



ACCOUNTING

LEARNERS WORK-BOOK TERM: 1

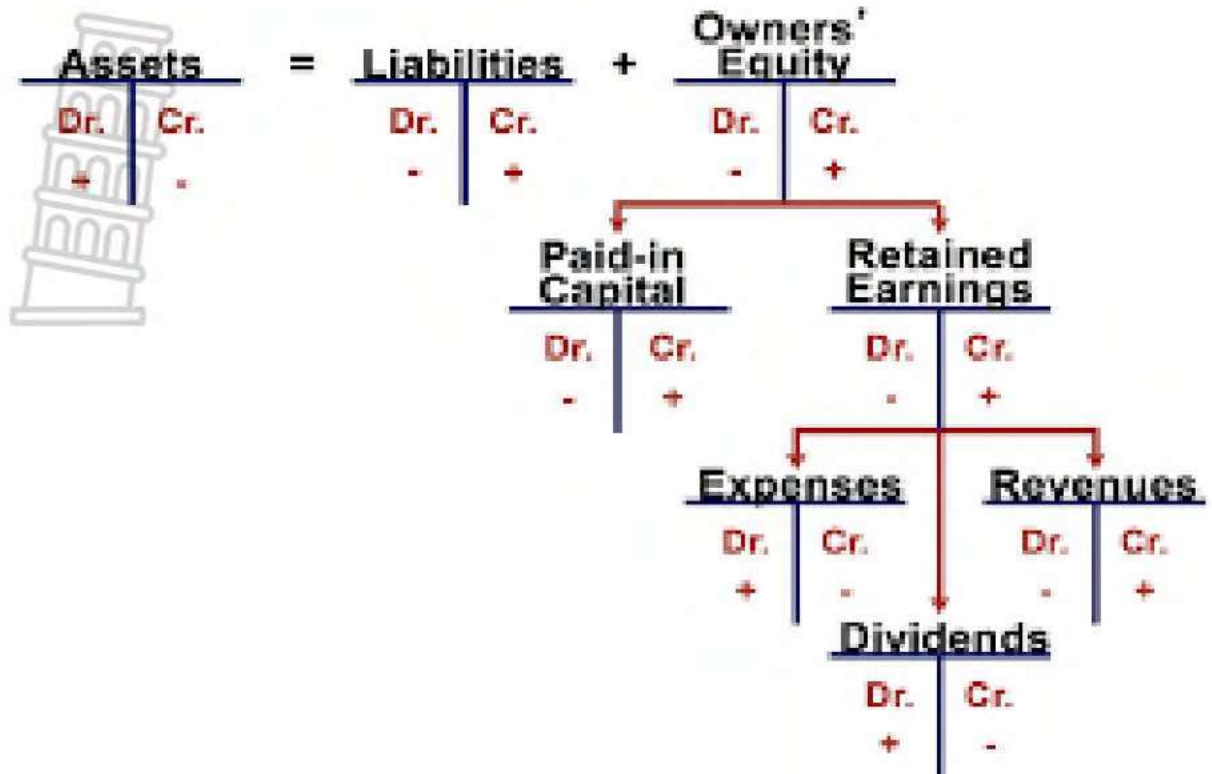
ACADEMIC YEAR: 2024

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ACCOUNTANTS
do it without
losing their
BALANCE



“Only accountants can save the world - through peace, goodwill and reconciliations.”



COMPANIES TERMS AND CONCEPT

NO	CONCEPTS	EXPLANATION
1.	Public company	Owned by the shareholders who are members of the general public and trade shares publicly.
2.	Shareholders	Are the owners of the Entity or Business
3.	Prospectus	Document offering shares to the shareholders
4.	Authorised share capital	The total number of shares that the company is allowed to issue to the public as stipulated in Articles of Association.
5.	Issued share capital	The number or amount of shares issued to the public.
6.	Unissued share capital	The total number of shares not yet issued to the public.
7.	Buy-back of shares Or share Buy-back	A Company or Entity buy-back of shares, also known as a "Shares Repurchase", is a company's buying back its shares from the marketplace. You can think of a buy-back as a company investing in itself or using its cash to buy its own shares.
8.	Interim dividends	Dividends Declared and paid during the financial year.
9.	Final dividends	Dividends declared at the end of the financial year but not yet been paid, and will be paid at the beginning of the next of the financial year.
10.	Total dividends for the year	Interim dividends plus the Final dividends.
11.	Provisional income tax	Income tax paid during the financial year to SARS (it's an advance).
12.	Income tax	Amount of net profit that must be paid over to SARS.
13.	Internal auditor	Employed by the company and is responsible for all internal controls and checks. Report to the directors.
14.	External auditor	Independent and has to verify that the financial statements are fair reflection of the affairs of the company. Report to the shareholders.
15.	Unqualified report	A good report.
16.	Qualified	Not a good report-where there material problems exists.
17.	Disclaimer	Expressed where there is an inability to verify transactions-unable to express an opinion.
18.	Cash-flow statement	It is a statement that reflects the flow of money within and outside the business over a specific period of time.
19.	Directors fee	Salaries and wages of the directors.
20.	Audit fee	Salaries and wages of the Auditors.
21.	Directors	They are directly appointed by the shareholders.

QUESTION: 1**Class work no: 1****Date:.....**

Match the following concepts in Column A with the correct explanations given in the Column B. write down only the letter corresponding to your choice next to the question number (14)

NO	COLUMN A		COLUMN B
1.1	Buy-back of shares Or share Buy-back	A.	Owned by the shareholders who are members of the general public and trade shares publicly.
1.2	Interim dividends	B.	Are the owners of the Entity or Business
1.3	Final dividends	C.	The total number of shares that the company is allowed to issue to the public as stipulated in Articles of Association.
1.4	Directors	D.	A Company or Entity buy-back of shares, also known as a "Shares Repurchase", is a company's buying back its shares from the marketplace. You can think of a buy-back as a company investing in itself, or using its cash to buy its own shares.
1.5	Public company	E.	Dividends Declared and paid during the financial year.
1.6	Shareholders	F.	Dividends declared at the end of the financial year but not yet been paid, and will be paid at the beginning of the next of the financial year.
1.7	Authorised share capital	G.	They are directly appointed by the shareholders.

NOTES**Generally Accepted Accounting Practice (GAAP)**

You have already studied these principles in grades 10 and 11. Accountants have to produce financial statements by using the principles of GAAP (Generally Accepted Accounting Practices). Just to refresh your memory:

GAAP PRINCIPLES**Materiality principle**

All information that is **important or material** must be shown separately in the financial statements.

Information that is not important (not material) can be added together.

Errors will only be **corrected if it has a material (substantial) effect** on the results of the financial year.

Historical cost principle

Assets must be recorded in the financial records of the business at the price paid (**cost price**) and not at the amount the owner would receive (market value) if the assets were to be sold.

Business entity principle

The accounting records of the business must be **kept separate** from the accounting records of the owner of the business.

Matching and Accrual principle**Accrual**

Income earned during a particular financial period and the expenses incurred, must be brought into account during the specific financial period **when they occur** (take place) and not when the cash for the transaction is received or paid.

Matching

If an expense has been incurred to produce income, these two items must be matched against each other in the same financial statements.

Prudence principle

Transactions must be recorded in the way that has a more **conservative** result.

The accountant must rather understate than overstate profits if there is uncertainty.

The accountant will not record any possible income that the business might earn unless it can be proved that it has been earned beyond all doubt.

Going concern principle

Assets are recorded in the balance sheet with the assumption that the entity **will continue to operate** in the foreseeable future.

Consistency principle

The entity must deal with **similar transactions in the same way** from one financial year to another.

QUESTION: 2

Class work no: 2

Date:.....

Match the following GAAP concepts in Column A with the correct explanations given in the Column B. write down only the letter corresponding to your choice next to the question number. (12)

No	COLUMN A		COLUMN B
2.1.	Matching	A.	The financial affairs of a business must be kept separately from the personal financial affairs of the owner.
2.2.	Historical	B.	This concept is based on the concept that the business will continue to operate in the future.
2.3.	Going concern	C.	Income earned and expenses incurred must be reported in the same financial period so that the correct net profit is calculated.
2.4.	Prudence	D.	Financial statements must disclose items that are important to the users/readers so that correct evaluations and decisions can be made from the information provided.
2.5.	Business Entity	E.	Land and buildings are reflected at a cost price of R900 000 in the financial statements although the market price is R2000 000.
2.6.	Materiality	F.	All possible losses are recorded in the Income statement but anticipated profits are not reported until they are realised.

QUESTION: 3

Class work no: 3

Date:.....

