



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

PREPARATORY EXAMINATION

SEPTEMBER 2024

MARKS: 150

TIME: 2 HOURS

This question paper consists of 11 pages including a formula sheet and an Answer Book of 9 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show workings in order to achieve 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 this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information and table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income and Equity and Liabilities section of Statement of Financial Position	65	50
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	30	30
4	Corporate Governance and Audit Report	15	10
TOTAL		150	120

QUESTION 1: COMPANY FINANCIAL STATEMENTS (65 Marks; 50 Minutes)

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

REQUIRED:

- 1.1 Refer to information B calculate the following:
 - 1.1.1 The missing amounts denoted by (a) to (d) on the fixed asset note. (13)
 - 1.1.2 Profit/loss on the sale of vehicle. (3)
- 1.2 Complete the following for the year ended 29 February 2024:
 - 1.2.1 Statement of Comprehensive Income. (33)
 - 1.2.2 Equity and Liabilities section of the Statement of Financial Position. (16)

Note: Some information and figures are provided in the ANSWER BOOK.

INFORMATION:

A. EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCES ON:

Balance sheet accounts	29 FEB. 2024 R	28 FEB. 2023 R
Ordinary share capital	?	1 021 000
Retained Income	785 000	555 000
Loan: Triumph Bank	2 356 000	2 821 000
Land and buildings at cost	1 900 000	1 100 000
Vehicles at cost	?	937 500
Equipment at cost	300 000	?
Accumulated depreciation on vehicles	?	537 500
Accumulated depreciation on equipment	?	81 000
Fixed deposit: Ekuvukeni Bank	160 000	100 000
Creditors control	70 000	
Debtors control	80 000	
Provision for bad debt	?	6 136
SARS: Income tax (provisional tax payments)	480 000	
Bank overdraft (missing figure)	?	
Nominal accounts		
Sales	?	
Cost of sales	6 000 000	
Rent income	116 000	
Bad debts	81 000	
Directors fees	950 000	
Audit fees	61 000	
Salaries and wages	1 120 000	
Insurance	29 000	
Stationery	35 000	
Sundry expenses (missing figure)	?	
Interest on loan	64 000	
Interest on fixed deposit	11 150	
Dividends (interim)	250 000	

B. Fixed assets:

- Extract from the fixed asset note:

	Land and buildings	Vehicles	Equipment
Cost	1 100 000	937 500	(d)
Accumulated depreciation	-	(537 500)	81 000
Carrying value at the beginning	1 100 000		
Movements			
Additions	(a)	350 000	120 000
Disposal at carrying value		(c)	
Depreciation	-	(b)	(19 350)
Carrying value at the end	1 900 000		
Cost	1 900 000		300 000
Accumulated depreciation	-		

- Extensions to the buildings were done during the financial year.
- The following details appeared in the fixed asset register:

	Vehicle 1	Vehicle 2	Vehicle 3
Cost price	500 000	437 500	350 000
Accumulated depreciation on 28 February 2023	(450 000)	(87 500)	-
Date of purchase	1 Sept. 2018	1 March 2022	1 Dec. 2023

- Vehicle 2 was sold at R320 000 cash on 1 September 2023.
 - Vehicles are depreciated at 20% p.a. on cost.
 - Depreciation on equipment for the financial year was R19 350.
- C.**
- The company maintains a mark-up of 70% on cost at all times.
 - A credit invoice for R36 720 (after deducting a 10% trade discount) issued on 29 February 2024 to L Nguni, our debtor, was not recorded.
- D.** Debtor P Shane was declared insolvent. His estate paid R2 000, which was 20% of his amount owed. This was received and recorded. The remaining amount must be written off.
- E.** The provision for bad debts must be adjusted by 5% of trade debtors.
- F.** Rent income for March and April 2024 has already been received. The monthly rent was increased by 10% on 1 December 2023.
- G.** Stationery to the value of R28 000 was used during the financial period.

