



education

Department of
Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2024

MARKS: 150

TIME: 2 HOURS

This question paper consists of 11 pages, a formula sheet
and a 9-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings to earn part marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. 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	Statement of Financial Position	60	50
2	Cash Flow Statement and Financial Indicators	40	35
3	GAAP principles, Financial Indicators and Interpretation of Financial Information	35	25
4	Corporate Governance	15	10
TOTAL		150	120

QUESTION 1: STATEMENT OF FINANCIAL POSITION (60 marks; 50 minutes)

GARLAND LTD

The information relates to Garland Limited, and the financial year ended on 29 February 2024.

REQUIRED:

- 1.1 Prepare the Ordinary Share Capital note on 29 February 2024.
See information B(i). (7)
- 1.2 Calculate the total dividends for the year. (6)
- 1.3 Calculate the value of the closing stock using the weighted-average method.
See information B(iii). (5)
- 1.4 Prepare the Statement of Financial Position on 29 February 2024 after taking all the adjustments and additional information into account. (42)



INFORMATION:

A. Extract from the Pre-adjustment Trial Balance on 28/29 February:

BALANCE SHEET ACCOUNTS SECTION		
	2024 (R)	2023 (R)
Ordinary Share Capital	?	4 850 000
Retained income	360 000	255 000
Mortgage loan: Umgeni Bank	?	800 000
Fixed assets (carrying value)	6 963 500	
Fixed deposit: Uptown Bank (9% interest p.a.)	340 000	
Trading stock	?	
Debtors' control	152 400	
Provision for bad debts	?	7 800
Bank overdraft (Balancing figure)	?	
Petty cash	6 000	
Creditor's control	196 500	
SARS: Income tax (provisional payments)	220 000	
Nominal accounts section		
Insurance	136 200	
Rent income	274 540	
Interest on fixed deposit	25 500	
Audit fees	90 000	
Stationery	24 520	
Depreciation	187 500	
Interest on loan (capitalised)	156 000	

B. Adjustments not considered yet:

(i) **Shares and dividends:**

- Authorised share capital consists of 2 000 000 shares.
- 1 300 000 of the shares were in issue at the beginning of the year.
- 200 000 shares were issued on 1 June 2023 at a price of R5,75.
- 90 000 shares were repurchased from a shareholder at an agreed price of R6,00 per share.
- Dividends of R150 000 were declared on the last day of the financial year.

(ii) **Mortgage loan:**

Interest according to the statement received from Umgeni Bank amounted to R156 000 and is capitalised. The monthly repayment on the loan, including interest, was R17 000. The company will repay R200 000 on the loan during the following financial year.



(iii) **Inventory:**

The company uses the weighted-average method to value the stock. The following information was taken from the accounting records for the year ended 29 February 2024:

Details	Number van units	Total (R)
Opening stock	300	54 000
Purchases + Carriage on purchases	4 939	993 800
Units sold	4 044	

(iv) Income tax is calculated at 30% of the net profit before income tax. Net profit after tax of R567 000 was correctly calculated AFTER taking into account the following information:

- A creditor with a debit balance of R3 600 must be transferred to his account in the debtors' ledger.
- Provision for bad debts must be adjusted to 4% of the outstanding trade debtors.
- Rent was received up to 30 April 2024. Consider that the rent was increased by 12% on the 1st of October 2023.
- Insurance includes a twelve-month contract for R31 800. This amount was paid for the year ending 30 September 2024.
- The total expenses for audit fees amounted to R120 000. Only R90 000 has been paid.
- Make provision for the outstanding interest on the fixed deposit. Take into account that R50 000 was invested on 1 December 2023 for 12 months. The transaction was recorded. Interest on fixed deposits is not capitalised.
- Stationery used during the financial year amounted to R21 580.

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(40 marks; 35 minutes)

FREE STATE SUPPLIERS LIMITED

You are provided with information relating to Free State Suppliers Ltd for the financial year ended 29 February 2024.