Complete the following statement with the GAAP principle applied. To match the statement. (13)

STATEMENT	PRINCIPLE
Rent has been received for 13 months. Rent for 12 months is shown in the Income Statement.	
The owner of the business wins R2 000 in a competition. This is not shown in the Income Statement of the business.	
Land and buildings are shown in the Balance Sheet at R500 000, although the market value is estimated at R800 000.	
Trading stock is shown in the Balance sheet at R10 000 but the business would only get R7 000 if the stock were to be sold at a flea market the next day.	
Cleaning materials bought for R25 are shown as part of Sundry Operating Expenses in the Income Statement.	
A business records sales of goods for R12 000. At the same time they record the cost of sales and the cost of the advertisement that led to these sales.	
The financial seriousness of the entry must always be considered – a kettle costing R100 may last for more than a year, but it would not be classified as a non-current asset.	
Profits should not be overstated and loss must not be understated.	
A company has bought this property for R1 million in year 2003 but now the property has appreciated to R5 million. The company is recording the property at R1 million.	
Which principle directs a company to show all expenses related to its revenue of a specified period even if the expenses were not paid in that period?	
A company borrowed R60 000 on December 1, 2015 and will make its payment for interest only when the loan is paid off on June 1, 2016. The total interest for the six months will be R6 000. On the December 2015 income statement the accountant reported interest expense of R1 000.	
For the December year-end close, the utilities bills have not been received for the month of November and December. However, based on previous average month trends, utilities expenses for November and December is estimated at R20 000 x 2 = R40 000.	
Once a particular financial period is adopted by a business, it is not changed from one period to the next period.	

QUESTION: 4

Class work no: 4

Date:.....

REQUIRED:

- 4.1. Calculate the Average Issue Price (**AIP**) (2)
- 4.2. Calculate the total Amount of Shares bought back at an Average Issue Price (2)
- 4.3. Calculate the Price above the Average Issue Price (**PAIP**) (3)
- 4.4. Calculate the Total Amount of shares bought back at a Price above Average Issue Price (**PAIP**). (2)
- 4.5. Calculate the Total Amount bought Back (3)

4.6. Complete the following ledger accounts:

Balances on 01-March 2016

1 Ordinary share capital account	R1 600 000 (500 000)	(8)
2 SARS(income tax) account	R5 000 (Dr)	(8)
3 Shareholders for dividends	R40 000	(4)
4 Retained Income	R 600 000	(8)
5 Income tax		(2)
6 Dividends on ordinaryshares		(3)
7 Appropriation account		(5)

INFORMATION:

Kima Traders Ltd. Had an authorised share capital of 1 000 000 shares. 800 000 shares were issued to the public.

Transactions during the financial year:

2016 March 20	<ul style="list-style-type: none"> <input type="checkbox"/> Paid the amount owing to the Shareholders, R40 000 <input type="checkbox"/> No amount was owing to SARS for income tax due to the overpayment of provisional tax payments during the previous financial year.
28 June 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Issued additional 300 000 shares at R3 per share
2016 August 31	<ul style="list-style-type: none"> <input type="checkbox"/> Paid the provisional tax of R45 000 to SARS <input type="checkbox"/> Directors declared an interim dividend of 8 cents per share (800 000 x .08c) and electronic transfer's payments were done to all shareholders on the same day.
30 November 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Directors bought back 40 000 shares from existing shareholders at @ R5 per share.
2017 January 31	<ul style="list-style-type: none"> <input type="checkbox"/> Paid the second provisional tax of R45 000 to SARS
Feb 28	<ul style="list-style-type: none"> <input type="checkbox"/> The Net profit for the year was R1 100 000 and the income tax is calculated at 30% on the net. <input type="checkbox"/> The directors recommended and declared a dividend of 32c per share

Question: 5

ACTIVITY NO: 5

Date:.....

Required

5.1. Use the following information to prepare the following accounts in the ledger of REATLEGILE Ltd for the accounting period ended 28 February 2021.

5.1.1. Ordinary share capital	[8]
5.1.2. Retained income	[9]
5.1.3. Shareholders for dividends	[5]
5.1.4. SARS (Income tax)	[12]
5.1.5. Income tax	[2]
5.1.6. Dividends on ordinary shares	[4]
5.1.7. Appropriation account	[6]

5.2. Complete the statement of financial position for the year ended 28 February 2021

[8]

5.3. Complete the Incomplete Accounting Equation (**A = O/E + L**)

[10]

INFORMATION

The authorised share capital of REATLEGILE Ltd comprised 4 000 000 ordinary shares.

At the beginning of the current accounting period, 1 March 2020, the following balances appeared in the Ledger:

- ❖ Ordinary share Capital R2 880 000 (2 400 000 shares)
- ❖ Retained income R550 000
- ❖ SARS (Income tax) R 8 000 (**credits**)
- ❖ Shareholders for dividends R135 000

Note: the amounts owed to SARS and the shareholders were paid on 01-April 2020

On the 01-May the Directors issued further 300 000 ordinary shares at an issue price of 201 cents each.

On 02 August 2020, Directors declared and paid the interim dividends of 16 cents per share.

On the 01-September 2020, the company made the first provisional tax payment of R237 000 was made.

On 30-December 2020, the second provisional tax payment R237 000 was made.

On the 02-January 2021 the Directors bought back 80 000 shares at R2.00 per share

After completion of the audit, the following was determined:

- Net profit for the year: R 2 050 000.
- Income tax for the year is calculated at 30% of the Net profit.
- Final dividend declared: 30 cents per share.

REVISION TEST: 1

Weekly test no 1

DATE:.....

Question: 1

Accounting concepts and accounting equation (30 marks: 18 min)

1. Briefly explain what is meant by:
 - 1.1 Issue price (2)
 - 1.2 Share capital (2)
 - 1.3 Retained income (2)
 - 1.4 Interim dividend (2)
 - 1.5 Final dividend (2)

2. Give two reasons why will a company buy back its shares. (2)

Question: 2

Accounting equation (18 marks)

Example: Issued cheque to pay rent R5 000.

No	General ledger		Effects on accounting equation			
	Acc to be debited	Acc to be credited	Amount	A	O	L
e.g	Rent expense	Bank	5000	-	-	0

Transactions:

1. The company issued shares 50 000 for R2 at the beginning of the financial year and R100 000 was received.
2. The amount due to SARS for previous year was paid R5 400.
3. The company decided to buy back 5 000 share at a price of R3,50 from a shareholder.

Question: 6

ACTIVITY NO: 6

Date:.....

Required

6.1. Use the following information to prepare the following accounts in the ledger of PHELETSO Ltd for the accounting period ended 28 February 2021.

6.1.1. Ordinary share capital	[8]
6.1.2. Retained income	[9]
6.1.3. Shareholders for dividends	[5]
6.1.4. SARS (Income tax)	[12]
6.1.5. Income tax	[2]
6.1.6. Dividends on ordinary shares	[4]
6.1.7. Appropriation account	[6]

6.2. Complete the following notes of the statement of financial position for the year ended 28 February 2021

- Ordinary share capital [8]
- Retained income [9]

6.3.. Complete the statement of financial position for the year ended 28 February 2021 [8]

6.4. Complete the Incomplete Accounting Equation (**A = O/E + L**) [10]

INFORMATION

The authorised share capital of PHELETSO Ltd comprised 5 000 000 ordinary shares.

At the beginning of the current accounting period, 1 March 2020, the following balances appeared in the Ledger:

- ❖ Ordinary share capital R 4 500 000 (1 000 000 shares)
- ❖ Retained income R760 000
- ❖ SARS (Income tax) R 20 000 (**credits**)
- ❖ Shareholders for dividends R40 000

Note: the amounts owed to SARS and the shareholders were paid on 01-April 2020

On the 01-May the Directors issued further 500 000 ordinary shares at an issue price of R3 each.

On 02 July 2020, Directors declared and paid the interim dividends of 15 cents per share.

On the 01-August 2020, the company made the first provisional tax payment of R212 250 was made.

On 30-December 2020, the second provisional tax payment R212 250 was made.

On the 02-January 2021 the Directors bought back 70 000 shares at R4.80 per share

After completion of the audit, the following was determined:

- Net profit after tax for the year: R 1 050 000.
- Income tax for the year is calculated at 30% of the Net profit.
- Final dividend declared: 20 cents per share.



Question: 7

ACTIVITY NO: 7

Date:.....

Required

7.1. Use the following information to prepare the following accounts in the ledger of KAMOGELO Ltd for the accounting period ended 28 February 2021.

- | | |
|-------------------------------------|------|
| 7.1.1. Ordinary share capital | [9] |
| 7.1.2. Retained income | [9] |
| 7.1.3. Shareholders for dividends | [5] |
| 7.1.4. SARS (Income tax) | [12] |
| 7.1.5. Income tax | [2] |
| 7.1.6. Dividends on ordinary shares | [4] |
| 7.1.7. Appropriation account | [6] |

7.2. Complete the following notes of the statement of financial position for the year ended 28 February 2021

- Ordinary share capital [9]
- Retained income [9]

7.3. Complete the statement of financial position for the year ended 28-February 2021 [8]

7.4. Complete the Incomplete Accounting Equation ($A = O/E + L$) [10]

INFORMATION

The authorised share capital of KAMOGELO Ltd comprised 5 000 000 ordinary shares.

At the beginning of the current accounting period, 1 March 2020, the following balances appeared in the Ledger:

- ❖ Ordinary share capital R 3 600 000 (1 200 000 shares)
- ❖ Retained income R640 000
- ❖ SARS (Income tax) R 11 000 (**credits**)
- ❖ Shareholders for dividends R138 000

Note: the amounts owed to SARS and the shareholders were paid on 01-April 2020

On the 20-April the Directors issued further 800 000 ordinary shares at an issue price of R4 each.

On 02 July 2020, Directors declared and paid the interim dividends of 15 cents per share.

