asset value per share (4)
  - Dividends per share (4)
  - % return on average shareholders' equity (3)



## INFORMATION:

## A. Extract from the Statement of Financial Position on 29 February 2024:

	2024 R		2023 R	
Inventories	370 000	<b>Dr</b>	530 000	<b>Cr</b>
Trade debtors	1 210 000		700 000	
SARS: Income Tax	46 000		93 600	
Cash and cash equivalents	380 000		19 000	
<b>Total assets</b>	<b>10 371 600</b>			
Ordinary Share Capital (see B below)	?		5 320 000	
<b>Total liabilities</b>	<b>2 946 600</b>			
Loan: NAPO Bank (see E below)	2 206 800		?	
Trade Creditors	550 000		925 000	
Bank overdraft	0		76 800	
Shareholders for dividends	189 000		0	

## B. Shares and dividends

The company has an authorised share capital of 2 800 000 ordinary shares.

1 March 2023	1 900 000 shares were in issue
31 July 2023	470 000 additional shares were issued
31 October 2024	Shares were repurchased at R4 each and the average price was R3,10 per share. These shares do not qualify for final dividends.
29 February 2024	Only 75% of shares were in issue.

- There were no final dividends declared on the share register on 28 February 2023.
- Interim dividends of 12 cents per share were declared and paid on 30 June 2023.
- Total dividends for the year amounted to R417 000.

## C. Income tax

- Net profit before tax R1 625 000.
- Net profit after tax R1 170 000.

## D. Loan: NAPO Bank

The loan statement received on 29 February 2024 reflected the following:

- Total interest capitalised: R268 800
- Repayments per month including interest: R56 900

## E. The average shareholders' equity is R6 500 000.

**QUESTION 3: INTERPRETATION OF FINANCIAL STATEMENTS****(40 marks; 30 minutes)****BUHLE LIMITED****REQUIRED:**

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

The information relates to Buhle Ltd, a company providing IT services and support, for the financial year ended 29 February 2024.

3.1 Choose a category of indicators from COLUMN B that matches a description in COLUMN A. Write only the letter (A – D) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	The ability of a business to settle all its debts using existing assets	A	Return on equity
		B	Risk
3.1.2	The benefit that shareholders receive for investing in a company	C	Solvency
		D	Gearing
3.1.3	Return on total capital employed		

(3)

**3.2 Profitability:**

Shareholders are complaining about the irresponsible price decrease during the 2024 financial year. The directors maintain that pricing is of significant importance when compared to competitors. Justify the directors' decision. Quote TWO financial indicators with figures.

(4)

**3.3 Liquidity:**

Comment on the net working capital of the company. Quote TWO financial indicators with figures.

(6)

**3.4 Risk and Gearing:**

Explain how the issue of new shares has affected the financial risk and gearing of Buhle Ltd. Quote TWO financial indicators and figures.

(6)

**3.5 Share price and shareholding: Refer to Information C and D.**

- Explain why directors should be interested in the price of their company's shares on the JSE. (2)
- Comment on the price of the new shares issued in February 2024. Give a reason why shareholders should not be satisfied with this price. Quote TWO financial indicators and figures to support your opinion. (5)
- A majority shareholder F. Nxumalo, currently owns 1 272 000 shares in Buhle Ltd. He is considering selling some shares in the next financial year, since he needs money to buy a new car. Calculate the maximum number of shares that he will be able to sell without losing his majority status (assume that all other shares stay unchanged). (3)

**3.6 Returns, earnings and dividends:**

The directors changed the dividend policy for the current financial year.