REQUIRED:

- 2.1 Calculate the following for the financial year ended 29 February 2024:
- (i) The acid-test ratio (5)
 - (ii) The debt-equity ratio (3)
 - (iii) The % return on average shareholders' equity (5)
 - (iv) The net asset value per share (3)
- 2.2 Refer to the Note for Fixed assets (**Information B**):
- (i) Calculate the amount of land and buildings purchased (2)
 - (ii) Calculate the proceeds from fixed assets sold (4)
 - (iii) Calculate the depreciation on vehicles (5)
- 2.3 Calculate the following amounts for the Cash Flow Statement. Your answers must indicate the correct use of brackets.
- (i) Income tax paid (5)
 - (ii) The amount invested during the year (2)
 - (iii) Repayment of the loan (2)
 - (iv) The net change in cash and cash equivalents (4)

INFORMATION:

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

	R
Interest on loan	176 750
Net profit before income tax	1 340 000
Income tax (30% of net profit)	?

B.

FIXED ASSETS	Land and buildings R	Equipment R	Vehicles R
Carrying value 28/02/2023	1 820 000	300 500	918 500
Cost	1 820 000	421 100	1 686 000
Accumulated depreciation	-	(120 600)	(767 500)
Movements			
Addition at cost	(i)	125 000	140 000
Disposal at carrying value		(ii)	-
Depreciation			(iii)
Carrying value 29/02/2024	2 049 700	321 500	853 800
Cost	2 049 700	405 500	

ADDITIONAL INFORMATION:

- Extensions to land and buildings were made during the year.
- Equipment with a cost price of R? and accumulated depreciation of R66 650 on the last day of the financial year was sold at carrying value. On the same day, new equipment with a value of R125 000 was purchased.
- The new vehicle was bought on 1 June 2023.
- No vehicle was sold during the financial year.
- Depreciation on vehicles is provided at 20% p.j. on the diminishing-balance method.

C. Extract from Statement of Financial Position on the last day of the financial year:

	2024	2023
Fixed assets (carrying value)	3 225 000	3 039 000
Fixed deposit	1 610 000	1 450 000
Inventory	1 566 510	1 255 840
Trade and other receivables	534 330	578 562
SARS: Income tax (not included in Trade and other receivables)	125 000 (dt)	-
Cash and cash equivalents	427 685	25 000
Shareholders' equity	4 969 750	3 661 750
Ordinary share capital	3 550 000	2 700 000
Retained income	1 419 750	961 750
Mortgage loan: Puma Bank	2 194 750	2 450 000
Trade and other payables	324 000	126 652
SARS: Income tax (not included in Trade and other payables)	-	110 000 (cr)
Bank overdraft	-	124 500

D. Additional information:

- On 29 February 2024 1 700 000 shares were in issue.

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(35 marks; 25 minutes)

3.1 Choose an example from COLUMN B that matches the concept in COLUMN A. Write only the letter (A–E) next to the question numbers (3.1.1 to 3.1.5) in the ANSWER BOOK.

3.1.1	Going-concern concept	A	Even though the market value of land and buildings is R10m, it is recorded at the original purchase price of R6,2m.
3.1.2	Materiality	B	Money lost due to theft of stock is written off, even though there is a possibility that it may be recovered in future.
3.1.3	Historical cost concept	C	The directors' fees must be reflected separately from salaries and wages.
3.1.4	Matching	D	Although the cost prices of the stock items fluctuate, the stock is recorded at cost, assuming it will be sold sometime in the future.
3.1.5	Prudence	E	The tenant has paid R39 000, which includes rent for one month of the following year. Only R36 000 is recorded in the Statement of Comprehensive Income.

(5 x 1) (5)

3.2 CHEETAHS LTD AND STORMERS LTD

The information relates to two companies.

BACKGROUND INFORMATION:

- Both companies operate in the sports equipment industry. The financial year ends on the last day of February each year.
- Sophie Mona owns shares in both companies.

Where financial indicators are required to support your answer, name the financial indicator, the actual figure/ratio/percentage and trends.

3.2.1 Profitability:

The directors of both companies tried to cut back on their expenses. Were they successful in their efforts? Quote TWO financial indicators for each company.

(8)

3.2.2 Liquidity:

Compare the liquidity of the two companies to state which company is managing its liquidity better. Quote TWO ratios/indicators.

(7)



3.2.3 Dividend payout policy:

Comment on the dividend pay-out policy of Stormers Ltd. Why do you think the directors changed the pay-out policy? (2)

3.2.4 Financial Gearing:

Comment on the financial gearing of Cheetahs Ltd. (3)

3.2.5 Financing Strategies:

The directors of Cheetahs Ltd have taken deliberate decisions that are reflected in the Cash Flow Statements.