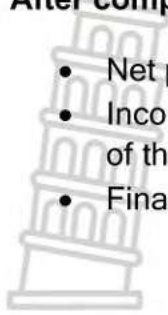
On the 01-September 2020, the company made the first provisional tax payment of R230 000 was made.

On 25-December 2020, the second provisional tax payment R180 000 was made.

On the 03-January 2021 the Directors bought back 200 000 shares at R3.80 per share

After completion of the audit, the following was determined:

- Net profit before tax: R?
- Income tax for the year amounted to R 390 000 for the year, which was 30% of the Net profit.
- Final dividend declared: 22 cents per share.



QUESTION: 8**CLASS-ACTIVITY: 8****DATE:.....**

You are provided with the information relating to Mini Limited for the financial year ended 30-June-2017.

REQUIRED:

8.1.1. Briefly explain why a company has to have 'Limited' or 'Ltd' in its name. [4]

8.1.2. Why is it important for the business to keep the retained? [2]

8.1.3. Analyse the transactions for the current financial year in the table provided.

Show the account debited, the account credited and the effect on the Accounting equation (put a '+' before the amount if it increased, a '-' before the Amount if it decreased and a '0' if there is no effect). [20]

8.2. Prepare the following notes of the Balance sheet:

8.2.1. Ordinary share capital [6]

8.2.2. Retained income [7]

8.3. The company plans to issue the remaining unissued shares next year. How many shares will the company issue? [4]

BACKGROUND INFORMATION AND OPENING BALANCES:

- The business started in 2015 with an authorised share capital of **1 000 000** ordinary shares.
- By 01-July-2016, the start of the current financial year, the business had issued **500 000** of these shares at an issue price of **R 3.60c** per share.

Transactions for the year ended 30-June-2017

Example: Audit fee of R22 500 were paid.

1. Further 250 000 ordinary shares were issued at R 4.80c per share.
5. Interim dividends of 30c per share were declared and paid to the Shareholders.
6. 150 000 shares were bought back at R4, 85c per share.
7. The company made the first and second Provisional tax payments totalling to R 250 000 and were paid to SARS.
10. The net profit after tax is R910 000 at end (**NOTE:** the rate of tax is 30% of the net profit) (**Journalise only the Income Tax**)
12. Final dividend of 25%, were declared at the end of the financial year.

REVISION TEST 2

WEEKLY TEST NO 2

Company ledger accounts

(22 marks: 13min)

Amigo Limited was registered a few years ago with an authorised share capital of 300 000 ordinary shares.

Use the following information below to prepare the following ledger accounts.

- a. Ordinary share capital (6)
- b. SARS - Income tax (8)
- c. Appropriation account (8)

Balances on 1 March 2009

- Ordinary share capital (1 600 000) R 3 200 000
- Retained income R 1 600 000
- SARS Income tax R 60 000 **CR**

Transactions:

1. On the 1 March 2009 the company issued further 900 000 ordinary shares at R3 this was not recorded.
2. At the beginning of the financial year a cheque was issued to SARS to pay amount due.
3. The company paid provisional tax of R400 000 on the 31 March 2009.
4. An interim dividends of 40 cents per share was declared and a cheque was issued. Only shares that were issued in the previous financial year qualifies for the interim dividends.
5. A second provisional tax payment of R 400 000
6. A final dividends of 30 cents per share was declared
7. The director decided to buy back 400 000 ordinary shares at R5 per share.
8. The net profit for the year before tax amounted to R3 000 000.
9. Income tax is calculated at 30% Of net profit.

QUESTION: 9

CLASS-ACTIVITY: 9

DATE:.....

Companies

LEMBEDE LTD

You are provided with information relating to Lembede Ltd for the financial year ended 30 June 2017.

REQUIRED:

- 9.1. Prepare the Ordinary share capital note of the Balance sheet (8)
- 9.2. Prepare the Retained income note of the Balance sheet. (10)
- 9.3. Calculate buyback of shares at an Average Issue Price (AIP) (2)
- 9.4. Complete the statement of financial position for the year ended 30 June 2017 [8]

INFORMATION:

A. SHARE CAPITAL:

- 1 000 000 ordinary shares were in issue on 30 June 2016, the end of the previous financial year.
- 400 000 ordinary shares were issued on 1 July 2016.
- 120 000 ordinary shares were repurchased on 31 December 2016 from the estate of a shareholder who had died. The shares were repurchased at R2, 60 above the average issue price.

B. Extract from Income Statement for the year ended 30 June 2017:

	R
Income tax	268 800
Net profit after tax	627 200

C. Extract from Balance Sheet on 30 June 2017:

	2017	2016
	R	R
Shareholders' equity	8 896 000	?
Ordinary share capital	?	5 000 000
Retained income	?	?

D. Dividends

- An interim dividend of 20 cents per share was paid on 30 November 2016.
- A final dividend of 10 cents per share was recommended on 30 June 2017. Shares repurchased on 30 June 2017 also qualify for final dividends.

QUESTION: 10

CLASS-ACTIVITY: 10

DATE:.....

NOTES



Jones Wholesalers Ltd is a general dealer. You are presented with their records on 28 February 2017, the end of their financial year.

REQUIRED:

- 10.1. Complete the following notes to the Balance Sheet on 28 February 2017:
 - Ordinary share capital (10)
 - Retained income (11)

- 10.2. Calculate the Total Income Tax Amount (2)

- 10.3. Complete the statement of financial position for the year ended 28-February-2017 [8]

INFORMATION

EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2017	
Balance sheet accounts	
Ordinary share capital (780 000 shares)	4 212 000
Retained income	872 000

- A. Income tax is calculated at 30% of net profit

- B. During June 2016 the company issued 15 000 new shares at R9,50. This transaction was correctly recorded.
On 26 January 2017 the company bought back 20 000 shares at R7,20. This transaction was not recorded.

- C. On 28 February 2017 a final dividend of 60c per share was declared. Only shares in issue on 28 February 2017 qualifies for the final dividend.

QUESTION: 11

CLASS-ACTIVITY: 11

DATE:.....

Will Traders Ltd

Will Traders sells herbal products in a large shopping centre. The information relates to the financial year ended 28 February 2017.

REQUIRED:

11.1. Complete the following notes to the Balance Sheet on 28 February 2017:

- Ordinary share capital (10)
- Retained income (10)

11.2. Provide a reason why the company has to keep the retained (2)

11.3. Complete the statement of financial position for the year ended 28-February-2017 [8]

A. Extract from the Income Statement for the year ended:

	28 Feb 2017
Net profit before tax	1 875 000
Net profit after tax	1 592 500

B. Extract from the Balance Sheet on:

	28 Feb 2017	29 Feb 2016
Shareholder's equity	?	?
Share capital	5 418 500	?
Retained income	?	1 933 000

INFORMATION

C. Share capital

- The authorised share capital is 2 500 000 shares.
- 48% of the authorised shares were in issue on 28 February 2016, the last day of the previous year.
- 100 000 new shares were issued for R510 000, on 1 March 2016, the beginning of the new financial year
- On 28 February 2017, 50 000 shares were repurchased at R6, 20 each. The average issue price of the shares on the repurchase date was R4, 33 per share.
- Total number of shares in issue on 28 February 2017 were 1 250 000.

D. Dividends

- The company paid an interim dividend of 30c per share on 1 December 2016.

QUESTION: 12

CLASS-ACTIVITY: 12

DATE:.....

You are provided with information relating to Pretorius Limited for the year ended 28 February 20.12

REQUIRED:

12.1 Prepare the following notes to the Balance Sheet on 28 February 20.12:

- 12.1.1 Ordinary share capital (12)
- 12.1.2 Retained income (12)

12.2. Complete the statement of financial position for the year ended 28-February-2012 [8]

INFORMATION:

A. The following figures were extracted from the accounting records at the end of the financial year on 28 February 20.12:

	R
Ordinary share capital	?
Retained income (1 March 20.11)	200 000

B. Shares issued

- The company has an authorised share capital of 3 000 000 shares.
- The business issued 60% shares at ? Per share during the previous year.
- Another 200 000 shares were issued on 1 May 20.11 at R6 per share. It was recorded properly.
- On 3 January 20.12 the business repurchase 80 000 shares from a shareholder at the **Price above Average Issue price of R0, 70**. This has been recorded properly.

C. Dividends.

- Interim dividends were paid on 30 September 20.11.
- Final dividends of R300 000 were declared on 31 January 20.12.

D. The Income Statement reflects:

- Net profit before tax, R781 200
- Income tax for the year, R234 000.

E. The following financial indicators apply to the Balance Sheet

- Net assets value per share **428cents** per share
- Dividends per share **28 cents** per share



FINANCIAL STATEMENTS: COMPANIES ACT NO. 71 of 2008
Preparing and presenting the financial statements

- The reporting function of a company is when the accountant prepares and presents the financial statements of the company.
- Thereafter the statements are analysed and interpreted so that the directors and shareholders can make business decisions.
- Financial statements must
 - State the affairs of the company
 - Show the assets, liabilities, equity, income and expenses
 - State whether they have been audited
- The financial statements comprise of:
 - Income Statement (now called the Statement of Comprehensive Income)
 - Balance Sheet (now called the Statement of Financial Position)
 - Cash Flow Statement
- Public companies must comply with the International Financial Reporting Standards (IFRS)
- The Act requires that the following items must be mentioned in the financial statements regarding directors:
 - Directors' remuneration
 - Directors' pensions
 - Loans to directors
 - Loans from directors

Who is interested in the financial statements?	
Owners	The shareholders of the company - is the company profitable?
Board of directors	Financial statements are used to make business decisions
Financial institutions who lend money to the business	Are there enough assets to cover the loans?
Employees and trade unions	Is the company profitable so that they could keep their jobs?
SARS	interested in the tax paid on the profits
Prospective investors	Will it be a good investment?
Creditors / Suppliers	Is the company creditworthy?