- Explain how the company managed to fund the high dividends, without using the borrowed money to make the shareholders happy. Provide ONE point with figures. (2)
- Explain the change in the dividend payout rate and give a reason for this change. Quote figures. (3)
- Explain whether the shareholders should be satisfied with the earnings and returns of the company. Quote TWO financial indicators. (6)

**INFORMATION:****A. Financial indicators calculated at the end of February:**

	<b>2024</b>	<b>2023</b>
Mark-up % achieved	45,0%	55,0%
% gross profit on sales	28,2%	20,1%
% operating expenses on sales	20,8%	17,8%
% net profit on sales	22,0%	16,3%
Current ratio	3,6 : 1	1,8 : 1
Acid-test ratio	2,9 : 1	0,9 : 1
Debtors' collection period	58 days	31 days
Stock holding period	78,9 days	54,6 days
Debt-equity ratio	0,4 : 1	0,9 : 1
Earnings per share	200 cents	125 cents
Dividends per share	160 cents	120 cents
Dividend pay-out rate	80,0%	96,0%
% return on average shareholders' equity	12,7%	10,3%
% return on average capital employed	16,9%	7,5%
Net asset value per share	1 841 cents	1 685 cents



**B. Additional information as at the end of February:**

	2024	2023
Market price of shares on stock exchange	1 920 cents	1 540 cents
Interest rate on loans	7,2%	8,5%
Interest rate on fixed deposits	5,5%	4,5%

**C. Issue and repurchase of shares:**

	NO. OF SHARES
Number of shares in issue on 1 March 2023	2 300 000
Number of shares repurchased on 31 August 2023	240 000
Number of new shares issued to existing shareholders on 29 February 2024 at 1 750 cents per share. <b>NOTE: Shares are sold in lots of 100.</b>	340 000
Number of shares in issue on 29 February 2024	2 400 000

**D. Extract from shareholders' register:**

F. Nxumalo is currently a majority shareholder.

	F. NXUMALO
Number of shares owned on 29 February 2024	1 272 000
% shareholding on 29 February 2024	53%



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

You are provided with an article about an internal auditor who has been found guilty of misconduct. Use the information presented and your knowledge on companies to answer the questions.

- 4.1 The shareholders of Ekurhuleni Ltd will not be happy with the audit reports of the past 5 years after the recent findings. Explain what an unqualified audit report is and why the shareholders will not be happy. (3)
- 4.2 **Watchdog (Gatekeeper):**  
An auditor serves as a watchdog regarding several important functions to ensure transparency, accountability and compliance within the company. Explain TWO key functions of an auditor in the company. (4)
- 4.3 **Shareholders concern and company reputation:**  
As a shareholder, explain TWO effects that will be a concern based on the findings in the article. (4)
- 4.4 The CFO of Ekurhuleni Ltd has emphasised that maintaining financial data integrity is crucial for the company to ensure accurate reporting and compliance with regulations. State TWO practices that can help to maintain the integrity of accounting records within the company. (4)

**INFORMATION:****Rinse and Repeat: The ongoing saga at Ekurhuleni Ltd**

An internal auditor has been found guilty of serious financial misconduct, including mismanagement of funds and the falsification of accounting records. This shocking revelation has highlighted the vulnerability of organisations to internal fraud. Mr Gel, who was supposed to be the watchdog turned out to be dishonest. Ekurhuleni Ltd has been receiving unqualified reports due to inaccurate financial reporting.

The individual entrusted with ensuring financial integrity breached that trust by misappropriating funds for personal gain and tampering with accounting books to conceal their actions. This breach not only undermined the organisation's financial stability but also eroded trust in its governance. Restoring confidence will require a concerted effort to strengthen transparency and accountability throughout the financial sector.

**15****TOTAL: 150****END**

## GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit} \times 100}{\text{Sales}} \quad 1$
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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	

- NOTE:**
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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# PREPARATORY EXAMINATION



**ANSWER BOOK**

10 pages

NAME OF SCHOOL: \_\_\_\_\_

NAME OF LEARNER: \_\_\_\_\_

QUESTION	TOPIC	MARKS	MARKS OBTAINED
1	Company Financial Statements	55	
2	Cash Flow Statement and Financial Indicators	40	
3	Interpretation of Financial Statements	40	
4	Corporate Governance	15	
<b>TOTAL</b>		<b>150</b>	