Explain the decision taken by the directors of Cheetahs Ltd that affected the risk of the business. Quote ONE financial indicator. (4)

3.2.6 Shareholding of Sophie Mona in both companies:

- Calculate the price per share paid for the shares repurchased by Stormers Ltd. (3)
- Explain the effect of the share repurchase on the % shareholding of Sophie Mona in Stormers Ltd. (3)



INFORMATION:

A. Extracts from the accounting records at the end of the year:

	CHEETAHS LTD		STORMERS LTD	
	2024	2023	2024	2023
Number of shares in issue	2 600 000	2 300 000	1 020 000	1 300 000
Funds used to repurchase shares			R4 060 000	
Fixed assets purchased			R2 140 000	
Increase (decrease) in loan	R3 800 000		(R700 000)	

B. Financial indicators and interest rates:

	CHEETAHS LTD		STORMERS LTD	
	2024	2023	2024	2023
% operating expenses on sales	18,7%	14,9%	12,6%	17,5%
% operating profit on sales	16,8%	21,9%	24,7%	21,6%
% net profit on sales	8,9%	11,8%	15,9%	13,3%
Current ratio	2,2:1	2,4:1	4,5:1	5,0:1
Acid-test ratio	1,4:1	1,2:1	1,5:1	1,8:1
Debtors' average collection period	29 days	32 days	41 days	38 days
Creditors' average payment period	61 days	55 days	28 days	32 days
Debt-equity ratio	1,2:1	0,3:1	0,4:1	0,7:1
% Return on average capital employed	9,7%	12,5%	16,7%	13,2%
% Return on average shareholders' equity	6,7%	9,8%	15,2%	11,4%
Interest rate on loans	14%	12%	14%	12%
Interest rate on fixed deposits	9%	8%	9%	8%
Earnings per share	110 cents	140 cents	190 cents	160 cents
Dividend payout rate	108%	70%	65%	100%

C. Shareholding of Sophie Mona in both companies:

	CHEETAHS LTD		STORMERS LTD	
	2024	2023	2024	2023
Shares in each company	1 200 000	1 200 000	540 000	540 000
% shareholding in each company	46,2%	52,2%	?	41,5%

QUESTION 4: CORPORATE GOVERNANCE

(15 marks; 10 minutes)

4.1 There are three types of independent auditor's reports. For each of the following wording, give the correct type of report the auditors will issue:

4.1.1 In our opinion, except for the effect of ..., the annual financial statements represent fairly, in all material respects.

4.1.2 In our opinion, the annual financial statements present fairly, in all material respects, ...

4.1.3 Because of the significance of the matter described ..., we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. (3 x 1) (3)

4.2 Explain what is meant by *good corporate governance* and explain why it is important to shareholders. (3)

4.3 Consider the following scenarios which could arise in a business.

- For each scenario, state whether it is illegal or unethical.
- As a shareholder, how would you react in each case?
- What do you think will be the consequences for the guilty person?

4.3.1 **SCENARIO 1**

Ben Brink, the Chief Executive Officer (CEO) of a company that sells pharmaceutical products, learns before anyone else that the company will lose a large contract with the government. It will have a very big negative impact on the profits of the company. He decides to sell his shares before this news becomes public.

4.3.2 **SCENARIO 2**

Thomas Braidy, the CEO of a company, takes his whole family on vacation to Europe. He uses the company's funds to pay for the vacation and asks the internal auditor to record the expenses as marketing.

4.3.3 **SCENARIO 3**

As it was a tough financial year, the Chief Financial Officer (CFO) of a company decided to withhold all yearend bonuses to their workers to increase the profit of the company.

(3 x 3) (9)

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (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"> Trading stock at the end of a financial year may be used if required in a question. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 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

GRADE 12

ACCOUNTING P1

SEPTEMBER 2024

ANSWER BOOK

Stanmorephysics.com

QUESTION	MARKS	INITIAL	MODERATOR
1			
2			
3			
4			
TOTAL			

This answer book consists of 9 pages.

