



**LIMPOPO**

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF  
**EDUCATION**

CAPRICORN SOUTH DISTRICT

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**QUESTION PAPER**



**DATE OF ADMINISTRATION : 15 FEBRUARY 2023**

**DURATION : 1 HOUR**

**MARKS : 50**

**This question paper consists of 4 pages including the cover page**

**INSTRUCTIONS:**

1. This report should be administered in class under the supervision of an educator.
2. Answer all questions. A special Answer Book is provided in which to answer all questions.
3. Show all your workings.
4. The report should be completed without referring to study notes to avoid disparity between exam mark-average and SBA mark-average.
5. This is an individual activity.

Topic:	Content covered:
Companies	<ul style="list-style-type: none"><li>- Concepts</li><li>- Unique ledger accounts</li><li>- GAAP</li></ul>

**QUESTION 1****MALOPE LIMITED**

According to the records of the company, the company bought back ordinary shares during the previous financial year ended 28 February 2021.

During a meeting with shareholders, questions were raised which the directors could not clarify. A written report was then requested by the shareholders. As an accountant of Malope Limited, you had to respond to the director's request to compile a report. Report on the entire requests (1 – 9) from directors.

The directors requested a report on the following points:

No.	Points	Marks
1	Explain the following concepts to the shareholders: Authorised share capital, Issued share capital, Buy-back of shares Income tax and Retained Income	05
2	What could be the reason for the buyback of shares? Identify 04 possible reasons.	04
3	The directors requested a copy of the Ordinary Share Capital account and the Retained Income account in the general ledger. Prepare the two accounts as part of the report.	13
4	How did the accountant arrive at the average of R5 when 100 000 ordinary shares were bought back? Show all the necessary calculations in the report.	02
5	From which funds/accounts were the money retrieved to pay for the buyback of shares? Explain and provide amounts.	04
6	What was the total amount paid for buy-back? Show all calculations.	02
7	The shareholders did not understand how the accountant arrived at the total amount of R688 000 for the dividends on ordinary shares at the end of the financial year. Show all the relevant calculations.	06
8	The shareholders want to know why there are three Bank entries in the SARS (Income Tax) account and why can't the company just make one transfer of R420 000 during the year to save bank changes. Explain all the three entries and the amount of R420 000 in your report.	08
9	Clarify the following transactions to the shareholders of Malope Limited, by identifying and explaining the GAAP principle affected.	
	<b>Transactions</b>	
9.1	Interest paid on the loan of R17 500 is shown separately in the Income statement.	02
9.2	The company purchased a block of flats 5 years ago for R1 500 000, is now worth R5 000 000. The property is recorded as R1 500 000 on the Balance Sheet.	02
9.3	An amount of R1 800 which is due on the electricity bill at the end of the financial year, is included in the Income Statement.	02

**INFORMATION:**

As the accountant make use of the following to complete the report.

<b>1.2.1</b>	<b>NOTES TO THE BALANCE SHEET</b>			
	<b>Note 7: Ordinary Share Capital</b>			
	<b>Issued:</b>			
	2 000 000 ordinary shares on 1 March 2021		9 000 000	
	500 000 ordinary shares issued @R7 each (1 April 2021)			
	(100 000) ordinary shares bought back @R ? each ( 1 October 2021)			
	? ordinary shares on 28 Feb 2022			

<b>1.2.2</b>	<b>NOTES TO THE BALANCE SHEET</b>			
	<b>Note 8: Retained income</b>			
	Retained income on 1 March 2021		900 000	
	Net profit after tax ( 1 400 000 – 420 000)		980 000	
	100 000 Buy back shares@ R2 above the average price		(200 000)	
	Dividends on ordinary shares		(688 000)	
	Paid ( interim) ( ? x 0.08 c per share) (1 April 2021)			
	Declared ( final) ( ? x 0.22c per share)			
	Retained income on 28 February 2022		992 000	

<b>1.2.3</b>	<b>GENERAL LEDGER OF MALOPE LIMITED</b>									
<b>Dr.</b>		<b>SARS(INCOME TAX)</b>						<b>Cr.</b>		
2021 Mar	1	Bank	CPJ	250 000	2021 Mar	1	Balance	b/d	250 000	
2021 Aug	31	Bank	CPJ	210 000	2022 Feb	28	Income tax	GJ	420 000	
2022 Feb	25	Bank	CPJ	230 000			Balance	c/d	20 000	
				<b>690 000</b>					<b>690 000</b>	
2022 Mar		Balance	b/d	20 000						

**TOTAL MARKS: 50**



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GRADE 12

ANSWER BOOK

ACCOUNTING

WRITTEN REPORT

Stanmorephysics.com  
TERM 1 SBA TASK 1

NAME OF A LEARNER:

NAME OF SCHOOL:

QUESTION	MARKS	MARKS OBTAINED	INTERNAL MODERATION	EXTERNAL MODERATION
TOTAL	50			

This Answer Book consists of 4 pages including the cover page

**QUESTION 1**

**COMPANIES**

**BUY-BACK OF SHARES, LEDGER ACCOUNTS AND GAAP.**

**MALOPE LIMITED for the year-ended 28 February 2021.**

Points	
1.	<p><b>Explanation of concepts:</b></p> <p>Authorised share capital -</p> <p>Issued share capital-</p> <p>Buy-back of shares -</p> <p>Income tax -</p> <p>Retained Income-</p>
2.	<p><b>What was the reason for the buyback of shares? Identify 04 possible reasons.</b></p>

05

04

3.	<p>The directors also requested a copy of the Ordinary Share Capital account and the Retained Income account in the general ledger. Prepare the two accounts.</p>						
<p><b>ORDINARY SHARE CAPITAL ACCOUNT</b></p>							
Date	Details	Fol.	Amount	Date	Details	Fol	Amount

07

**RETAINED INCOME**

Date	Details	Fol.	Amount	Date	Details	Fol.	Amount

06

<b>4.</b>	<b>Indicate how the accountant arrived at the average price of R5 when 100 000 ordinary shares were bought back? Show all the calculations.</b>
<b>5.</b>	<b>From which funds were the money retrieved to pay for the buyback of shares? Explain and provide amounts.</b>
<b>6.</b>	<b>What was the total amount paid for buy-back? Show all calculations.</b>

02

04

02

7.	<p>The shareholders did not understand how the accountant arrived at the amount of R688 000 for the dividends on ordinary shares at the end of the financial year. Show all the relevant calculations.</p>	06
8.	<p>The shareholders want to know why there are three Bank entries in the SARS (Income Tax) account and why can't the company just make one transfer of R420 000 during the year to save bank charges. Explain all the three entries and the amount of R420 000 in your report.</p>	08
9.	<p>Clarify the following transactions to the shareholders of Malope Limited, by identifying and explaining the GAAP principle affected.</p>	
<b>No</b>	<b>Transactions</b>	
9.1	<p>Interest paid on the loan of R17 500 is shown separately in the Income statement.</p>	
	<p><b>GAAP Principle:</b></p> <p><b>Explanation:</b></p>	02
9.2	<p>The company purchased a block of flats 5 years ago for R1 500 000, is now worth R5 000 000. The property is recorded as R1 500 000 on the Balance Sheet.</p>	
	<p><b>GAAP Principle:</b></p> <p><b>Explanation:</b></p>	02
9.3	<p>An amount of R1 800 which is due on the electricity bill at the end of the financial year, is included in the Income Statement.</p>	
	<p><b>GAAP Principle:</b></p> <p><b>Explanation:</b></p>	02





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**GRADE 12**

**MARKING GUIDELINE**

**ACCOUNTING**

**WRITTEN REPORT**

*Stanmorephysics.com*

**TERM 1 SBA TASK 1**

**This question paper consists of 4 pages including the cover page**

**Question 1 COMPANIES**

**BUY-BACK OF SHARES, LEDGER ACCOUNTS AND GAAP.**

No.	Points	Marks
1.	<p>Explanation of concepts:</p> <ul style="list-style-type: none"> <li>• Authorised Share Capital - It is the number of shares that the company is allowed to issue. ✓</li> <li>• Issued share capital -The number of shares the company has actually issued ✓</li> <li>• Buy-back of shares – when a company buys back its own shares at the market ✓</li> <li>• Income tax – Tax payable to SARS at the end of the financial year ✓</li> <li>• Retained Income- Income not distributed at the end of the year ✓</li> </ul>	05
2.	<p>What was the reason for the buyback of shares? Identify 04 possible reasons.</p> <p>Any 4 reasons ✓ ✓ ✓ ✓</p> <ul style="list-style-type: none"> <li>• To ensure that the market is not flooded with the same type of shares.</li> <li>• To increase EPS- reduce the number of shareholders and number of shares.</li> <li>• Dissatisfied shareholders might wish to withdraw for personal reasons.</li> <li>• Reduction in the number of shareholders could result in bigger return for remaining shareholders.</li> <li>• To adjust the debt-equity ratio.</li> <li>• Heirs of a deceased estate might not wish to become shareholders of the company.</li> </ul>	04

3.	The directors also requested a copy of the Ordinary Share Capital account and the Retained Income account in the general ledger. Prepare the two accounts.							13	
<b>ORDINARY SHARE CAPITAL ACCOUNT</b>									
Date		Details	Fol.	Amount	Date		Details	Fol	Amount
2021 Oct.	01	Bank(5 x 100 000) ✓	CPJ	500 000 ✓	2021 March	01	Balance	b/d	9 000 000 ✓
2022 Feb.	28	Balance	c/d	12 000 000 ✓	2021 April	01	Bank(7x 500 000) ✓	CRJ	3 500 000 ✓
				<b>12 500 000</b>					<b>12 500 000</b>
					2022 March	01	Balance	b/d	12 000 000 ✓
<b>RETAINED INCOME</b>									
Date		Details	Fol	Amount	Date		Details	Fol	Amount
2021 Oct.	01	Bank	CPJ	200 000 ✓	2021 March	01	Balance	b/d	900 000 ✓
2022 Feb.	28	Balance	c/d	992 000 ✓	2022 Feb.	28	Appropriati on account	GJ	292 000 ✓ ✓
				<b>1 192 000</b>					<b>1 192 000</b>
					2022 March	01	Balance	b/d	1992 000 ✓