## QUESTION 1

## 1.1 Statement of Comprehensive Income for the year ended 29 February 2024

<b>Sales</b>	<b>20 035 000</b>
<b>Cost of sales</b>	<b>(11 409 700)</b>
<b>Gross profit</b>	<b>8 625 300</b>
<b>Other operating income</b>	<b>2 086 500</b>
<b>Bad debts recovered</b>	
<b>Sundry income</b>	
<b>Gross operating income</b>	<b>10 711 800</b>
<b>Operating expenses</b>	
<b>Insurance</b>	
<b>Depreciation</b>	
<b>Sundry expenses</b>	
<b>Operating profit</b>	<b>6 317 500</b>
<b>Interest income</b>	<b>94 500</b>
<b>Profit before interest expense</b>	<b>6 412 000</b>
<b>Interest expense</b>	<b>(162 000)</b>
<b>Profit before income tax</b>	<b>6 250 000</b>
<b>Income tax</b>	<b>(1 750 000)</b>
<b>Net profit after tax</b>	<b>4 500 000</b>

## 1.2 Statement of Financial Position for the year ended 29 February 2024

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Fixed assets	
<b>CURRENT ASSETS</b>	<b>3 429 700</b>
Trade and other receivables	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>ORDINARY SHAREHOLDERS' EQUITY</b>	
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
<b>TOTAL EQUITY AND LIABILITIES</b>	

33

TOTAL MARKS

55

QUESTION 2

JELICOE LIMITED

2.1 Ordinary share capital note on 29 February 2024

1 900 000	Ordinary shares at the beginning of the year	5 320 000

8

2.2 Calculate: Income tax paid

	<b>WORKINGS</b>	<b>ANSWER</b>

4

Calculate: Dividends paid

	<b>WORKINGS</b>	<b>ANSWER</b>

2

2.3 CASH FLOW OF FINANCING ACTIVITIES


7

NET CHANGE IN CASH AND CASH EQUIVALENTS


4

2.4 The CEO is concerned about an increased amount of change in working capital. Identify TWO areas that affected the change and provide ONE solution to address each of the concerns. Quote figures and trends.

CONCERN	SOLUTION


4
---

2.5 Calculate: Net Asset value per share

WORKINGS	ANSWER

4
---

Calculate: Dividends per share

WORKINGS	ANSWER
	

4
---

Calculate: % return on average shareholders' equity

WORKINGS	ANSWER

3
---

<b>TOTAL MARKS</b>
40



**QUESTION 3**

**BUHLE LIMITED**

3.1	3.1.1	
	3.1.2	
	3.1.3	

3

3.2 Shareholders are complaining about the irresponsible price decrease during the 2024 financial year. The directors maintain that pricing is of significant importance when compared to competitors. Justify the directors' decision. Quote TWO financial indicators with figures.

4

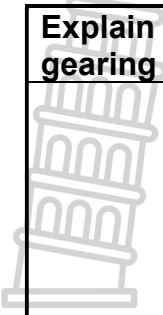
3.3 Comment on the net working capital of the company. Quote TWO financial indicators with figures.



6

3.4

Explain how the issue of new shares has affected the financial risk and gearing of Buhle Ltd. Quote TWO financial indicators and figures.



6

3.5

Explain why directors should be interested in the price of their company's shares on the JSE.

2

Comment on the price of the new shares issued in February 2024. Give a reason why shareholders should not be satisfied with this price. Quote TWO financial indicators and figures to support your opinion.



5

Calculate the maximum number of shares that F. Nxumalo will be able to sell without losing his majority status (assume that all other shares stay unchanged).

WORKINGS	ANSWER

3

3.6

Explain how the company managed to fund the high dividends without using the borrowed money to make the shareholders happy. Provide ONE point with figures.

--

2

Explain the change in the dividend payout rate and give a reason for this change. Quote figures.

--

3

Explain whether the shareholders should be satisfied with the earnings and returns of the company. Quote TWO financial indicators.

--

6

<b>TOTAL MARKS</b>
40

QUESTION 4

4.1 The shareholders of Ekurhuleni Ltd will not be happy with the audit reports of the past 5 years after the recent findings.

Explain what an unqualified audit report is.

Explain why the shareholders will not be happy.

3

4.2 Watchdog (Gatekeeper)

An auditor serves as a watchdog regarding several important functions to ensure transparency, accountability and compliance within the company. Explain TWO key functions of an auditor in the company.