QUESTION 1

1.1 ORDINARY SHARE CAPITAL

1 300 000	Shares in issue on 01/03/2023	4 850 000
	Shares in issue on 29/02/2024	

7

1.2

Calculate the total dividends for the year.	ANSWER

6

1.3

Calculate the value of the closing stock using the weighted-average method.	ANSWER

5

**1.4 GARLAND LIMITED
 STATEMENT OF FINANCIAL POSITION ON
 29 FEBRUARY 2024**

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
CURRENT ASSETS	
Inventory	
Cash and cash equivalents (6 000)	
TOTAL ASSETS	
SHAREHOLDERS' EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Share Capital	
Retained income	360 000
NON-CURRENT LIABILITIES	
Mortgage loan	
CURRENT LIABILITIES	
Trade and other payables	
Bank overdraft	
TOTAL EQUITY AND LIABILITIES	

42

TOTAL MARKS
60

QUESTION 2

2.1

(i) Acid-test ratio	ANSWER

5

(ii) Debt-equity ratio	ANSWER

3

(iii) The % return on average shareholders' equity	ANSWER

5

(iv) Net asset value per share	ANSWER

3

2.2

(i) Calculate the amount of land and buildings purchased	ANSWER

2

(ii) Calculate the proceeds from fixed assets sold	ANSWER	
		4

(iii) Calculate the depreciation on vehicles	ANSWER	
		5

2.3

(i) Calculate: Income tax paid	ANSWER	
		5

(ii) The amount invested during the year	ANSWER	
		2

(iii) Repayment of the loan	ANSWER	
		2

(iv) The net change in cash and cash equivalents		
Net change		
		4

TOTAL MARKS
40

QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	
3.1.4	
3.1.5	

5

3.2.1 The directors of both companies tried to cut back on their expenses. Were they successful in their efforts? Quote TWO financial indicators for each company.

INDICATOR	CHEETAHS LTD		STORMERS LTD	
	2024	2023	2024	2023

Cheetahs Ltd:

Stormers Ltd:

8

3.2.2 Compare the liquidity of the two companies to state which company is managing its liquidity better. Quote TWO ratios/indicators.

INDICATOR	CHEETAHS LTD		STORMERS LTD	
	2024	2023	2024	2023

GENERAL COMMENT

7

3.2.3 Comment on the dividend pay-out policy of Stormers Ltd. Why do you think the directors changed the pay-out policy?

--

2

3.2.4 Comment on the financial gearing of Cheetahs Ltd.

--

3

3.2.5 Explain the decision taken by the directors of Cheetahs Ltd that affected the risk of the business. Quote ONE financial indicator.

--

4

3.2.6 Calculate the price per share paid for the shares repurchased by Stormers Ltd.

--

3

Explain the effect of the share repurchase on the % shareholding of Sophie Mona in Stormers Ltd.

--

3

TOTAL MARKS
35

QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	

3

4.2

Explain what is meant by *good corporate governance* and explain why it is important to shareholders.

3

4.3

Consider the following scenarios which could arise in a business.

- For each scenario, state whether it is illegal or unethical.
- As a shareholder, how would you react in each scenario?
- What do you think will be the consequences for the guilty person?

4.3.1

SCENARIO 1

Illegal/unethical	Reaction	Consequence

3

4.3.2 SCENARIO 2

Illegal/ unethical	Reaction	Consequence

3

4.3.3 SCENARIO 3

Illegal/ unethical	Reaction	Consequence

3

TOTAL MARKS
15



TOTAL: 150



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PREPARATORY EXAMINATION

GRADE 12
ACCOUNTING P1
SEPTEMBER 2024
MARKS: 150
MARKING GUIDELINES

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 a 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 the correct answer. If the 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 working for that figure (not the method mark for the answer). Note: if figures are stipulated in marking guidelines for component parts within workings that earn no part marks, these will 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 different 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 question)
8. This memorandum is not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
11. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios. If only one line is presented, assume it is the numerator.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
14. Be aware of candidates who provide alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 9 pages.