Roles of shareholders

Shareholders own the company. They make the most important decisions.

At the Annual General Meeting (AGM), the shareholders will be able to discuss and vote on such matters as:

- The adoption of the financial statements,
- The approval of the dividends recommended by the directors,
- The appointment of the directors themselves, and
- The appointment of the auditor.

It is important that they study the published financial statements

Roles of directors

The directors are appointed by the shareholders.

The board of directors should contain directors who are actually working in the day-to-day management of the company (i.e. executive directors).

The majority should be others who are independent of the company and are not full-time employees (i.e. non-executive directors).

The directors are required to:

- Appoint an independent auditor and report to the shareholders on the company's annual financial statements.
- -File annual returns with the registrar of companies.
- -Ensure that the financial statements are compiled and published timeously and that they comply with the requirements of the Companies Act, no 71 of 2008. It is their duty to ensure that fraud had not occurred.
- -Hold an annual general meeting of shareholders.
- -Hold extraordinary general meetings of shareholders to pass special resolutions; e.g. to change the authorised share capital.

When preparing financial statements

Apply the following when preparing financial statements

- GAAP principles
- IFRS

International Financial Reporting Standards (IFRS)

International Accounting Standards Board (IASB)

It is an independent body of accounting experts that plays a role in setting international accounting standards for professional accountants and auditors.

Their role is to develop International Financial Reporting Standards (IFRS).

International Financial Reporting Standards (IFRS)

They develop statements on how certain transactions should be reported in financial statements.

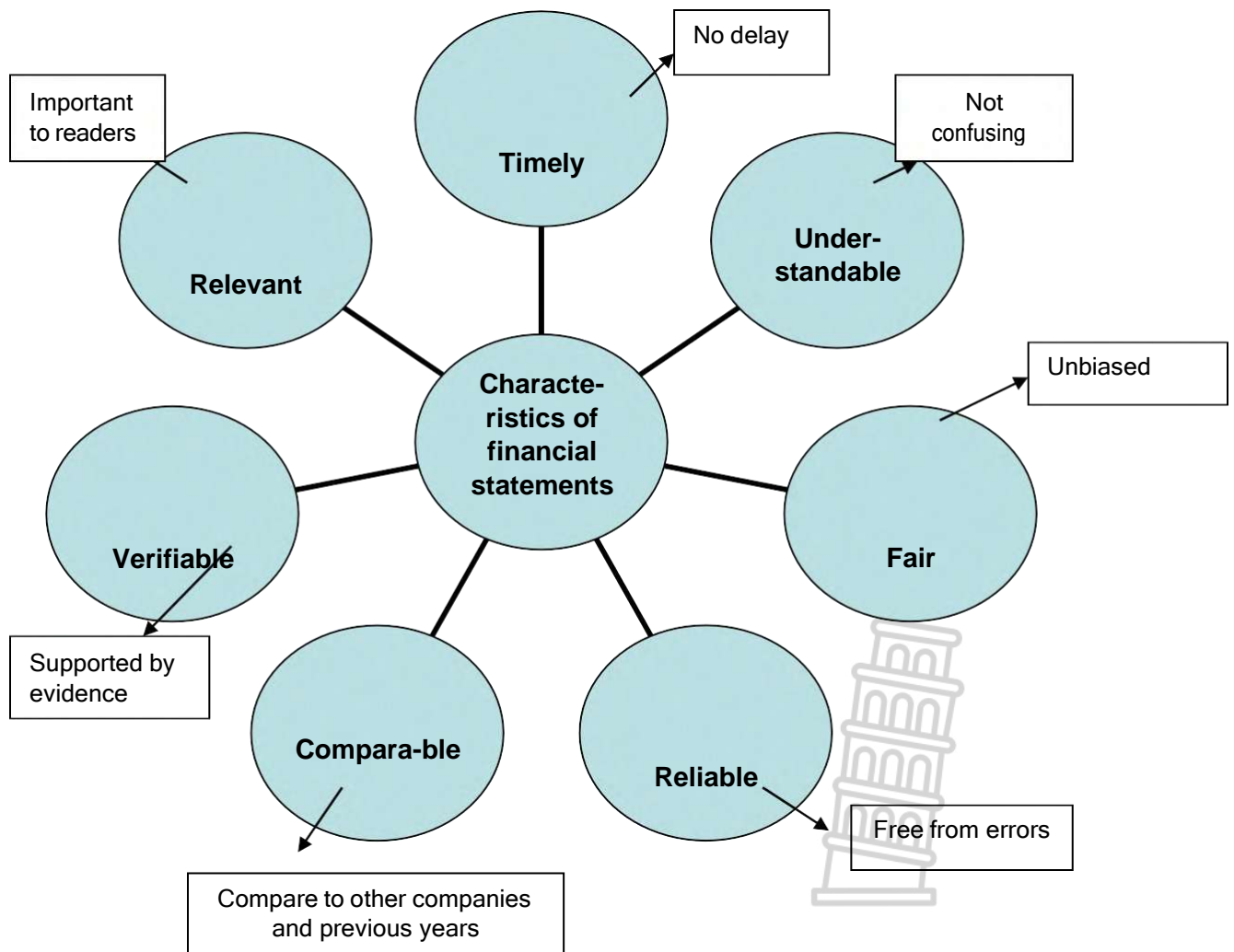
The goal is to set accounting standards across the world and to reduce the different ways of reporting.

Some topics addressed by this body:

- Treatment of tangible assets
- Inventory valuations

IFRS also covers the presentation of financial statements in the school curriculum.

According to the IFRS, financial statements should have the following characteristics:



What you should know about the Companies Act regarding Financial Statements and reporting

Solvency and liquidity

Solvency relates to the assets of the company, fairly valued, being equal to or exceeding the liabilities of the company, fairly valued.

Liquidity relates to the company being able to pay its debts as they become due in the ordinary course of business for a period of 12 months.

Shares

Par value shares only allowed for existing companies until the Minister, by regulation, provides for conversion to no par value shares and nominal value shares.
No "par value shares" - **will no longer apply** to new companies.

Share buybacks

Resolution by directors
Solvency and liquidity test
Resolution to approve share buyback must specifically acknowledge application and compliance with the solvency and liquidity test.

Subsidiaries may not own more than **10%** in aggregate of the shares of the (holding) company.
Subsidiaries may not exercise any voting rights attached to shares in the holding company.

Financial statements

Compliance with financial reporting standards prescribed in Regulations (IFRS or IFRS for SME's).

All companies must prepare annual financial statements within six months of its financial year end (likely to change to 12 months in the amendment Bill), which must be approved by the board and presented to the first shareholders meeting after such approval.

Signed by 1 authorised director.

Shareholders to receive a summary of annual financial statements, full statements to be made available electronically (on a website) or on request.

Summary financial statements may be issued.

The Act is characterised by flexibility, simplicity, transparency, corporate efficiency and regulatory certainty. It is drafted in plain language, and is not as detailed and rigid.

QUESTION: 13**CLASS-ACTIVITY: 13****DATE:.....**

The following information was extracted from the financial records of Woodhill Traders Limited. The company is authorised to sell 1 500 000 ordinary shares.

REQUIRED

10.1. Prepare the Statement of Comprehensive Income (Income Statement) for the year ended 30 June 2014.

INFORMATION**PRE-ADJUSTMENT TRIAL BALANCE OF WOODHILL TRADERS LIMITED ON 30 JUNE 2014**

Balance sheet accounts section	Debit	Credit
Ordinary share capital		1 828 500
Retained income (31/03/2014)		1 536 500
Mortgage bond: ABC Bank		320 000
Land and buildings	2 793 000	
Vehicles	520 000	
Equipment	308 000	
Accumulated depreciation on vehicles		156 000
Accumulated depreciation on equipment		170 500
Trading stock	481 230	
Consumable stores on hand (packing material 1 July 2013)	7 500	
Debtors control	180 500	
Provision for bad debts (1 July 2013)		9 000
Bank	250 920	
Petty cash	1 200	
Fixed deposit: XYZ Bank (8%)	310 000	
SARS (income tax)	70 000	
Creditors control		325 000
Nominal accounts section		
Sales		5 250 000
Cost of sales	3 510 000	
Debtors allowances	65 200	
Bad debts	4 320	
Interest on fixed deposit		12 430
Bad debts recovered		450
Packing material	11 550	
Advertising	180 900	
Rent income		88 440
Sundry expenses	25 600	
Salaries and Wages	350 000	
Directors' fees	384 000	
Audit fees	40 500	
Dividends on ordinary shares	202 400	
	9 696 820	9 696 820

Adjustments and additional information

1 A physical stock count revealed the following stock on hand on 30 June 2014:

- Trading stock R480 830
- Packing material R6 900

Note: The accountant forgot to reverse the consumable stores on hand on 1 July 2013.