4





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# PREPARATORY EXAMINATION

2024

## MARKING GUIDELINES

### ACCOUNTING PAPER 1 (10711)

11 pages

#### 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 items). 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. Award full marks for a correct answer. If an answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the workings for that figure (not the method mark for the answer). **Note:** If figures are stipulated in the marking guidelines for components of workings, these do not carry the method mark for the 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. Operation means 'check operation'. 'One part correct' means operation and one part correct. **Note:** Check operation must be +, -, x, ÷, or per marking guideline.
9. One part correct means 'operation and one part correct'. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.
10. In calculations, do not award marks for workings if the numerator and 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 guidelines. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

QUESTION 1

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

<b>Sales</b>		<b>20 035 000</b>	
<b>Cost of sales</b>		<b>(11 409 700)</b>	
<b>Gross profit</b>		<b>8 625 300</b>	
<b>Other operating income</b>		<b>2 086 500</b>	
<b>Bad debts recovered</b>			
<b>Sundry income</b>			
Commission income (20 035 000 × 4/100) OR – 19 233 600		801 400	✓✓
Trading stock surplus <small>see donations</small> (982 400 ✓ – 64 000 ✓ 923 200 ✓)		4 800	✓\$*
Rent income <small>[18 000 + 2 700] two marks</small> (258 300 ✓ – 20 700 ✓✓)		237 600	✓*
<b>Gross operating income</b>		<b>10 711 800</b>	
<b>Operating expenses</b>	<b>11</b>	<b>(4 394 300)</b>	✓#
<b>Insurance</b>			
<b>Depreciation</b>			
<b>Sundry expenses</b>			
Audit fees (69 720 ✓ + 34 860 ✓) OR + [69 720 × ½]		104 580	✓*
Donations		64 000	✓✓
Stationery		58 520	✓
Provision for bad debts adjusted		6 500	✓
Directors' fees (1 307 840 ✓ – 131 760 ✓✓)		1 176 080	✓*
	<b>11</b>		
<b>Operating profit</b>		<b>6 317 500</b>	
<b>Interest income</b>		<b>94 500</b>	
<b>Profit before interest expense</b>		<b>6 412 000</b>	
<b>Interest expense</b>		<b>162 000</b>	
<b>Profit before income tax</b>		<b>6 250 000</b>	
<b>Income tax</b>		<b>(1 750 000)</b>	
<b>Net profit after tax</b>		<b>4 500 000</b>	

22

# Ignore brackets \*one part correct  
\$ if shown as deficit mark the workings and penalise on the answer

1.2 Statement of financial position for the year ended 29 February 2024

<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Fixed assets</b>		
Fixed deposit	94 500 ✓ × [100/9 × 12/10] ✓	<b>3</b> 1 260 000 ✓*
<b>CURRENT ASSETS</b>		<b>3 429 700</b>
Inventories	(923 200 ✓ + 9 780 ✓) [68 300 – 58 520]	932 980 ✓*
<b>Trade and other receivables</b>	pro.bd dir. Fee transfer SARS:IT (480 390 ✓ – 30 500 ✓ + 131 760 ✓ + 3 200 ✓ + 62 730 ✓) [24 000 + 6 500] [1 812 730 – 1 750 000]	647 580 ✓*
Cash and cash equivalents	balancing figure	1 849 140 ✓
<b>TOTAL ASSETS</b>		<b>12</b>
<b>EQUITY AND LIABILITIES</b>		
<b>ORDINARY SHAREHOLDERS' EQUITY</b>		<b>TCE – NCL</b>
	(16 176 000 – 1 396 000)	14 780 000 ✓✓
Ordinary share capital		<b>SHE – RI</b> 13 741 520 ✓
Retained income		<b>4</b> 1 038 480 ✓
<b>NON-CURRENT LIABILITIES</b>		1 396 000
Loan	228 000 <b>three marks</b> 1 624 000 ✓ – (240 000 ✓ × 95% ✓) [402 000 – 162 000] – 12 000 two marks one mark	<b>5</b> 1 396 000 ✓*
<b>CURRENT LIABILITIES</b>		1 796 325 ✓*
<b>Trade and other payables</b>		
	aud. Fee rent inc. transfer (1 024 565 ✓ + 34 860 ✓ + 20 700 ✓ + 3 200 ✓)	1 083 325 ✓*
Current portion of loan		<b>see NCL</b> 228 000 ✓#
Shareholders for dividends		485 000 ✓✓#
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9</b>