- H.** The fixed deposit at Ekuvukeni Bank was increased by R60 000 on 1 June 2023 at a new interest rate of 9% p.a. The interest on old fixed deposit was calculated at 8% p.a. Interest is not capitalised. Make provision for the outstanding interest on fixed deposit.
- I. Loan: Triumph Bank**
- All transactions with respect to the loan were correctly recorded.
 - Interest of R64 000 on the loan is capitalised.
 - A fixed monthly instalment (including interest) was paid in full.
 - The capital portion of the repayment will decrease by 20% during the next financial year.
- J. Dividends:**
- Total dividends for the financial year (interim and final) amounted to R560 000.
- K. After taking into account all adjustments the following were calculated:**
- Additional of R60 000 is still owed to SARS in respect of income tax for the year.
 - Current assets amounted to R1 890 000
 - Total assets amounted to R 5 100 000
 - Current ratio was 2.1 : 1

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

You are provided with information related to Doonside Ltd, a public company, for the financial year ended 29 February 2024.

REQUIRED:

- 2.1 Prepare the Retained Income note on 29 February 2024. (9)
- 2.2 Calculate the following as it would appear in the Cash Flow Statement:
- 2.2.1 Dividends paid (3)
- 2.2.2 Taxation paid (4)
- 2.3 Complete the following sections of the Cash Flow Statement:
- 2.3.1 Cash flow from investing activities (7)
- 2.3.2 Net change in cash and cash equivalent (4)
- 2.4 Calculate the following financial indicators for the year ended 29 February 2024:
- 2.4.1 Dividend per share (3)
- 2.4.2 Debt/equity ratio (3)
- 2.4.3 % return on average capital employed (ROTCE) (7)

INFORMATION:

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

Depreciation	33 500
Interest on loan	164 450
Net profit before tax	846 540
Income tax	253 290

B. Extract from the Statement of Financial Position on:

	29 FEB. 2024 R	28 FEB. 2023 R
Ordinary shareholders' equity	?	1 443 000
Ordinary share capital	2 354 355	1 056 960
Retained Income	?	386 040
Non-current liabilities	300 000	1 525 000
Investment in fixed deposit	30 000	50 000
Cash and cash equivalent	1 250	45 000
Bank overdraft	47 500	-
Fixed/Tangible assets at carrying value	3 440 885	2 967 500
SARS (Income tax)	Dr 7 500	Cr 7 750
Shareholders for dividends	133 344	52 525

C. Share capital

?	Shares in issue on 1 March 2023
200 000	Additional shares were issued on 1 April 2023
3 500	Shares were repurchased on 1 December 2023. EFT payments, R22 400, were processed in favour of the relevant shareholders.
416 700	Shares were in issue on 29 February 2024

D. Fixed assets:

- Fixed assets were sold for R100 000 cash at carrying value.
- Land and buildings were purchased during the financial year.

E. Dividends:

- Interim dividend of 40 cents per share was declared and paid on all shares in issue on 1 September 2023.
- Final dividends was declared on all shares in issue on 29 February 2024.

QUESTION 3: INTERPRETATION OF FINANCIAL STATEMENTS**(30 marks; 25 minutes)**

You are presented with financial information of TWO companies (**Umzinyathi LTD & Ilembe LTD**) operating in the same industry and of similar size, for the year ended 29 February 2024.

REQUIRED:

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

3.1 Profitability:

Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently and is thereby more profitable. (4)

3.2 Earnings and returns:

3.2.1 Comment on the % return on shareholders' equity of each company (4)

3.2.2 A shareholder feels that earnings per share (EPS) in Umzinyathi Ltd are better than that in Ilembe Ltd. Explain by quoting one financial indicator or calculation why you agree with him. (2)

3.3 Risk and gearing:

Comment on the degree of risk and gearing of both companies. (8)

3.4 Share capital and % shareholding:

Refer to information C.