2 Provide for outstanding interest on fixed deposit.

3 A debtor, who owed R12 000, has been declared insolvent. His estate paid 40 cents in the rand. This has been received and properly recorded. Write off the outstanding amount as irrecoverable.

4 Adjust the provision for bad debts to 5% of the outstanding trade debtors.

5 The tenant has paid rent until 31 July 2014. The rent was increased by R660 from 1 April 2014.

6 Provide for depreciation as follows:

- On vehicles at 15% p.a. on cost
- On equipment at 10% p.a. at the diminishing balance method.

New equipment for R24 000 was bought on 1 September 2013. This has been properly recorded.

7 The loan statement received from ABC Bank reflected the following:

Balance on 1 July 2013	560 000
Repayments of R20 000 p.m.	?
Interest	?
Balance on 3	376 000

Interest on loan is capitalized.

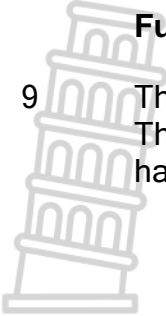
R150 00 of the loan will be repaid during the next financial year.

8 The Salary Journal for June 2014 was completed. The accountant had however forgotten to complete the postings to the General ledger accounts.

The Salary Journal revealed the following details:

Gross salaries	15 000
Deductions:	
Pension Fund	1 500
Medical Aid Fund	800
PAYE	2 800
Net salaries	9 900

The employer contributes on a rand-for-rand basis to the Pension Fund and the Medical Aid Fund.

- 
- 9 The following details are applicable to the shares issued:
The sale of additional shares and shares bought back by the company has been correctly recorded.
- 500 000 ordinary shares were in issue on 1 July 2013, the beginning of the financial year.
 - 90 000 additional shares were issued on 1 August 2013 at R4 each.
 - 10 000 shares were bought back on 31 March 2014 at R4 each.
- 10 Income tax was calculated at 30 of the net income for the year.
- 11 The directors declared a final dividend of 25 cent per share on 30 June 2014.



QUESTION: 14

CLASS-ACTIVITY: 14

DATE:.....

INCOME STATEMENT, NOTES TO BALANCE SHEET

You are provided with information relating to Grey Limited. The company sells TV game stations and repairs TV game stations for their customers.

REQUIRED:

14.1 Choose the correct word/s from those given below to complete the sentences:

working capital	Financial asset	Operating expense
Cash and cash equivalents	Operating profit	Borrowed capital
qualified	Finance cost	unqualified

14.1.1 The difference between current assets and current liabilities is referred to as ...

14.1.2 The audit report states: "With the exception of a few aspects, shareholders can rely on the figures in the financial statements." This will be regarded as a/an ... report.

14.1.3 Interest on the bank overdraft is classified as a/an

14.1.4 A fixed deposit which will mature in the next financial year will be regarded as part of ... in the Balance sheet. (4)

14.2 Prepare the Asset Disposal Account to record the sale of vehicles. **See information 7 and 8 under adjustments below.** (10)

14.3 Prepare the Income Statement (Statement of Comprehensive Income) for the year ended 30 June 2015. (51)

14.4 Prepare the following notes to the Balance Sheet:

14.4.1. Ordinary share capital (8)
 14.4.2. Retained income (12)

INFORMATION:

A. Figures extracted from the Pre-adjustment Trial Balance on 30 June 2015:

Ordinary share capital (1 July 2014)		R5 225 000
Retained income (1 July 2014)		770 000
Trading stock		197 000
Debtors control		85 000
Creditors control		78 800
Land and buildings		8 100 000
Vehicles		1 900 000
Equipment		600 000
Accumulated depreciation on vehicles		815 000
Accumulated depreciation on equipment		180 000
Mortgage loan from: Pinetown Bank		80 000
Medical aid fund		41 000
Pension fund		32 000
Provision for bad debts		4 200
SARS: PAYE		67 000
SARS: Income tax (provisional tax payment)	DR	140 000
Sales		3 600 000
Debtors allowances		12 800
Cost of sales		2 400 000
Rent income		93 800
Interest income		12 000
Interest expense		7 000
Salaries and wages		270 000
Bad debts recovered		600
Employers contribution to Pension Fund and Medical aid		72 000
Audit fees		21 000
Directors fees		420 000
Consumable stores		12 000
Insurance		48 000
Sundry expenses		?
Dividends on ordinary shares (interim)		R100 000

B Adjustments and additional information:

- A credit note issued to a debtor, Mpisane dated 27 June 2015 was not recorded in the books. The credit note was for:

 - Goods returned by Mpisane, R 7 200. The mark-up on goods sold was 50% on cost.
- No entries have been made for stock stolen on 7 June 2015. The insurance company has informed Grey Limited that they have transferred R42 000 into the business bank account in respect of the insurance claim. Grey Limited bears 20% of any stock loss.
- The physical stock count on 30 June 2015 revealed the following on hand:

 - Trading stock, R144 000
 - Consumable stores R3 000

4. An employee was left out of the Salaries Journal for June 2015. The details from his pay-slip were:

Gross salary	R10 000
PAYE deduction (18%)	R1 800
Pension deduction (7,5%)	R 750
Medical aid	R1 200
Net salary	R6 250

The business contributions were:

- Pension fund 10,5% of gross salary
- Medical aid : Rand-For-Rand basis

5. The provision for bad debts must be decreased by R340.
6. The tenant has paid his rent for July 2015 in advance. **NOTE:** The rent was increased by R700 on 1 April 2015 and that the premises were rented for the whole year.

7. An old vehicle was sold for R70 000 cash on 31 December 2014. The fixed asset register revealed the following regarding this vehicle:

Cost price	R 800 000
Accumulated depreciation on 1 July 2014	R 750 000

This transaction has not yet been recorded by the bookkeeper.

8. Make provision for depreciation as follows:
- Vehicles at 15% p.a. on cost price
 - Equipment at R39 500
9. The authorised share capital comprises 3 000 000 ordinary shares.
- There were 2 000 000 ordinary shares issued at the beginning of the financial year.
 - A further 250 000 new ordinary shares were issued on 1 May 2015 at R2,50 each. These shares qualify for final dividends.
 - The directors decided to buy back 10 000 shares from Z. Zondi at R3,10 per share. An electronic transfer was made for the full amount. Zondi is still entitled to final dividends.
10. Final dividends were declared at 10 cents per share.
11. After taking into account all adjustments the **Net profit** for the financial year amounted to: **Before tax** R500 000
After tax R350 000.

QUESTION: 15

Fixed Assets and Assets Disposal

CLASS-ACTIVITY: 15

DATE:.....

15.1 PKRMOO LTD

The following information relates to **PKRMOO Ltd**, the financial year ended **28 February 2019**.

REQUIRED:

- 15.1.1. Name two methods of calculating depreciations (2)
- 15.1.2. Complete fixed assets note of the financial statement (25)
- 15.1.3. Prepare the Assets Disposal account (9)

B. Tangible asset

	Land and buildings	Vehicles	Equipment
Carrying value at the beginning	a)	636 000	b)
Cost price at the beginning	1 279 000	1 000 000	600 000
Accumulated depreciation at the beginning	(-)	c.()	(280 000)
Movement			
Additions	d)	e)	f)
Disposal at carrying value	(-)	g. ()	-
Depreciation	-	h. ()	i. ()
Carrying value at the end	j.	k.	L.
Cost price at the end	1 800 000	m.	n.
Accumulated depreciation at the end	(-)	(400 000)	o. ()

25

Dr

C) Asset Disposal Account

Cr

Date	Details	Fol	Amount	Date	Details	Fol	Amount
					Accumulated Depreciation: Vehicles (64 000 +)		

9

1. Depreciation is follows:

- Vehicle is 20% on diminishing balance methods.
 - Equipment 15% on cost price
2. Old vehicle at a cost price of R260 000 was sold on **01-December-2018**, it was sold for cash R148 000. **Note:** Accumulated depreciation for this vehicle on 01-March 2018 amounted to R64 000. **The above transaction is not recorded.**
 3. New vehicle to the value of R180 000 was purchased on 31-October-2018.
 4. New Equipment was purchased on 31-August-2018 for R90 000.



QUESTION: 16

(40 Marks; 24 Minutes)

CLASS-ACTIVITY: 16

DATE:.....

16. FIXED ASSETS

The following appeared in the books of Thomson and Sons on 28 February 2017, the end of the financial year.

REQUIRED

- 16.1. Calculate the Depreciation Sold of Equipment (4)
- 16.2. Calculate total Depreciation of Equipment at end (6)
- 16.3. Calculate Accumulated depreciation on Equipment at the end of the year (5)
- 16.4. Calculate the missing amounts indicated by (i) - (iv) in the Fixed/Tangible Asset Note for the year ended 28 February 2017 (15)

INFORMATION

A. Fixed/Tangible Assets:

	Vehicles	Equipment
Cost price	(i)	786 000
Accumulated depreciation	(1 290 000)	(350 000)
Carry value on 1 March 2016		436 000
Movements:		
Additions at cost	240 000	54 000
Disposal at carry value	(-)	(iii)
Depreciation	(ii)	(46 275)
Carry value on 28 February 2017		
Cost price	1 710 000	755 000
Accumulated depreciation		(iv)

B. Vehicles:

- Depreciation: 15% p.a. on the cost price.
- A new vehicle for R240 000 was purchased on 1 January 2017.
- No vehicles were sold during the year.