33

\*one part correct #may be added to the T&OP

<b>TOTAL MARKS</b>
<b>55</b>



**QUESTION 2**

**JELLCOE LIMITED**

**2.1 Ordinary share capital note on 29 February 2024**

1 900 000	Ordinary shares at the beginning	5 320 000	
470 000 ✓	New shares issued <small>balancing figure Must subtract repurchased</small>	2 027 000 ✓	
(270 000) ✓	Repurchased shares at R3,10	(837 000) ✓ ✓ # <small>one part correct do not accept 243 000</small>	
2 100 000 ✓ ✓	Shares at the end of the year	6 510 000 ✓ If × R3,10 (ASP)	<b>8</b>

**2.2 Calculate: Income tax paid**

WORKINGS	ANSWER
$93\ 600\ \checkmark + \frac{(1\ 625\ 000 - 1\ 170\ 000)}{455\ 000\ \checkmark} + 46\ 000\ \checkmark$ <p>OR <math>-93\ 600 - 455\ 000 - 46\ 000</math></p> <p><small>one mark      one mark      one mark</small></p> <p>Be alert to alternative workings such as ledger account or use of brackets or signs reversed.</p>	<p>594 600 ✓ <small>one part correct ignore brackets</small></p>

**4**

Calculate: Dividends paid	
WORKINGS	ANSWER
$1\ 900\ 000 \times 12/100 \text{ OR } 417\ 000 - 189\ 000$	<p>228 000 ✓ ✓</p>

**2**

**2.3 CASH FLOW OF FINANCING ACTIVITIES**

	533 000 ✓ <small>one part correct</small>
Proceeds from shares issued <small>See 2.1 no brackets</small>	2 027 000 ✓
Funds used to repurchase shares <small>see 2.1      270 000 × 0,90 270 000 × R4 OR (837 000 + 243 000)</small>	(1 080 000) ✓ ✓ *
Change on loan <small>[56 900 × 12] (682 800 ✓ - 268 800 ✓) OR 2 620 800 one mark - 2 206 800 one mark</small>	(414 000) ✓ *

**7**

<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	437 800 ✓ *
Cash and cash equivalents at the beginning	(57 800) ✓ ✓
Cash and cash equivalents at the end	380 000 ✓

**4**

\*one part correct

2.4 The CEO is concerned about an increased amount of change in working capital. Identify TWO areas that affected the change and provide ONE solution to address each of the concerns. Quote figures and trends.

CONCERN ✓ ✓	SOLUTION ✓ ✓
Debtors increased by R510 000	Offer early settlement discount / Send friendly reminders / Set clear payment terms / implement penalty and late payment fees for slow payers
Creditors decreased by R375 000	Renegotiate settlement terms / Change to supplier with more favourable terms

4

2.5 Calculate: Net Asset value per share

WORKINGS	ANSWER
$\frac{7\,425\,000 \text{ two marks} - 2\,946\,600 \checkmark}{2\,100\,000 \checkmark \text{ see 2.1}} \times \frac{100}{1} \checkmark$	353,6 cents <input checked="" type="checkbox"/> one part correct ignore cents

4

Calculate: Dividends per share

WORKINGS	ANSWER
$12c \checkmark + 9c \checkmark \checkmark \text{ [189 000/2 100 000 see 2.1]}$	21c <input checked="" type="checkbox"/> one part correct

4

Calculate: % return on average shareholders' equity

WORKINGS	ANSWER
$\frac{1\,170\,000 \checkmark}{6\,500\,000 \checkmark} \times \frac{100}{1}$	18% <input checked="" type="checkbox"/> one part correct ignore sign

3

TOTAL MARKS

40

**QUESTION 3**

**BUHLE LIMITED**

3.1	3.1.1	C (Solvency) ✓
	3.1.2	A (Return on equity) ✓
	3.1.3	D (Gearing) ✓

3
---

**3.2 Shareholders are complaining about the irresponsible price decrease during the 2024 financial year. The directors maintain that pricing is of significant importance when compared to competitors. Justify the directors' decision. Quote TWO financial indicators with figures.**

Financial indicator ✓ ✓ figures & trend ✓ ✓

- % Gross profit on sales increased (from 20,1%) to 28,2 % / by 40,3% / by 8,1% base points.
- % Net profit on sales increased (from 16,3%) to 22,0% / by 35,0% / by 5,7% base points.