3.4.1 Comment on the price paid for the shares repurchased by Umzinyathi Ltd. Provide TWO points. (4)

3.4.2 Calculate the number of shares that Happiness purchased in Ilembe Ltd with the money he received from Umzinyathi Ltd.
NOTE: She used R51 800 to pay for her son's school fees. (4)

3.4.3 Explain the effect of the shares repurchased and the new shares purchased on the % shareholding of Happiness in each company. Provide relevant calculations to substantiate. (4)

INFORMATION:

A Financial Indicators calculated on 28 February:

	Umzinyathi LTD		Ilembe LTD	
	29 FEB. 2024	28 FEB. 2023	29 FEB. 2024	28 FEB. 2023
% operating expenses on sales	15.6%	13.4%	14.9%	18.2%
% Operating profit on sales	17.8%	19.8%	24%	22%
% Net profit on sales	12.1%	18.5%	21%	19.6%
Debt-equity ratio	1.2 : 1	0.3 : 1	0.4 : 1	0.2 : 1
% return on average capital employed	11.1%	15%	22%	17.8%
Return on average shareholders' equity	9.4%	13.4%	15%	13%
Current ratio	2.4 : 1	1.9 : 1	1.4 : 1	2.1 : 1
Earnings per share	138 cents	80 cents	72 cents	65 cents
Net asset value per share	1081 cents	1128 cents	632 cents	609 cents

B. Additional information on February:

	Umzinyathi LTD		Ilembe LTD	
	29 FEB. 2024	28 FEB. 2023	29 FEB. 2024	28 FEB. 2023
Market price of shares on stock exchange	1200 cents	1500 cents	1400 cents	1200 cents
Interest on loan	15%	14.5%	15%	14.5%
Interest on alternative investment	10%	9.9%	10%	9.9%

C. Issued shares, repurchases of shares and shareholding of Happiness in both companies:

	Umzinyathi LTD		Ilembe LTD	
	29 FEB. 2024	28 FEB. 2023	29 FEB. 2024	28 FEB. 2023
Total number of shares in issue	750 000	900 000	1 040 000	850 000
Shareholding of Happiness:				
Shares owned by Happiness	309 000	459 000	?	357 000
Additional shares bought by Happiness during the financial year			?	
Additional shares issue price per share			R14.00	
Funds used to repurchase shares of Happiness.	R2 625 000			
Repurchase price per share	R17.50			
% shareholding of Happiness	?	51%	?	42%

QUESTION 4 CORPORATE GOVERNANCE (15 Marks; 10 Minutes)

4.1 Choose the correct term from COLUMN B to match the description in COLUMN A. Write only the letter (A – E) next to the question number (4.1.1 to 4.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	Guidelines for the preparation of financial statements to ensure consistency.	A	Memorandum of Incorporation
4.1.2	Sets out the rights, duties and responsibilities of shareholders and directors.	B	International Financing Reporting Standards (IFRS)
4.1.3	The total number of shares that a company can issue.	C	Prudence concept
4.1.4	Financial matters must be reported conservatively	D	Authorised share capital
		E	Going concern concept

4 x 1 (4)

4.2 **LUTHULI LIMITED**

The information relates to the financial year ended on 29 February 2024. Msizi Khumalo is the CEO and the director of the company, and is the majority shareholder. There are two other directors.

REQUIRED:

- 4.2.1 Refer to information B.
- What is meant by *good corporate governance*. (3)
 - Why it is important to the shareholders. Provide ONE point. (2)
- 4.2.2 Explain a possible reason why Msizi Khumalo says he will vote against the proposal by White Ltd. (2)
- 4.2.3 The other directors feel that Msizi Khumalo is abusing his position as CEO and majority shareholder.
- Explain why you agree with them. Provide ONE point. (2)
 - Give the directors advice on how they should handle this. Provide ONE point. (2)

INFORMATION:

- A.. Luthuli Limited has recorded declining profits in the past few years. The cash flow has deteriorated and the company has relied heavily on securing loans at very high interest rates to manage its daily operations.
- B. White Limited is a respected company with a reputation for **good corporate governance**. They have made an offer to purchase the remaining 2 550 000 shares in Luthuli Limited at a price which is considerably more than the current market value.
- C. Msizi Khumalo says that he will **vote against this proposal**. The other directors feel strongly that this offer is very generous. They are in favour of accepting the offer.