C. Equipment:

- Depreciation: 10% p.a. on the diminishing value method.
- New equipment costing R54 000 was purchased 1 July 2016.
- Equipment with a cost price of R85 000 was sold at its carrying value on 1 December 2016. On 1 March 2016 the accumulated depreciation on this equipment was R48 000.

QUESTION: 17

ACTIVITY NO: 17

DATE:.....

17.2 ZOLANI LTD

Information for the financial year ended 30 June 2019 is provided.

REQUIRED:

17.2.1 Calculate the missing amount denoted (a) to (d) in the Tangible/Fixed asset note: **(use information C)** (16)

Fixed / Tangible assets

	Buildings	Vehicles	Equipment
Carrying value at the beginning	1 100 000		(D)
Cost price	1 100 000	937 500	
Accumulated depreciation		(537 500)	(81 000)
Movements			
Additions	(A)	350 000	120 000
Disposal at carrying value		(C)	(0)
Depreciation		(B)	(25 350)
Carrying value at the end	1 900 000		
Cost price	1 900 000		300 000
Accumulated depreciation			

Additional information in respect of fixed assets:

- An extension to the office block was undertaken during the financial year.
- Equipment of R120 000 was purchased on 1 December 2018.
- The business had three vehicles at the beginning of the year. The following details appeared in the fixed asset register on 1 July 2018:

	VEHICLE 1	VEHICLE 2	VEHICLE 3
Cost price	500 000	437 500	350 000
Accumulated depreciation	(450 000)	(87 500)	-
Date of purchased	1 January 2014	1 July 2017	1 July 2018

NOTE:

- Vehicle 1 is old and is reaching the end of its useful life.
- Vehicle 2 was sold at its carrying value on 1 April 2019
 - Depreciation: vehicles at 20% on cost
: equipment at 15% on diminished method

QUESTION 18

ACTIVITY NO: 18

DATE:.....

18.3 FIXED ASSETS

The following appeared in the books of Tom and Sons on 29 February 2020, the end of the financial year.

Recording and control of fixed assets is a big concern to the management of Tom and Sons.

REQUIRED:

Calculate the missing amounts indicated by (i) - (iv) in the Fixed/Tangible Asset Note for the year ended 29 February 2020. **(6)**

INFORMATION

A. Fixed/Tangible Assets:

	Vehicles	Equipment
Cost price	(i)	786 000
Accumulated depreciation	(1 290 000)	(350 000)
Carry value on 1 March 2016		436 000
Movements:		
Additions at cost	240 000	54 000
Disposal at carry value	(-)	(iii)
Depreciation	(ii)	(46 275)
Carry value on 28 February 2020		
Cost price	1 710 000	755 000
Accumulated depreciation		(iv)

B. Vehicles:

- Depreciation: 15% p.a. on the cost price.
- A new vehicle for R240 000 was purchased on 1 January 2020.
- No vehicles were sold during the year.

C. Equipment:

- Depreciation: 10% p.a. on the diminishing value method.
- New equipment costing R54 000 was purchased 1 July 2019.
- Equipment with a cost price of R85 000 was sold at its carrying value on 1 December 2019. On 1 March 2019 the accumulated depreciation on this equipment was R48 000.

QUESTION 19: FIXED ASSETS AND INVENTORY VALUATION

DATE:.....

ACTIVITY NO: 19

19.1 TALLIES LTD

You are provided with information relating to Tallies Ltd for the financial year ended 29 February 2020.

REQUIRED:

Refer to Information A.

Calculate the missing amounts denoted by **(A)** to **(C)** on the Fixed Assets Note. (12)

INFORMATION:

A. Incomplete Fixed Assets Note:

	VEHICLES	EQUIPMENT
Carrying value (01/03/ 2019)		
Cost	500 000	1 200 000
Accumulated depreciation	(480 000)	(350 000)
Movements:		
Additions	460 000	0
Disposals	?	(C)
Depreciation	(A)	(B)
Carrying value (29/02/2020)		600 000
Cost	460 000	
Accumulated depreciation		

- A new vehicle was purchased on 1 June 2019.
- On 1 October 2019, the old vehicle, cost price R500 000, was donated to a local children’s home. The accumulated depreciation on this vehicle was R480 000 on 1 March 2019.
- Old equipment was scrapped at carrying value on 29 February 2020.
- Depreciation is calculated as follows:
 Vehicles at 15% on cost
 Equipment at 20% on carrying value method

QUESTION: 20
CLASS-ACTIVITY: 20

DATE:.....

BALANCE SHEET AND NOTES

You are provided with information relating to Barnardo Limited for the year ended 30 June 20.14. The business has an authorised share capital of 1 750 000 ordinary shares.

REQUIRED:

- 20.1 Prepare the following notes to the Balance Sheet:
 - 20.1.1 Ordinary share capital (10)
 - 20.1.2 Retained income (10)
 - 20.1.3 Trade and other receivables (10)
- 20.2 Use the information below and complete the Balance Sheet on 30 June 20.14. Where notes are not required, show ALL workings in brackets to earn part marks. (25)

INFORMATION:

A. Issued share capital comprised 900 000 ordinary shares on 1 July 20.13.

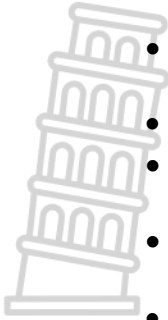
B. The following was extracted from the books on 30 June 20.14:

Ordinary share capital (1 July 20.13)	6 075 000
Retained income (1 July 20.13)	345 900
Fixed/Tangible assets (carrying value)	?
Fixed deposit: Swan Bank	360 000
Debtors' control	156 570
Provision for bad debt	10 380
Loan: Drake Bank	375 000
Creditors' control	196 700
SARS: Income tax (provisional payments)	435 900
Dividends on ordinary shares (interim dividends)	290 000

C. Another 100 000 shares were issued on 1 December 20.13 at R9,25 per share. It was recorded properly.

No entries have been made for the repurchase of shares. On 1 May 20.14 the business bought back 120 000 ordinary shares from shareholders at R8,10. These shareholders were not entitled to final dividends.

D. The following adjustments have not yet been taken into account:



- A debtor with a credit balance of R10 500 is to be transferred to the Creditors' Ledger.
- The provision for bad debts must be increased by R5 610.
- The rent expense increased by R1 850 on 1 April 20.14. The tenant has paid the rent of R163 400 until the end of July 20.14.
- The bank reconciliation reflected a post-dated cheque for R35 000 dated 31 August 20.14.
- The statement received from Drake Bank in respect of the loan reflected interest capitalised of R44 600. Monthly repayments are R12 500 including interest. These repayments will end in 20.19.
- On 30 June 20.14, a final dividend of 28 cents per share was declared.

E. Net profit after tax, after taking into account the adjustments above, was calculated as R1 080 000. The income tax rate is 28% of net profit before tax.

F. The following financial indicators apply to the Balance Sheet

The current ratio is 2,3:1

The acid-test ratio is 1,7:1



QUESTION: 21

CLASS-ACTIVITY: 21

DATE:.....

21. BALANCE SHEET AND NOTES

You are provided with information relating to Kambulo Limited for the year ended 30 June 20.08

REQUIRED:

- 21.1 Prepare the following notes to the Balance Sheet on 30 June 20.08:
- 21.1.1 Ordinary share capital (10)
 - 21.1.2 Retained income (10)
- 21.2 Use the information below and complete the Balance Sheet on 30 June 20.08. (35)

INFORMATION:

A. Shares issued

- The company has an authorised share capital of 2 000 000 shares.
- The business issued 1 200 000 shares at R5 per share during the previous year.
- Another 300 000 shares were issued on 1 October 20.07 at R8 per share. It was recorded properly.
- On 31 March 20.08 the business repurchase 50 000 shares from a shareholder at a price of R7,50 per share. This has **not** yet been recorded

B. Retained income Opening balance on 1 July 20.07 amount to **R125 000**

C. Dividends

- Interim dividend paid during the year, R180 000.
- A final dividend of 12 cents was declared. The buyback of shares do not qualify for a final dividend.

D. Net profit before tax on 30 June 20.08 amounts to R1 250 000. Income tax is calculated at 30 %.

E. Mortgage loan

The mortgage loan statement from Kwagga Bank reflected the following:

- Balance on 1 July 20.07, R750 000
- Interest capitalised for the year, R96 500
- Repayments of R13 500 per month (this is to cover interest and loan repayments)
- The capital sum of the loan is expected to reduce by R90 000 over the next financial year.

F. Fixed deposit

- Fixed deposits at the DDB Bank.
- The fixed, valued at R125 000, matures on the next financial.

G. The following balances were extracted from the Post-Adjustment Trial Balance on 30 June 20.08:

- Tangible assets at cost price value, R8 460 500.
- Depreciation for the year amounts to R700 000
- Creditors' control, R138 000
- Bank overdraft, R14 500
- Accrued expenses, 11 500
- Amount payable to SARS for Income tax, R17 000
- Cash float and petty cash, R8 000

H. The following financial indicators apply to the Balance Sheet

- The current ratio is 2,5:1
- The acid-test ratio is 1,5:1

COMPANIES – CASH FLOW STATEMENT

The Cash Flow Statement is required by the Companies Act as part of published financial statements of a company.