QUESTION 1

1.1 ORDINARY SHARE CAPITAL

1 300 000 ✓	Shares in issue on 01/03/2023	4 850 000 ✓
200 000 ✓	Shares issued @ R5,75	1 150 000
(90 000) ✓	Shares repurchased @ R4,00 ✓	(360 000) ✓*
1 410 000 ✓*	Shares in issue on 29/02/2024	5 640 000 ✓*

7

*operation, one part correct

1.2

Calculate the total dividends for the year.	ANSWER
Retained income beginning 255 000	282 000 ✓* *operation, one part correct
NP after tax 567 000	
Shares repurchased (180 000)	
Dividends ?	
Retained income end 360 000	
$360\ 000 \checkmark + 180\ 000 \checkmark \square - 567\ 000 \checkmark - 255\ 000 \checkmark$ (540 000 – 360 000) see 1.1 repurchase	

6

1.3

Calculate the value of the closing stock using the weighted-average method.	ANSWER
Closing stock: $300 + 4\ 939 - 4\ 044 = 1\ 195 \checkmark$ <small>1 047 800 two marks</small> $\frac{54\ 000 \checkmark + 993\ 800 \checkmark}{5\ 239 \checkmark} \times 1\ 195$ <small>(300 + 4 939)</small> = 200 three marks X 1 195	239 000 ✓* *operation, one part correct

5

**1.4 STATEMENT OF FINANCIAL POSITION OF GARLAND LTD
 ON 29 FEBRUARY 2024**

ASSETS		
NON-CURRENT ASSETS		* <input checked="" type="checkbox"/>
		7 253 500
Fixed assets		✓ 6 963 500
Fixed deposit (340 000✓ – 50 000✓)	(5)	* <input checked="" type="checkbox"/> 290 000
CURRENT ASSETS		* <input checked="" type="checkbox"/>
		467 975
Inventory (239 000✓ + 2 940✓✓)		* <input checked="" type="checkbox"/> 241 940
Trade and other receivables <small>transfer PBD insurance Interest</small> (152 400✓ + 3 600✓ – 6 240 ✓ + 18 550✓✓ + 1 725✓✓) (- 7 800 + 1 560)		* <input checked="" type="checkbox"/> 170 035
Cash and cash equivalents (6 000 + 50 000)		✓✓ 56 000
TOTAL ASSETS	(16)	* <input checked="" type="checkbox"/> 7 721 475
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		* <input checked="" type="checkbox"/>
		6 000 000
Share Capital		see 1.1 <input checked="" type="checkbox"/> 5 640 000
Retained income	(2)	360 000
NON-CURRENT LIABILITIES		552 000
Mortgage loan (800 000✓ + 156 000✓ – 204 000✓ – 200 000✓)	(5)	* <input checked="" type="checkbox"/> 552 000
CURRENT LIABILITIES		* <input checked="" type="checkbox"/>
		1 169 475
Trade and other liabilities <small>transfer rent audit</small> (196 500 ✓ + 3 600✓ + 41 440✓✓ + 30 000✓✓)		* <input checked="" type="checkbox"/> 271 540
SARS: Income tax (243 000 – 220 000)		#✓✓ 23 000
Short term loan		# <input checked="" type="checkbox"/> 200 000
Shareholders' dividends # can be included in Trade and other payables		#✓ 150 000
Bank overdraft <small>balancing figure; accept if negative</small>		<input checked="" type="checkbox"/> 524 935
TOTAL EQUITY AND LIABILITIES	(14)	* <input checked="" type="checkbox"/> 7 721 475

– 1 for foreign items (max -2) *operation, one part correct
 For misplaced items mark the workings, but penalise on the final answer

42

TOTAL MARKS
60

QUESTION 2

2.1	(i) Calculate: Acid-test ratio	ANSWER
	$\frac{534\,330\checkmark + 125\,000\checkmark + 427\,685\checkmark}{1\,087\,015} : \frac{324\,000\checkmark}{324\,000}$ <p style="text-align: center;">Three marks Stanmorephysics.com</p>	$3,4 : 1\checkmark$ *operation, one part correct in form x : 1
		5

(ii) Calculate: Debt-equity ratio	ANSWER
$2\,194\,750\checkmark : 4\,969\,750\checkmark$	$0,4 : 1\checkmark$ *operation, one part correct in form x : 1
	3

(iii) The % return on average shareholders' equity	ANSWER
$\frac{1\,340\,000 \times 70\%}{\frac{1}{2}\checkmark (4\,969\,750 + 3\,661\,750)} \times 100$ <p style="text-align: center;">938 000 ✓✓ (both figures) 4 315 750 two marks</p>	$21,7\%$ *operation, one part correct % sign not necessary
	5