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



ACCOUNTING
ANSWER BOOK
SEPTEMBER 2024
P1

**NATIONAL
SENIOR CERTIFICATE**



GRADE 12

NAME:	
GRADE:	

QUESTION	MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE PROVINCE
1				
2				
3				
4				
TOTAL				

This answer book consists of 9 pages.

QUESTION 1

1.1.1

	WORKINGS	ANSWER
a.	Calculation of additions to land and buildings:	
b.	Calculation of depreciation on vehicles: Vehicle 1: Vehicle 2: Vehicle 3:	
c.	Calculation of carrying value on vehicle sold:	
d.	Calculation of cost price of equipment on 1 March 2023:	

13

1.1.2 **Calculation of profit/loss on sale of vehicle:**

	WORKINGS	ANSWER

3

1.2.1 Statement of Comprehensive Income for the year ended 29 February 2024:

Sales		
Cost of sales		
Gross profit		
Other income		
Gross operating income		
Operating expenses		
Audit fees	61 000	
Salaries and wages	1 120 000	
Insurance	29 000	
Directors fees	950 000	
Operating profit	1 851 950	
Interest income		
Operating profit before interest expense		
Interest expense		
Net profit before tax		
Income tax		
Net profit after tax		33

1.2.2

EQUITY AND LIABILITIES	
Ordinary shareholders' equity	
Retained income	785 000
Non-current liabilities	
Current liabilities	
Total equity and liabilities	16

TOTAL MARKS
65

QUESTION 2

2.1

RETAINED INCOME	
Balance at beginning	386 040
Final	133 344

9

2.2.1

Dividends paid	
WORKINGS	ANSWER

3

2.2.2

Taxation paid	
WORKINGS	ANSWER

4

2.3.1

Cash flow from investing activities	
Change in financial assets	20 000

7

2.3.2

Net change in cash and cash equivalents	
Cash and cash equivalents at beginning	
Cash and cash equivalents at end	

4

2.4.1 Dividends per share

WORKINGS	ANSWER

3

2.4.2 Debt/Equity ratio

WORKINGS	ANSWER

3

2.4.3 % return on average capital employed

WORKINGS	ANSWER

7

TOTAL MARKS
40

QUESTION 3

3.1 Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently and is thereby more profitable.

4

3.2.1 Comment on the % return on shareholders' equity of each company

4

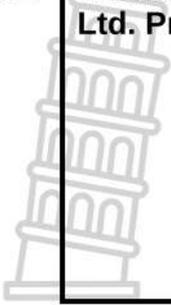
3.2.2 A shareholder feels that earnings per share (EPS) in Umzinyathi Ltd are better than that in Ilembe Ltd. Explain by quoting one financial indicator or calculation why you agree with him.

2

3.3 Comment on the degree of risk and gearing of both companies.

8

3.4.1 Comment on the price paid for the shares repurchased by Umzinyathi Ltd. Provide TWO points.



4

3.4.2 Calculate the number of shares that Happiness purchased in Ileembe Ltd with the money he received from Umzinyathi Ltd.
NOTE: She used R51 800 to pay for her son's school fees.

4

3.4.3 Explain the effect of the shares repurchased and the new shares purchased on the % shareholding of Happiness in each company. Provide relevant calculations to substantiate.

4

TOTAL MARKS
30

QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2.1

What is meant by *good corporate governance*.

3

Why it is important to the shareholders. Provide ONE point.

2

4.2.2

Explain a possible reason why Msizi Khumalo says he will vote against the proposal by White Ltd.

2

4.2.3

Explain why you agree with them. Provide ONE point.

2

Give the directors advice on how they should handle this. Provide ONE point.

2

TOTAL MARKS

15

TOTAL MARKS: 150



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1
MARKING GUIDELINES
PREPARATORY EXAMINATION
SEPTEMBER 2024
Stanmorephysics.com

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).
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark the workings.
4. If a pre-adjustment figure is shown as the final figure, award part-mark as a working mark 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 for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in a certain question.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
11. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a .
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f=foreign item; p=placement.

This marking guideline consists of 9 pages.