The Cash Flow Statement is a tool to analyse the liquidity position of a company. It shows why there has been a change in the balance in the bank account from one year to another.

Users of financial statements would like answers to the following questions

- How were the funds from issue of new shares used?
- Why was it necessary to borrow money?
- How was the company able to repay their loans although they made a loss?
- Why is there a bank overdraft although there is an increase in sales?

What is the cash flow statement?

A cash flow statement identifies the **inflow** and **outflow** of **cash** in a business during a specific period – it reports on **past** (historical) movement of cash in the business and gives answers to how cash was generated and used in the business.

The cash flow statement reflects the movement of cash of a business from the beginning of the year to the end of the year. The statement is prepared on the cash basis.

The statement will indicate the **movement of cash** - whether the **bank balance has increased or decreased** during the accounting period.

Think cash

What is cash?

Cash includes the following:

- cash in the bank account
- cash on hand, e.g. petty cash and cash float
- highly liquid short-term (three months maximum) investments, normally held for paying short-term debts rather than for the purpose of earning an income (interest and dividends).

What does not appear in the cash flow statement?

All non-cash items

- depreciation
- bad debts
- discount received / allowed
- profit / loss on sale of fixed assets

Cash flow statement gives information on:

- Was sufficient cash generated from operations to pay the interest, dividends and income tax?
- Where was the money from the additional loan used?
- How was the expansion of the business used?
- Why was cash available in the bank account during the previous year and now the business is in overdraft?

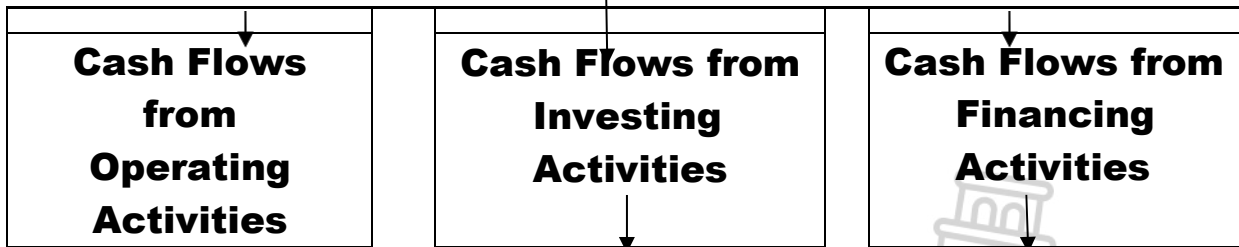
**Cash flow statement is about
inflow and outflow of cash**

FORMAT

The activities of a company can be classified into 3 categories

- Operating activities
- Financing activities
- Investing activities

**Components of the
Cash Flow Statement**



These are the main income activities of the company
Cash flow as a result of:

- Buying and selling of inventory
- Receipts from debtors
- Payments to creditors
- Paying expenses

Cash flows as a result of:

- Buying and selling of Tangible Assets
- Changes in investments:
Fixed Deposits

Cash flows involved in the funding of the activities

- The sale and repurchase of shares
- Receiving and paying of loans

QUESTION: 22

CLASS-ACTIVITY: 22

DATE:.....

Required:

22. 1. Indicate whether each of the following would reflect an inflow or outflow of Funds (12)

1. increase in inventories	
2. decrease in inventories	
3. increase in trade and other receivables	
4. decrease in trade and other receivables	
5. increase in trade and other payables	
6. decrease in trade and other payables	

22.2. What is the difference between a cash budget and a cash flow statement?

Cash budget	(2)
Cash flow statement	(2)

22.3. What is the purpose of a cash flow statement? (2)

22.4. List **FOUR** items that are not included in the cash flow statement. Give a reason why it is not included in the cash flow statement.

List 4 items	(4)
Reason	(2)

22. 5. Determine the inflow (+) and outflow (-) of cash for 2015 (See example).(24)

	2015		2014		Amount	Flow In/out
	Debit	Credit	Debit	Flow		
Land & buildings	520 000		450 000		(70 000)	Outflow
Ordinary share capital		500 000		400 000		
Vehicles	65 800		100 000			
Equipment	35 500		25 000			
Trading inventory	84 000		60 000			
Debtors	19 600		30 000			
Creditors		18 250		26 750		
Long-term loan		60 000		55 000		
Fixed deposit	30 000		10 000			
Accrued expenses		3 000		5 000		
Accrued income	1 000		7 000			
SARS: Income tax	10 000			15 000		
Bank		25 000	15 000			

QUESTION: 23 CASH FLOW STATEMENT AND INTERPRETATION**CLASS-ACTIVITY: 23****DATE:.....**

Information is from the books of PLAATJIE Ltd, a public company listed on the Johannesburg Securities Exchange (JSE). The financial year ends on 31 August.

REQUIRED:

23.1 Prepare the following notes to the financial statements:

- Reconciliation between profit before taxation and cash generated from operations. (12).
- Taxation paid (5).
- Cash and cash equivalents (5).

INFORMATION:**A. Extract from the Income Statement on 31 August 2017:**

Sales	R18 400 000	
Audit fees	690 000	
Depreciation	350 000	
Interest expense	200 000	
Net profit before tax	?	
Income tax (28%)	700 000	

B. Extract from the Balance Sheets on 31 August 2017:

	2017	2016
	R	R
Fixed assets	4 550 000	3 500 000
Fixed deposit	788 520	400 000
Inventories	1 198 000	1 572 000
Trade and other receivables	348 290	364 680
Cash and cash equivalents	240 000	7 000
Loan (interest capitalised)	450 000	850 000
Trade and other payables	1 362 710	1 573 000
SARS income tax	59 000(Dr)	51 000 (Cr)
Bank overdraft	0	90 000

QUESTION: 24 CASH FLOW STATEMENT AND INTERPRETATION

CLASS-ACTIVITY: 24

DATE:.....

Information is from the books of TLAPE Ltd, a public company listed on the Johannesburg Securities Exchange (JSE). The financial year ends on 31 August.

REQUIRED:

24.1 Prepare the following notes to the financial statements:

- Reconciliation between profit before taxation and cash generated from operations. (12).
- Taxation paid (5)
- Cash flow from investing activities. (10)
- Cash and cash equivalents (5).

INFORMATION:

A. Extract from the Income Statement on 31 August 2017:

Sales	R18 600 000	
Depreciation	?	
Interest expense	175 000	
Net profit before tax	?	
Income tax (30%)	651 000	

B. Extract from the Balance Sheets on 31 August 2017:

	2017	2016
	R	R
Fixed assets	3 660 000	2 640 000
Fixed deposit	800 520	500 000
Inventories	1 288 000	1 662 000
Trade and other receivables (see notes)	470 500	488 290
Cash and cash equivalents	35 800	380 000
Loan (interest capitalised)	450 000	850 000
Trade and other payables (see notes)	1 252 820	1 465 400
Bank overdraft	120 000	0

c. NOTE: Old vehicle was sold at its carrying value R92 000. New vehicle was Purchased during the year at R800 000.

D.	2017	2016
2. TRADE AND OTHER RECEIVABLES	R	R
Trade debtors	444 000	422 000
Income receivable/Accrued income	26 500	23 790
SARS (Income tax)	0	42 500
3. TRADE AND OTHER PAYABLES		
Trade creditors	448 030	1 017 400
Deferred income/Income received in advance	23 000	16 000
Shareholders for dividends	?	432 000
SARS (Income tax)	50 100	0



QUESTION: 25**CASH FLOW STATEMENT****DATE:.....****ACTIVITY NO: 25**

25.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (25.1.1 to 25.1.3) in the ANSWER BOOK. (3)

25.1.1 If the loan amount increases from the previous year it is an outflow of cash

25.1.2 Repurchase of shares amount decreases Cash Flow from financing activities.

25.1.3 Increase in debtors does not form part of changes in working capital.

25.2 UHLAZO LTD

The information relates to UHLAZO Ltd for financial year ended on 30 April 2020.

REQUIRED:

25.2.1 Prepare the following notes to the Balance Sheet:

- Ordinary Share Capital (11)
- Retained Income (13)

25.2.2 Calculate the following figures for the Cash Flow Statement on 30 April 2020:

- Taxation paid (4)
- Dividends paid (3)
- Loan repayment amount (2)
- Net change in cash and cash equivalents (5)

25.2.3 Prepare the CASH FLOW OF INVESTING ACTIVITIES section of the Cash Flow Statement on 30 April 2020. (9)



INFORMATION:

A. Information extracted from the Income Statement on 30 April 2020:

Interest expenses	45 900		
Depreciation	26 900		
Income tax (30% of Net Profit)	360 000		

B. Information extracted from the Balance Sheet on 30 April:

	30 April 2020	30 April 2019		
Fixed assets (carrying value)	5 890 000	5 328 000		
Fixed Deposit	210 000	?		
Cash and cash equivalents	91 400	22 000		
Shareholders' equity	2 739 000	2 106 000		
Ordinary share capital	1 815 000	1 500 000		
Retained income	924 000	606 000		
Loan: Ivory Bank	135 000	246 000		
Bank overdraft	0	35 600		
SARS: Income tax	12 800 (Cr)	22 600 (Cr)		
Shareholders for dividends	?	220 500		

C. Share capital information:

Authorized share capital of 1 200 000 ordinary shares

Issued share capital

- On 1 May 2019, there were 480 000 shares in issue.
- On 30 July 2019, additional shares were issued.
- On 31 January 2020, 50 000 shares were repurchased and an amount of R220 000 was paid.