4
---

**3.3 Comment on the net working capital of the company. Quote TWO financial indicators with figures.**

Financial indicator ✓ ✓ figures & trend ✓ ✓

Any TWO of the following

- Current ratio increased/deteriorated (from 1,8 :1) to 3,6 :1 / by 1,8 :1
- Acid-test ratio increased/deteriorated (from 0,9 :1) to 2,9 :1 / by 2 :1
- Debtors' collection period increased/deteriorated (from 31 days) to 58 days / by 27 days.
- Stock holding period increased/deteriorated (from 54,6 days) to 78,9 days / by 24,3 days.

Comment (could be included in the above) ✓✓

- The company may have challenges in converting its receivables into cash an in managing inventory effectively.

**FOR ONE MARK:**

- Buhle Ltd will struggle to pay their short-term debt
- Buhle Ltd will experience liquidity problems
- Buhle Ltd has too much stock on hand
- Buhle Ltd is not managing their working capital effectively

6
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3.4

**Explain how the issue of new shares has affected the financial risk and gearing of Buhle Ltd. Quote TWO financial indicators and figures.**

Financial indicator ✓ ✓ figures & trend ✓ ✓ Comment ✓ ✓

Debt equity ratio decreased/improved (from 0,9 :1) to 0,4 :1 / by 0,5 : 1

Comment: There is a reduction of risk/low risk.

ROTCE improved (from 7,5%) to 16,9% / by 125,3 % / by 9,4% base points.

Comment: The company is positively geared/lowly geared as ROTCE is higher than the interest rate on loans of (7,2%).

6

3.5

**Explain why directors should be interested in the price of their company's shares on the JSE.**

Any ONE valid comment ✓✓

- It shows public confidence in the company.
- It can be compared to other companies/an external indicator.
- Shareholders will want to have capital growth on their investment.
- Directors will be judged on the performance of the shares as this reflects the performance of the company.
- Directors need to monitor MP to gauge how their decisions are being received by the market.
- A higher market value can enhance the company's ability to attract investors, secure financing
- The share price influences the company's public image and reputation
- Share price trends can inform directors' strategic decisions (when to issue new shares, buy back existing shares, or pursue expansion opportunities).

2

**Comment on the price of the new shares issued in February 2024. Give a reason why shareholders should not be satisfied with this price. Quote TWO financial indicators and figures to support your opinion.**

Compare price received to NAV and MP ✓ ✓ with figures ✓ ✓

- The issue price of the new shares is 1 750 cents compared to the MP of 1 920 cents per share/difference of 170 cents.
- The issue price of the new shares is also lower than the NAV of 1 841 cents per share/difference of 91 cents.

Reason ✓ (could be included above)

- The price of the new shares is lower/less than the market price/NAV.
- Market-related reasons e.g., the company is losing out on additional funding as shares could have been sold at a price in the range of 1 841 per share, or on the stock exchange for R578 000 more.

5

Calculate the maximum number of shares that F.Nxumalo will be able to sell without losing his majority status (assume that all other shares stay unchanged).

WORKINGS	ANSWER
$2\,400\,000 \times 50\% = 1\,200\,000$ $1\,200\,000 + 100 = 1\,200\,100$ $1\,272\,000 \checkmark - 1\,200\,100 \checkmark$	71 900 <input checked="" type="checkbox"/> shares one part correct
OR $2\,400\,000 \times 51\% = 1\,224\,000$ $1\,272\,000 - 1\,224\,000$ one mark      one mark	OR 48 000 shares one m. mark
OR $1\,272\,000 \times \frac{2}{53}$ one mark      one mark	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center; line-height: 20px;">3</div>



3.6

**Explain how the company managed to fund the high dividends without using the borrowed money to make the shareholders happy. Provide ONE point with figures.**

part mark for unclear/partial answer

- The profits of 240 000 shares repurchased will be redistributed to existing shareholders. ✓✓

Accept the answer if not mentioned above

- 340 000 shares issued at the average price of 1 750 cents higher than the market price of 1 540.