QUESTION 1

1.1.1

	WORKINGS	ANSWER
a.	Calculation of additions to land and buildings: 1 900 000 – 1 100 000	800 000 ✓
b.	Calculation of depreciation on vehicles: Vehicle 1: 500 000 – 450 000 50 000 -1 49 999 ✓✓ Vehicle 2: 437 500 x 20/100 X 6/12 43 750 ✓✓ Vehicle 3: 350 000 x 20/100 x 3/12 17 500 ✓✓	111 249 ✓ Operation one part correct
c.	Calculation of carrying value on vehicle sold: 437 500 ✓. – 87 500 ✓ – 43 750 ✓ see the answer for vehicle 2 in (b) 437 500 – 131 250 One Mark Two marks	306 250 ✓ Operation one part correct
d.	Calculation of cost price of equipment on 1 March 2023: 300 000 – 120 000	180 000 ✓

13

1.1.2

Calculation of profit/loss on sale of vehicle:		
WORKINGS	ANSWER	
320 000 ✓ – 306 250 ✓ See the answer in (c)	profit on sale of an asset accept loss only if (c) is greater than 320 000	13 750 ✓ Operation one part correct

3

NOTE: The amounts calculated in 1.1.1 (b) and 1.1.2 above must be transferred to QUESTION 1.2.1, the Statement of Comprehensive Income.

1.2.1 Statement of Comprehensive Income for the year ended 29 February 2024:

	Sales (10 200 000 ✓ + 36 720 ✓)	one part correct	10 236 720 ✓
	Cost of sales (6 000 000 ✓ + 24 000 ✓)	one part correct	(6 024 000) ✓
7	Gross profit	operation one part correct	4 212 720 ✓
	Other income	operation one part correct	112 850 ✓
	Rent income (116 000 ✓ – 17 600 ✓)	one part correct	98 400 ✓
	Provision for bad debts adjustment (6 136 – 5 436)		700 ✓✓
7	Profit on sale of an asset	see 1.1.1	13 750 ✓
	Gross operating income		no mark 4 325 570
	Operating expenses	one part correct	(2 473 620) ✓
	Audit fees		61 000
	Salaries and wages		1 120 000
	Insurance		29 000
	Directors fees		950 000
	Bad debts (81 000 ✓ + 8 000 ✓)	one part correct	89 000 ✓
	Stationery (35 000 – 7 000)		28 000 ✓✓
	Depreciation (111 249 + 19 350)	see 1.1.1 (b) one part correct	130 599 ✓✓
9	Sundry expenses	Balancing/missing figure	66 021 ✓
	Operating profit		1 851 950
	Interest income (11 150 ✓ + 900 ✓)	one part correct	12 050 ✓
	Operating profit before interest expense		1 864 000 ✓
	Interest expense		(64 000) ✓
	Net profit before tax		1 800 000 ✓
	Income tax (480 000 ✓ + 60 000 ✓)	one part correct	(540 000) ✓
10	Net profit after tax		1 260 000 ✓

33

Foreign entry -1 max -2

1.2.2

EQUITY AND LIABILITIES		
	Ordinary shareholders' equity (total equity and liabilities – (NCL + CL))	2 216 000 ✓
2	Ordinary share capital (shareholders' equity – retained income)	1 431 000 ✓
	Retained income	785 000
	Non-current liabilities	no mark 1 984 000
3	Loan (2 356 000 ✓ – 372 000 ✓) one part correct	1 984 000 ✓
	Current liabilities (1 890 000 ÷ 2.1)	900 000 ✓✓
	Trade and other payables (^{CC} 70 000 ✓ + ^{DEF INC (see rent income)} 17 600 ✓)	87 600 ✓
	*Current portion of loan see NCL	372 000 ✓
	*SARS – income tax	60 000 ✓
	*Shareholders for dividends (560 000 – 250 000)	310 000 ✓✓
	Bank overdraft Balancing/missing figure	70 400 ✓
11	Total equity and liabilities	5 100 000 ✓

