

basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

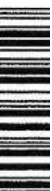
NATIONAL SENIOR CERTIFICATE



MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages,
a formula sheet and an 11-page answer book.





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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely. –

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

| QUESTION | TOPIC | MARKS | MINUTES |
|--------------|--|------------|------------|
| 1 | Company Financial Statements | 55 | 45 |
| 2 | Cash Flow Statement and Financial Indicators | 35 | 25 |
| 3 | Interpretation of Financial Information | 45 | 35 |
| 4 | Corporate Governance | 15 | 15 |
| TOTAL | | 150 | 120 |



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

The information relates to Ivory Park Ltd for the financial year ended 29 February 2024.

REQUIRED:**1.1 Refer to Information B (i) for fixed assets:**

Calculate the following:

- 1.1.1 Depreciation on equipment on 29 February 2024 (2)
- 1.1.2 Cost price of vehicles on 29 February 2024 (4)
- 1.1.3 Depreciation on vehicles on 29 February 2024 (5)
- 1.1.4 Profit/Loss on vehicle traded in on 1 September 2023 (5)
- 1.2 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (39)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:**A. Balances/totals, among others, that appeared in the books on:**

| | 29 Feb. 2024 R | 28 Feb. 2023 R |
|--|-------------------|-------------------|
| Mortgage loan: Phambili Bank | 744 100 | 987 700 |
| Equipment at cost | 852 000 | 852 000 |
| Accumulated depreciation on equipment | 472 500 | 344 700 |
| Vehicles at cost | ? | 1 250 000 |
| Accumulated depreciation on vehicles | ? | 420 000 |
| Trading stock | 654 500 | |
| Debtors' control | 516 600 | |
| Provision for bad debt | ? | 29 520 |
| SARS: Income tax (provisional tax payments) | 340 000 | |
| Sales | ? | |
| Cost of sales | 4 780 900 | |
| Audit fees | 79 000 | |
| Service fee income | 1 757 700 | |
| Sundry operating expenses | 119 900 | |
| Bad debts | 24 780 | |
| Packing material | 66 550 | |
| Salaries and wages (including contributions) | 1 425 600 | |
| Insurance | 100 800 | |
| Rent income | 158 100 | |
| Interest income | ? | |
| Directors' fees | ? | |
| Interest on loan | 149 400 | |
| Dividends on ordinary shares | 250 000 | |



B. Adjustments and additional information:**(i) Fixed assets:****Equipment:**

- No equipment was bought or sold during the year.

Vehicles:

- An old vehicle was traded in on 1 September 2023 for a new vehicle, costing R320 000. The trade-in value received was R153 660. The following extract of the vehicle sold was taken from the Fixed Asset Register:

| Cost price: R240 000 | | Date purchased: 1 July 2021 |
|------------------------------|---------------------|--|
| Rate of depreciation: | | 20% p.a. on the diminishing-balance method |
| FINANCIAL YEAR END | DEPRECIATION | ACCUMULATED DEPRECIATION |
| 28 February 2022 | R32 000 | R32 000 |
| 28 February 2023 | R41 600 | R73 600 |
| 1 September 2023 | ? | ? |

- Vehicles are depreciated at 20% p.a. on the diminishing-balance method.
 - Depreciation on the old remaining vehicles was R132 720.
- (ii) The company maintains a mark-up of 60% on cost. Note that goods costing R115 000 (included in cost of sales) were sold at a mark-up of 40% on cost to internal employees.
- (iii) Physical stocktaking on 29 February 2024 revealed the following:
- Trading stock, R647 100
 - Packing material used during the financial year, R58 700
- (iv) Provision for bad debts must be adjusted to 5% of the outstanding debtors.
- (v) Monthly insurance premiums were fixed for the past three years and were paid up to 31 May 2024.
- (vi) A tenant is renting an office from Ivory Park Ltd. Rent for this office has been received up until 30 April 2024. Rent was decreased by 8% on 1 December 2023 on the office rented.
- (vii) One employee was omitted from the Salaries Journal of February 2024. His net monthly salary was R19 340 after 35% deductions were made for his pension and personal tax and R2 500 deducted for medical aid. The employer contributes 10% of his gross salary on behalf of employees towards pension.
- (viii) The company had two directors who received a combined annual fee of R1 065 200 after their monthly fees were increased by R5 800 each on 1 August 2023. A third director joined the company on 1 November 2023 and received the same monthly fee as the other directors, excluding the increase of R5 800 per month.
- (ix) Net profit after tax, R992 160, was calculated after taking into account all the adjustments above. Income tax is calculated at 28% of the net profit.



QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS**(35 marks; 25 minutes)**

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

REQUIRED:

- 2.1 Prepare the Retained Income Note for the year ended 29 February 2024. (8)
- 2.2 Complete the Cash Flow Statement for the year ended 29 February 2024. (17)
- 2.3 Calculate the following financial indicators for the year ended 29 February 2024:
- % operating expenses on sales (3)
 - Stock turnover rate (4)
 - Interim dividend per share (3)

INFORMATION:

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

| | R |
|------------------------|-----------|
| Sales | 8 240 600 |
| Cost of sales | 5 060 000 |
| Gross operating income | 3 020 480 |
| Operating expenses | 1 360 950 |
| Operating profit | 1 659 530 |
| Income tax | 462 000 |
| Net profit after tax | ? |

- B. Extract from the Statement of Financial Position on:

| | 29 Feb. 2024 R | 28 Feb. 2023 R |
|-------------------------------|-------------------|-------------------|
| Cash and cash equivalents | ? | 36 000 |
| Trading stock | 174 000 | 193 000 |
| SARS: Income tax | 66 650 Dr | 44 675 Cr |
| Ordinary shareholders' equity | ? | 8 733 720 |
| Ordinary share capital | ? | 8 160 000 |
| Retained income | ? | 573 720 |
| Loan: Smiley Bank | 5 440 000 | ? |
| Shareholders for dividends | ? | ? |
| Bank overdraft | 0 | 142 680 |



C. Share capital:

- On 1 March 2023, there were 1 200 000 shares in issue.
- 400 000 shares were issued at R10 per share on 30 June 2023.
- On 30 November 2023, 34 000 shares were repurchased at R1,90 (per share) above the average share price.

D. Dividends and dividend pay-out rate:

- Dividends paid and declared:

| DIVIDENDS | | | |
|-----------|------------------|----------|--------------------|
| Final | 28 February 2023 | Paid | 17 cents per share |
| Interim | 1 September 2023 | Paid | R416 000 |
| Final | 29 February 2024 | Declared | ? |

- Total dividends paid and declared for the year ended 29 February 2024, R744 860.
- The dividends pay-out rate for the year ended 29 February 2024 was 40% after all transactions were correctly recorded.

E. Loan: Smiley Bank

- Monthly instalments of R97 120, including interest, were paid.
- Interest capitalised amounted to R685 440.

F. Net change in cash and cash equivalents, R296 460 inflow.



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QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(45 marks; 35 minutes)****WINSTON LTD**

The information relates to Winston Ltd for the year ended 29 February 2024.

REQUIRED:**NOTE:** Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures
- Give a reason or an explanation for the financial indicators quoted

3.1 Profitability:

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well. (4)

3.2 Dividend pay-out policy:

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point. (3)

3.3 Earnings and returns:

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures. (4)

3.4 Financing strategies and gearing:

- **Refer to information C.**

The directors decided to buy new fixed assets in 2024 to enhance the company. (4)

Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures. (4)

- Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures. (6)



3.5 Grant Waters' % shareholding, rights issue and shares repurchased:**• Refer to Information B.**

Calculate the number of shares that Grant bought through the rights issue on 31 October 2023. (3)

• Calculate Grant's % shareholding after the rights issue on 29 February 2024. (5)

• Calculate the total amount that Grant spent on the shares he acquired through the rights issue.
NOTE: No shares were repurchased during the financial year. (4)

• Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures). (4)

3.6 Role of the CEO:

• Explain TWO characteristics that shareholders would expect of a good CEO. (4)

• Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures. (4)

INFORMATION:**A. Background information:**

- The chief executive officer (CEO), Shakira Solomon, was appointed on 1 October 2023.
- She was awarded a one-year contract, on probation.
- Grant Waters, the majority shareholder, was instrumental in appointing the CEO on 1 October 2023.