Alternative methods:

RETAINED INCOME							
Date	Details	Fol	Amount	Date	Details	Fol	Amount
2021 Oct. 01	Bank	CPJ	200 000✓	2021 Mar. 01	Balance	b/d	900 000✓
2022 Feb. 28	Appropriation account	c/d	900 000✓	2022 Feb. 28	Appropriation account	GJ	1 192 000✓
2022 Feb. 28	Balance	c/d	992 000✓				
			<b>2 092 000</b>				<b>2 092 000</b>
				2022 Mar. 01	Balance	b/d	992 000✓

RETAINED INCOME							
Date	Deetails	Fol	Amount	Date	Details	Fol.	Amount
2021 Oct. 01	Bank	CPJ	200 000✓	2021 Mar. 01	Balance	b/d	900 000✓
2022 Feb. 28	Appropriation account	GJ	700 000✓	2022 Feb. 28	Appropriation account	GJ	992 000✓
2022 Feb. 28	Balance	c/d	992 000✓				
			<b>1 892 000</b>				<b>1 892 000</b>
				2022 Mar. 01	Balance	b/d	992 000✓

4.	Indicate how the accountant arrived at the average price of R5 when 100 000 ordinary shares were bought back? Show all the calculations.	02
	$9\,000\,000 + 3\,500\,000 = 12\,500\,000 \checkmark / 2\,500\,000 \checkmark = R5 \text{ per share}$	
5.	From which funds were the money retrieved to pay for the buyback of shares? Explain and provide amounts.	04
	<p>Explanation ✓ ✓ figures ✓ ✓</p> <ul style="list-style-type: none"> <li>The money to buy back shares can only be retrieved from Ordinary share capital and Retained Income account. Ordinary share capital account can only be reduced at Average price being R500 000 and the rest of the money R200 000 will be funded by the Retained income account.</li> </ul>	
6.	What was the total amount paid for buy-back? Show all calculations.	02
	<ul style="list-style-type: none"> <li><math>500\,000 + R200\,000 = R700\,000 \checkmark \checkmark</math></li> </ul>	

7.	<b>The shareholders did not understand how the accountant arrived at the amount of R688 000 for the dividends on ordinary shares at the end of the financial year. Show all the relevant calculations.</b>	<b>06</b>
	<ul style="list-style-type: none"> <li>Final dividends Declared: (2 000 000 + 500 000) 2 500 000 shares – 100 000 = 2 400 000 shares 2 400 000 ✓ x 0.22 cents ✓ = R528 000 ✓</li> <li>Interim dividends Paid: 2000 000 ✓ x 0,8 ✓ = 160 000 ✓ = 528 000 + 160 000 = 688 000</li> </ul>	
8.	<b>The shareholders want to know why there are three Bank entries in the SARS (Income Tax) account and why can't the company just make one transfer of R420 000 during the year to save bank changes. Explain all the three entries and the amount of R420 000 in your report.</b>	<b>08</b>
	<ul style="list-style-type: none"> <li>The first entry on the 1 March 2021 was the payment due for the amount owing to SARS at the beginning of the year. ✓✓</li> <li>The second entry is for the first provisional tax payment that is due within 6 months. This is payment in advance towards the possible Income tax at the end of the year. The amount is estimated based on the income tax amount of the previous year. ✓✓</li> <li>The third entry is the second provisional tax payment that must be paid by the end of the financial year. ✓✓</li> <li>The amount of R420 000 being the income tax for the year cannot be paid during the year because this amount is only known after the net profit is calculated at the financial year. ✓✓</li> </ul>	
9.	<b>Clarify the following transactions to the shareholders of Malope Limited, by identifying and explaining the GAAP principle affected</b>	
<b>No</b>	<b>Transactions</b>	<b>Marks</b>
9.1	Interest paid on the loan of R17 500 is shown separately in the Income statement.	
	<ul style="list-style-type: none"> <li>Materiality principle ✓ Material items must be shown explicitly on the face of the financial statements. ✓</li> </ul>	02
9.2	The company purchased a block of flats 5 years ago for R1 500 000, is now worth R5 000 000. The property is recorded as R1 500 000 on the Balance Sheet.	
	<ul style="list-style-type: none"> <li>Historical cost principle. ✓ Assets are shown at their original cost price in the Balance Sheet irrespective of their current worth/value. ✓</li> </ul>	02
9.3	An amount of R1 800 which is due on the electricity bill at the end of the financial year, is included in the Income Statement.	
	<ul style="list-style-type: none"> <li>Matching principle. ✓ All expenses and incomes must be allocated to the appropriate year so that calculation of profit for the year is done accurately. ✓</li> </ul>	02