16

* maybe shown in TOP

TOTAL MARKS
65

QUESTION 2

2.1

RETAINED INCOME			
Balance at beginning		386 040	
Net profit after tax (846 540 – 253 290)		593 250 ✓✓	
Shares repurchased (3 500 x R0.75) OR (22400- 19775)		(2 625) ✓✓	
Dividends	Operation	(301 424) ✓	
Interim (420 200 ✓ x R0.40 ✓)	One Part correct	168 080 ✓	
Final		133 344	
Balance at end	Operation one part correct	675 241 ✓	9

2.2.1

Dividends paid			
WORKINGS		ANSWER	
52 525 ✓ + 168 080 ✓	see 2.1	(220 605) ✓	
		Operation	
		One part correct	3

2.2.2

Taxation paid			
WORKINGS		ANSWER	
7 750 ✓ + 253 290 ✓ + 7 500 ✓		(268 540) ✓	
OR		Operation	
-7 750 – 253 290 – 7 500		One part correct	4

2.3.1

Cash flow from investing activities		(486 885) ✓	
Fixed assets purchased (3440 885 ✓ + 33 500 ✓ + 100 000 ✓ – 2 967 500 ✓)		(606 885) ✓	
Sale of fixed assets		100 000 ✓	
Change in financial assets		20 000	7

2.3.2

Net change in cash and cash equivalents		(91 250) ✓	
Cash and cash equivalents at beginning		45 000 ✓	
Cash and cash equivalents at end (1 250 – 47 500)		(46 250) ✓✓	4

2.4.1

Dividends per share	
WORKINGS	ANSWER
$ \begin{array}{r} 133\,344 \div 416\,700 \\ 40\text{ c} \checkmark + 32\text{ c} \checkmark \\ \text{OR} \\ 301\,424 \div 416\,700 \text{ (Two marks)} \end{array} $	<p>72 cents <input checked="" type="checkbox"/></p> <p>operation</p>

3

2.4.2

Debt/Equity ratio	
WORKINGS	ANSWER
$ \begin{array}{l} (2\,354\,355 + 675\,241) \\ 300\,000 \checkmark : 3\,029\,596 \checkmark \text{ see 2.1} \end{array} $	<p>0,1 : 1 <input checked="" type="checkbox"/></p> <p>one part correct</p>

3

2.4.3

% return on average capital employed	
WORKINGS	ANSWER
$ \frac{846\,540 \checkmark + 164\,450 \checkmark}{\frac{1}{2}(3\,029\,596 \checkmark + 1\,443\,000 \checkmark) + \frac{1}{2}(300\,000 \checkmark + 1\,525\,000 \checkmark)} \times \frac{100}{1} $	<p>32,1 % <input checked="" type="checkbox"/></p> <p>one part correct</p>

7

TOTAL MARKS
40

QUESTION 3

3.1 Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently and is thereby more profitable.

Any TWO financial indicators (explaining trend) from Ilembe Ltd with figures ✓✓ ✓✓
NO marks for mentioning Umzinyathi figures and indicators

The % operating expenses decreased from 18.2% to 14.2% by 3.3% points

The % operating profit on sales increased from 22% to 24% by 2% points

The % net profit on sales increased from 19.6% to 21% by 1.4% points

4

3.2.1 Comment on the % return on shareholders' equity of each company

Financial indicator compared to interest on fixed deposit ✓✓ ✓✓

% return on shareholders' equity of Umzinyathi of 9.4% is below the interest on alternative investment of 10% by 0.6%

% return on shareholders' equity of Ilembe of 15% is above the interest on alternative investment of 10% by 5%

4

3.2.2 A shareholder feels that earnings per share (EPS) in Umzinyathi Ltd are better than that in Ilembe Ltd. Explain by quoting one financial indicator or calculation why you agree with him.