2

**Explain the change in the dividend payout rate and give a reason for this change. Quote figures.**

figures and trend ✓

- The dividend payout rate decreased (from 96%) to 80% / by 16,6% / by 16% base points.

Reason ✓✓ (could be included above)

- The company has retained funds for future expansion plans / improve cash flow / equalisation of dividends for the future .

3

**Explain whether the shareholders should be satisfied with the earnings and returns of the company. Quote TWO financial indicators.**

Financial Indicator ✓ ✓ figures and trend ✓ ✓

- The EPS increased (from 125%) to 200% / by 62,5% / by 75% base points.
- Return on average shareholder's equity (ROSHE), increased (from 10,3%) to 12,7% / by 23,3% / by 2,4% base points.

Any valid comment ✓✓ (could be included above)

- Shareholders should be satisfied as the return is higher than the return on alternative investments (5,5%)
- shareholders might be satisfied because it indicates that the company is generating more profit per share, thus increasing the value of their investment.

6

**TOTAL MARKS**

40

## QUESTION 4

## 4.1 The shareholders of Ekurhuleni Ltd will not be happy with the audit reports of the past 5 years after the recent findings.

Explain what an unqualified audit report is. ✓✓ part mark for unclear/partial answer

An unqualified audit report indicates that the financial statements of a company are free of significant errors and fairly represent the company's financial position / A review that concludes that the documents are transparent and compliant with Generally Accepted Accounting Principles (GAAP).

Why the shareholders will not be happy. ✓

The reports have been misleading and it will affect the share price of the company.

3

## 4.2 Watchdog (Gatekeeper)

An auditor serves as a watchdog regarding several important functions to ensure transparency, accountability and compliance within the company. Explain TWO key functions of an auditor in the company.

Any valid explanation ✓✓ ✓✓ part mark for unclear/partial answer

- Detect and prevent fraud within the company by examining financial transactions and assessing internal controls.
- Verify compliance with applicable regulations and laws/Ensures that accounting records are conducted in accordance with relevant accounting standards.
- They recommend improvement of internal controls and operational efficiency to strengthen governance practices.
- They provide assurance to the public, regulators and stakeholders that the financial statements are reliable and accurate.
- They promote transparency and accountability within the company.
- They reduce the risk of errors or fraud and improve overall financial management.
- They identify potential weaknesses or areas where controls may be lacking and recommend improvements to mitigate risks.
- They provide an audit opinion on whether the financial statements are free from material misstatements and whether they present a true and fair view of the company's financial performance and condition.

4

## 4.3 Shareholders concern and company reputation:

As a shareholder, explain TWO effects that will be of concern based on these findings.

Any valid explanation ✓✓ ✓✓ part mark for unclear/partial answer

- They will lose confidence in the company's management and their financial reporting.
- The impact on the financial losses/having to face law suits from other parties who have suffered financial harm due to the scandal/Having to pay fines or penalties imposed by regulatory authorities.
- The reputation/image of the company will be tarnished and make it difficult to attract customers and potential investors in the future.
- Senior management might resign which will disrupt the company's leadership continuity and further erode investor confidence.

4

4.4 The CFO of Ekurhuleni LTD has emphasised that maintaining financial data integrity is crucial for the company to ensure accurate reporting and compliance with regulations. State TWO practices that can help to maintain the integrity of accounting records within the company.

Any valid explanation ✓✓ ✓✓ part mark for unclear/partial answer

- Establishing clear policies and procedures.
- Monitoring and reviewing financial data regularly.
- Implementing effective internal controls and safeguards to prevent any data errors or fraud. (division of duties/authorisation levels/reconciliation processes/recovery systems).
- Using reliable and integrated software tools.
- Training and educating employees regularly.

4

<b>TOTAL MARKS</b>
15

**TOTAL: 150**