B. Share capital and rights issue:

• 3 000 000 shares were already in issue on 1 March 2023.

• Grant Waters' shareholding:

He is the majority shareholder and owned 1 620 000 of the issued shares on 1 March 2023.

Rights issue:

- On 31 October 2023, each shareholder was offered 10 shares for every 50 shares that they owned at a reduced price. All shareholders exercised this right. **No other shares were issued or repurchased during the financial year.**



C. Extract from the Notes and Statement of Financial Position as at:

| | 29 Feb. 2024 | 28 Feb. 2023 |
|-----------------------------|--------------|--------------|
| Fixed assets purchased | R8 235 000 | R4 180 000 |
| Fixed assets sold | 710 000 | 0 |
| Fixed deposit: Caledon Bank | 550 000 | 250 000 |
| Ordinary share capital | 31 770 000 | 28 800 000 |
| Loan: Main Bank | 12 913 000 | 9 400 000 |

D. Financial indicators, market prices of shares, interest rates and other financial data:

| | 29 Feb. 2024 | 28 Feb. 2023 |
|--|--------------|--------------|
| Mark-up percentage | 45% | 40% |
| % operating expenses on sales | 14% | 19% |
| % operating profit on sales | 18% | 12% |
| % net profit before tax on sales | 19% | 11% |
| Solvency ratio | 3,8 : 1 | 2,8 : 1 |
| Current ratio | 2,5 : 1 | 1,6 : 1 |
| Acid-test ratio | 1,9 : 1 | 1,2 : 1 |
| Net asset value per share | 564 cents | 460 cents |
| Dividends per share | 67 cents | 89 cents |
| Earnings per share | 112 cents | 104 cents |
| Dividend pay-out rate | 60% | 86% |
| Return on average shareholder's equity | 20% | 11% |
| Debt-equity ratio | 0,2 : 1 | 0,5 : 1 |
| % return on average capital employed | 24% | 15% |
| Market value per share | 950 cents | 820 cents |
| % growth (drop) in net asset value per share | +15,9% | - 8,9% |
| Interest rate on loans | 12% | 12% |
| Interest rate on fixed deposits | 7,5% | 6,5% |



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

You are provided with an extract of the independent external audit report of Valiant Ltd, presented to the shareholders at the Annual General Meeting.

REQUIRED:

NOTE: In your answers, do NOT repeat your responses in the different questions.

- 4.1 Explain the role of an independent external auditor. Provide ONE point. (2)
- 4.2 Choose the correct word from those in brackets. Write the answer in the ANSWER BOOK and explain your choice. (2)
- Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.
- 4.3 What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points. (4)
- 4.4 What are the implications of this audit report for the following: (4)
- Directors
 - Shareholders
- State ONE point in each case.
- 4.5 State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report. (3)

INFORMATION:

Extract from the independent external auditor's report on the financial statements of Valiant Ltd:

Audit Opinion:

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 29 February 2024 ...

Basis for Audit Opinion:

... and the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

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"> 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. | |





STICKER

CENTRE NUMBER

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EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE
ACCOUNTING P1
GRADE 12
NOVEMBER 2024

SPECIAL ANSWER BOOK
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| QUESTION | MARKS | INITIAL | MOD. |
|----------|-------|---------|------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| TOTAL | | | |

This answer book consists of 11 pages.



QUESTION 1

1.1 Calculate:

1.1.1 Depreciation on equipment on 29 February 2024

| WORKINGS | ANSWER |
|----------|--------|
| | |

2

1.1.2 Cost price of vehicles on 29 February 2024

| WORKINGS | ANSWER |
|----------|--------|
| | |

4

1.1.3 Depreciation on vehicles on 29 February 2024

| WORKINGS | ANSWER |
|------------------------------------|---------|
| Depreciation on new vehicle | |
| Depreciation on vehicle traded in | |
| Depreciation on remaining vehicles | 132 720 |
| | |

5

1.1.4 Profit/Loss on vehicle traded in on 1 September 2023

| WORKINGS | ANSWER |
|----------|--------|
| | |

5

NOTE: The relevant amounts, calculated above, must be transferred to QUESTION 1.2, the Statement of Comprehensive Income.