Expressing a change for EPS to a % ✓✓

The earnings per share of Umzinyathi Ltd increased by 72.5%

2

3.3 Comment on the degree of risk and gearing of both companies.

TWO financial indicators (with figures) and explanation
Explanation could be combined with figures or separate; both risk & gearing must be mentioned. Ignore reference to % ROSHE (i.e. do not penalise)

Umzinyathi Ltd:

Debt/equity ratio of Umzinyathi ltd increased from 0.3 : 1 to 1.2 : 1 by 0.9% (300%). This indicates a high financial risk ✓✓

ROTCE decreased from 15% to 11.1% by 3.9%. ROTCE of 11.1% is below the interest on loan of 15% by 3.9%. This indicate a negative gearing. ✓✓

Ilembe Ltd

Debt/equity ratio of Ilembe ltd increased from 0.2 : 1 to 0.4 : 1 by 0.2 (100%). This indicates a low financial risk. ✓✓

8

ROTCE of Ilembe Ltd increased from 17.8% to 22% by 4.2%. ROTCE of 22% is above the interest on loan of 15% by 7%. This indicates a positive gearing. ✓✓

3.4.1 Comment on the price paid for the shares repurchased by Umzinyathi Ltd. Provide TWO points.

Any two valid points with figures ✓✓ ✓✓ part marks for incomplete/unclear answers

Compare with figures R17.50 to MP of R12.00 or R15.00
 Compare with figures R17.50 to NAV of R10.81 or R11.28

4

3.4.2 Calculate the number of shares that Happiness purchased in Ilembe Ltd with the money he received from Umzinyathi Ltd. NOTE: She used R51 800 to pay for her son's school fees.

WORKINGS	ANSWER
$2\ 625\ 000 - 51\ 800 = 2\ 573\ 200 / 14$ ✓✓	183 800 shares ✓ One part correct

4

3.4.3 Explain the effect of the shares repurchased and the new shares purchased on the % shareholding of Happiness in each company. Provide relevant calculations to substantiate.

Explanation on % shareholding ✓ Comparison in Umzinyathi Ltd with figures ✓
 Explanation on % shareholding ✓ Comparison in Ilembe Ltd with figures ✓
 Combined explanation with figures may be presented

Umzinyathi Ltd:

Happiness was the majority shareholder (51%)
 She now has only 41.2% of the shares (309 000 / 750 000) so he has lost majority status.

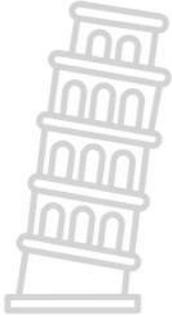
Ilembe Ltd:

Happiness had 42% of the share
 She now has 52 % of the shares (540 800 / 1 040 000) She is now the majority shareholder (or based on calculation in 3.4.2)

4

TOTAL MARKS

30



QUESTION 4

4.1

4.1.1	B ✓
4.1.2	A ✓
4.1.3	D ✓
4.1.4	C ✓

4

4.2.1

What is meant by *good corporate governance*.

Explanation One valid point ✓✓✓ part mark for unclear/incomplete/partial answer

- Managing the business on sound business and ethical principles.
- Looking after the interest of all role players /stakeholders by being fair.
- Ensuring that the business has proper rules, policies and practices to create long term shareholder value, and are implementing them.

3

Why it is important to the shareholders. Provide ONE point.

Explanation One valid point ✓✓ part mark for unclear/incomplete/partial answer

- Impact on the image of the business / goodwill
- Improvement in share price
- Potential investors will be attracted
- Confidence in management and control

2

4.2.2

Explain a possible reason why Msizi Khumalo says he will vote against the proposal by White Ltd.

One valid point ✓✓ part mark for unclear/incomplete/partial answer

- He will lose his majority control on the Board
- He may also lose his CEO status
- He may be investigated for negligence
- He will not be able to manipulate his remuneration in future

2

4.2.3 Explain why you agree with them. Provide ONE point.

ONE valid point ✓ ✓ part mark for unclear/incomplete/partial answer

- He has taken irresponsible decisions
- Enriching himself at the expense of the business. (selfish gain)

Any relevant answer

2

Give the directors advice on how they should handle this. Provide ONE point.

ONE valid point ✓ ✓ part mark for unclear/incomplete/partial answer

- Call up a special meeting of shareholders
- Issue a grievance report
- Start disciplinary proceedings
- Ask him to step down

Any relevant answer

2

TOTAL MARKS
15