(iv) Net asset value per share	ANSWER
$\frac{4\,969\,750\checkmark}{1\,700\,000\checkmark} \times 100$	$292,3\text{ cents}\checkmark$ Accept R2,92 *operation, one part correct answer must be reflected in R or c
	3

2.2	(i) Calculate the land and buildings purchased	ANSWER
	$2\,049\,700 - 1\,820\,000$	$(229\,700)\checkmark\checkmark$ Accept if not in brackets
		2

(ii) Calculate the proceeds from fixed assets sold	ANSWER	
Cost: $421\,100 + 125\,000 - 405\,500 = 140\,600$ ✓ <input checked="" type="checkbox"/> Carrying value: $140\,600 - 66\,650$ ✓	$73\,950$ ✓ <input checked="" type="checkbox"/> *operation, one part correct	4

(iii) Calculate the depreciation on vehicles	ANSWER	
$918\,500$ ✓ x $(20\% \times 12/12)$ ✓ = $183\,700$ $140\,000$ ✓ x $(20\% \times 9/12)$ ✓ = $21\,000$ OR $918\,500$ x $(20\% \times 3/12)$ = $45\,925$ $1\,058\,500$ x $(20\% \times 9/12)$ = $158\,775$	$204\,700$ ✓ <input checked="" type="checkbox"/> operation, one part correct	5

2.3

(i) Calculate: Income tax paid	ANSWER	
$110\,000$ ✓ + $402\,000$ ✓✓ + $125\,000$ ✓ $- 110\,000 - 402\,000 - 125\,000$ $(110\,000)(402\,000)(125\,000)$	<input checked="" type="checkbox"/> $(637\,000)$ operation, one part correct Must be in brackets	5

(ii) The amount invested during the year	ANSWER	
$1\,450\,000 - 1\,610\,000$	✓✓ $(160\,000)$ Must be in brackets	2

(iii) Repayment of the loan	ANSWER	
$2\,450\,000 - 2\,194\,750$	✓✓ $(255\,250)$ Must be in brackets	2

(iv) The net change in cash and cash equivalents		
Net change	<input checked="" type="checkbox"/> $527\,185$ Must be in brackets	
Cash beginning $(25\,000 - 124\,500)$	✓✓ $(99\,500)$	
Cash end	✓ $427\,685$	4

TOTAL MARKS
40

QUESTION 3

3.1

3.1.1	D ✓
3.1.2	C ✓
3.1.3	A ✓
3.1.4	E ✓
3.1.5	B ✓

5

3.2.1

The directors of both companies tried to cut back on their expenses. Were they successful in their efforts? Quote TWO financial indicators for each company.

Financial indicator ✓ ✓ figures Stormers Ltd ✓ ✓ explanation Stormers Ltd ✓
 Any two indicators figures Cheetahs Ltd ✓ ✓ explanation Cheetahs Ltd ✓

INDICATOR	CHEETAHS LTD		STORMERS LTD	
	2024	2023	2024	2023
% Operating expenses on sales	18,7%	14,9%	12,6%	17,5%
% Operating profit on sales	16,8%	21,9%	24,7%	21,6%
% Net profit on sales	8,9%	11,8%	15,9%	13,3%

Cheetahs Ltd:

The directors were unsuccessful because % operating expenses on sales increased/% operating profit on sales decreased/% net profit on sales decreased.

Stormers Ltd:

The directors were successful because % operating expenses on sales dropped/% operating profit on sales increased/% net profit on sales increased.

8

3.2.2

Compare the liquidity of the two companies to state which company is managing its liquidity better. Quote TWO ratios/indicators.

Financial indicator ✓ ✓ figures Cheetahs Ltd ✓ ✓ any ONE explanation ✓
 Any two indicators figures Stormers Ltd ✓ ✓

INDICATOR	CHEETAHS LTD		STORMERS LTD	
	2024	2023	2024	2023
Current ratio	2,2 : 1	2,4 : 1	4,5 : 1	5,0 : 1
Acid-test ratio	1,4 : 1	1,2 : 1	1,5 : 1	1,8 : 1
Debtors' collection period	29 days	32 days	41 days	38 days
Creditors' payment period	61 days	55 days	28 days	32 days

GENERAL COMMENT

The liquidity of Cheetah Ltd is better because they do not have too much stock tied up in cash/their debtors pay within 30 days/creditors are paid after 60 days, not before debtors pay their debt.