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

| | |
|--------------------------------|-------------|
| Sales | |
| Cost of sales | (4 780 900) |
| Gross profit | |
| Other income | |
| Service fee income | 1 757 700 |
| | |
| | |
| | |
| | |
| Gross operating income | |
| Operating expenses | |
| Audit fees | 79 000 |
| Sundry operating expenses | 119 900 |
| Bad debts | 24 780 |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| Operating profit | |
| Interest income | |
| Profit before interest expense | |
| Interest expense | (149 400) |
| Net profit before tax | |
| Income tax | |
| Net profit after tax | 992 160 |

39

TOTAL MARKS

55



QUESTION 2

EYBERS LTD

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 29 FEBRUARY 2024

| | | |
|--------------------------------------|-----------|---|
| Balance at the beginning of the year | 573 720 | |
| | | |
| Ordinary share dividends | (744 860) | |
| | | |
| Balance at the end of the year | | 8 |

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

| | | |
|---|---------|----|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Cash generated from operations | | |
| Interest paid | | |
| | | |
| | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| | | |
| | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 296 460 | |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 17 |



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

| | |
|--------------------------------------|---------------|
| % operating expenses on sales | |
| WORKINGS | ANSWER |
| | |
| | |
| Stock turnover rate | |
| WORKINGS | ANSWER |
| | |
| | |
| Interim dividend per share | |
| WORKINGS | ANSWER |
| | |
| | |

3

4

3

| |
|--------------------|
| TOTAL MARKS |
| |
| 35 |



QUESTION 3

3.1 Profitability:

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well.

| |
|---|
| |
| 4 |

3.2 Dividends pay-out policy:

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point.

| |
|---|
| |
| 3 |

3.3 Earnings and returns:

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures.

| |
|---|
| |
| 4 |



3.4 Financing strategies and gearing:

Refer to Information C.

The directors decided to buy new fixed assets in 2024 to enhance the company. Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures.

4

Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures.

6



3.5 Grant Waters' % shareholding, rights issue and shares repurchased:

Calculate:

Refer to Information B.

The number of shares that Grant bought through the rights issue on 31 October 2023

| WORKINGS | ANSWER |
|----------|--------|
| | |

| |
|---|
| |
| 3 |

Grant's % shareholding after the rights issue on 29 February 2024

| WORKINGS | ANSWER |
|----------|--------|
| | |

| |
|---|
| |
| 5 |

The total amount that Grant spent on the shares he acquired through the rights issue

NOTE: No shares were repurchased during the financial year.

| WORKINGS | ANSWER |
|----------|--------|
| | |

| |
|---|
| |
| 4 |

Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures).

| |
|--|
| |
|--|

| |
|---|
| |
| 4 |



3.6 Role of the CEO:

Explain TWO characteristics that shareholders would expect of a good CEO.

| |
|---|
| |
| 4 |

Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures.

| |
|---|
| |
| 4 |

| |
|-------------|
| TOTAL MARKS |
| |
| 45 |



QUESTION 4

4.1 Explain the role of an independent external auditor. Provide ONE point.



| |
|---|
| |
| 2 |

4.2 Choose the correct word from those in brackets. Write the answer and explain your choice.

Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.

| AUDIT REPORT | EXPLANATION |
|--------------|-------------|
| | |

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| |
|---|
| |
| 2 |

4.3 What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points.

| |
|---|
| |
| 4 |



4.4

What are the implications of this audit report for the following:

- Directors
- Shareholders

State ONE point in each case.

| | IMPLICATIONS |
|--------------|--------------|
| Directors | |
| Shareholders | |

| |
|---|
| |
| 4 |

4.5

State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.

| |
|---|
| |
| 3 |

| |
|--------------------|
| TOTAL MARKS |
| |
| 15 |

TOTAL: 150