7

3.2.3 Comment on the dividend pay-out policy of Stormers Ltd. Why do you think the directors changed the pay-out policy?

Figure and trend ✓ Reason ✓

The dividend payout rate changed from 100% to 65%/by 35% points/53,9%.
 The company is retaining some of their profit for further expansion.

2

3.2.4 Comment on the gearing of Cheetahs Ltd.

Financial indicator ✓ with figure(s) and trend ✓ comment ✓

The ROTCE changed from 12,5% to 9,7%/by 2,8% points/by 28,9%
 It is less than the interest rates on loans (14%), the company has a negative gearing.

3

3.2.5 Explain the decision taken by the directors of Cheetahs Ltd that affected the risk of the business. Quote ONE financial indicator.

Decision with figure ✓ Financial indicator ✓ figures and trend ✓ comment ✓

They increased the loan with R3 800 000.
 The debt/equity ratio increased from 0,3 : 1 to 1,2 : 1. They now have a high risk.

4

3.2.6 Calculate the price per share paid for the shares repurchased by Stormers Ltd.

$$\frac{4\,060\,000 \checkmark}{280\,000 \checkmark} = R14,50 \checkmark$$

One part correct

3

Explain the effect of the share repurchase on the % shareholding of Sophie Mona in Stormers Ltd.

$$\frac{540\,000}{1\,020\,000} \times 100 = 52,9\% \checkmark$$

Sophie is now the majority shareholder. (Depending on learner 's answer)

3

TOTAL MARKS

35

QUESTION 4

4.1

4.1.1	Qualified	✓
4.1.2	Unqualified	✓
4.1.3	Disclaimer of opinion	✓

3

4.2

Explain what is meant by *good corporate governance* and explain why it is important to shareholders.

Explanation ✓✓ Part mark for unclear/incomplete/partial answers

- Managing the business on sound business and ethical principles.
- Looking after the interests of all role players/stakeholders by being fair.
- Ensure the company has proper rules, policies and practices to create long-term shareholder value.

Importance to shareholders ✓ Accept short, incomplete statements

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

3

4.3

Consider the following scenarios which could arise in a business. In your opinion:

- For each scenario, state whether it is illegal or unethical.
- As a shareholder, how would you react in each scenario?
- What do you think will be the consequences for the guilty person?

Illegal/unethical ✓ Reaction ✓ Consequence ✓ (Mark reaction and consequence separately)

4.3.1

SCENARIO 1

Illegal/unethical	Reaction	Consequence
Illegal	It must be made public and he should face charges in court/ Alert the board of directors who should hold the CEO accountable for his actions/ Recommend the demotion/dismissal of the CEO in the meeting as a motion of no confidence.	He could be imprisoned, fined or could be prohibited from operating as a director.

3

4.3.2 Illegal/unethical ✓ Reaction ✓ Consequence ✓ (Mark reaction and consequence separately)

SCENARIO 2

Illegal/unethical	Reaction	Consequence
Illegal/ Unethical	If the internal auditor also agreed to do it, they both must be charged/ Advise the internal auditor not to get involved in illegal issues/ Recommend investigation on the action and the CEO be charged. Question the roll of the remuneration committee?	If found guilty, they could be imprisoned or fined/ Disciplinary action/ CEO must pay back the money. The remuneration committee must also be kept liable.

3

4.3.3 Illegal/unethical ✓ Reaction ✓ Consequence ✓ (Mark reaction and consequence separately)

SCENARIO 3

Illegal/unethical	Reaction	Consequence
Unethical/ Illegal	Shareholders might have sympathy with the workers but may also be glad that the profit of the company is better. If stipulated per contract, it can be regarded as illegal. Not according to the King Code principle referring to well-being of the workers	The CFO might lose his job/ The workers/trade unions might revert to industrial actions/ A strike may affect the company's profits negatively. Withholding bonuses according to contracts could end-up in CCMA.

3

TOTAL MARKS
15

TOTAL: 150