D. An interim dividend of 21 cents per share was paid on 31 December 2019. The new shareholders were entitled to the interim dividends.

A final dividend of 62 cents per share was declared on 30 April 2020. Only the shareholders registered on 30 April 2020 qualified for the final dividend.

E. Net asset value per share after the above has been taken into account is 498 cents.

F. Additional fixed assets were purchased during the financial year. An old vehicle was sold at book value during the financial year.

G. One third of the fixed deposit matured on the 31 December 2019.

QUESTION: 26 CASH FLOW STATEMENT AND INTERPRETATION

CLASS-ACTIVITY: 26

DATE:.....

Information is from the books of Booyse dal Ltd, a public company listed on the Johannesburg Securities Exchange (JSE). The financial year ends on 31 August.

REQUIRED:

26.1 Prepare the following notes to the financial statements:

- Reconciliation between profit before taxation and cash generated from operations. (12)
- Ordinary share capital (7)

26.2 Prepare the Cash Flow Statement for the year ended 31 August 2017. Show calculations/workings in brackets. (32)

26.3 Mention TWO major decisions (above R900 000) that are reflected in the statement and support the decision by quoting relevant figures. Indicate ONE possible point of impact that each decision would have on the company's future operations. (6)

26.4 Calculate the following financial indicators for the year ended 31 August 2017:

- % Return on average equity (6)
- Net asset value per share (3)

26.5 Explain what is meant by good corporate governance. (3)

26.6 You are told that both the director's fees and the audit fees are 50% over budget and that this has not been authorised. The shareholders feel that the company is not well managed.

- As a shareholder explains THREE points you would raise at the AGM. (6)

INFORMATION:

A. Extract from the Income Statement on 31 August 2017:

Sales	R16 600 000
Directors remuneration	1 400 000
Audit fees	690 000
Depreciation	309 000
Interest expense	172 320
Income tax (28%)	672 000

B. Extract from the Balance Sheets on 31 August 2017:

	2017	2016
	R	R
Fixed assets	3 552 000	2 532 000
Fixed deposit	588 420	200 000
Inventories	1 094 000	1 462 000
Trade and other receivables	348 290	364 680
Bank	11 400	0
Petty cash	1 200	0
Ordinary share capital	2 536 000	1 440 000
Retained income	1 457 600	823 680
Loan (interest capitalised)	350 000	750 000
Trade and other payables	1 251 710	1 462 000
Bank overdraft	0	83 000

C. SHARE CAPITAL

The authorised share capital consists of 5 000 000 ordinary shares:

- 2 880 000 ordinary shares were issued before 1 September 2016.
- On 30 June 2017 the directors decided to repurchase 144 000 ordinary shares for 110 cents per share.
- On 1 August 2017 the company issued 934 400 new ordinary shares for 125 cents each. These shareholders qualify for the final dividend.

D. NOTES TO THE FINANCIAL STATEMENTS

	2017	2016
1. FIXED ASSETS		
Land and buildings	2 512 000	1 712 000
Equipment (book value)	1 040 000	820 000
Note: Equipment (cost price R216 000 and accumulated depreciation R132 000) was sold at book value		
2. TRADE AND OTHER RECEIVABLES		
Trade debtors	333 000	311 000
Income receivable/Accrued income	15 290	12 680
SARS (Income tax)	0	41 000
3. TRADE AND OTHER PAYABLES		
Trade creditors	447 630	1 016 000
Deferred income/Income received in advance	21 000	14 000
Shareholders for dividends	?	432 000
SARS (Income tax)	49 000	0

E. Dividends:

Interim dividends:	9,5 cent on 31 May 2017
Final dividends:	20 cents on 31 August 2017

QUESTION: 27 FINANCIAL STATEMENTS, CASH FLOW AND INTERPRETATION

CLASS-ACTIVITY: 27

DATE:.....

27.1 CONCEPTS: MATCHING

Choose a description from Column B that matches the concept in Column A. Write only the letter (A - F) next to the numbers (27.1.1 - 27.1.5) in the ANSWER BOOK.

(5)

COLUMN A		COLUMN B	
27.1.1	Balance Sheet	A.	Reflects the financial performance of a business for a specific period.
27.1.2	Liquidity	B.	The extent to which a business is making use of borrowed capital.
27.1.3	Income Statement	C.	The ability of a business to pay off all its debts.
27.1.4	Solvency	D.	This is the return earned by shareholders' investments in the business.
27.1.5	Gearing	E.	The ability of a business to meet its current liabilities.
		F.	Shows the financial position of a business in terms of its assets, liabilities and equity.

27.2 KHLOE LTD

The information relates to the financial year ended 31 May 2018.

REQUIRED:

- 27.2.1 Complete the CASH GENERATED FROM OPERATIONS note for the Cash Flow Statement. (9)
- 27.2.2 Calculate the following amounts for the Cash Flow Statement: (4)
- Income tax paid (4)
 - Dividends paid (5)
 - Fixed assets purchased (4)
- 27.2.3 Calculate the NET CHANGE IN CASH AND CASH EQUIVALENTS. (4)



INFORMATION:

A. Extract from the Balance Sheet and notes on 31 May 2018:

	2017	2016
Fixed assets (carrying value)	R1 437 200	R1 120 400
Current assets		
Inventories	123 800	163 300
Trade and other receivables:	168 300	149 100
Trade debtors	155 600	134 700
SARS: Income tax	12 700	0
Expenses prepaid	0	14 400
Cash and cash equivalent	76 750	15 500
Current liabilities		
Trade creditors	122 900	162 600
SARS: Income tax	0	27 200
Shareholders for dividends	142 400	111 000
Income received in advance	11 100	0
Bank overdraft	0	124 300

B. Additional Information:

- (i) Net profit before income tax, R988 700;
Net profit after income tax, R692 100.
- (ii) Old equipment were sold at carrying value of R283 500. Equipment were purchased during the financial year to upgrade the facilities.
- (iii) Depreciation for the year, R221 400.
- (iv) Total dividends (paid and recommended) as per the Retained Income note, R317 400.

27.3. KWEZI LTD: ANALYSIS AND INTERPRETATION

The information relates to the financial year ended 28 February 2018.

REQUIRED:

- 27.3.1 Prepare the Ordinary Share Capital note. (7)
- 27.3.2 Calculate the following financial indicators on 28 February 2018:
 - Net asset value per share (3)
 - Return on shareholders' equity (5)
- 27.3.3 Quote TWO financial indicators (with figures and trends) that indicate an improvement in the liquidity position of the business. (4)
- 27.3.4 The company paid back a large portion of the loan. Explain why this was a good decision. Quote TWO financial indicators (with figures). (6)
- 27.3.5 Comment on the dividend pay-out policy over the past two years. Provide a possible reason for the policy adopted. Quote figures. (5)
- 27.3.6 Explain whether the price paid for the share buy-back was fair. Quote TWO financial indicators (with figures) in your explanation. (4)

INFORMATION:

A. Extract from the Income Statement on 28 February:

	2018 R	2017 R
Interest on loan	77 400	211 700
Net profit after tax	545 600	494 000

B. Extract from the Balance Sheet on 28 February:

	2018 R	2017 R
Shareholders' Equity	4 488 000	3 724 000
Ordinary share capital	4 291 500	?
Retained income	?	76 000
Loan: Buzza Bank (11% p.a.)	692 000	1 920 000

C. Share Capital:

- On 1 March 2017, the company had 760 000 shares in issue.
- On 1 June 2017, 30 000 shares were repurchased at R5,20 per share.
- On 31 October 2017, a further 150 000 shares were issued.

D. Financial indicators on 28 February:

	2018	2017
Current ratio	1,9 : 1	1,4 : 1
Acid test ratio	0,7 : 1	0,8 : 1
Average debtors collection period	38 days	57 days
Average creditors payment period	50 days	63 days
Debt/equity ratio	0,2 : 1	0,5 : 1
Earnings per share	62 cents	65 cents
Dividends per share	31 cents	52 cents
Return on shareholders' equity	?	13,7%
Return on capital employed	20,8%	22,3%
Net asset value	?	490 cents
Market price on JSE	515 cents	485 cents



“Never take your eyes off the cash flow because it’s the lifeblood of business.” -

Richard Branson



NAME OF SCHOOL

NAME OF CANDIDATE

CLASS

NATIONAL SENIOR CERTIFICATE

ACCOUNTING

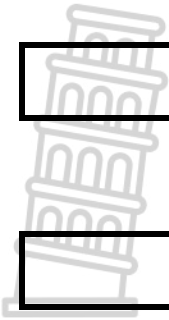
GRADE 12

ACADEMIC YEAR: 2024

TERM 1

COMPANIES

SPECIAL ANSWER BOOK



QUESTION: 1

Class work no: 1

Date:.....

Answers

NO	ANSWERS
1.1.	
1.2.	
1.3.	
1.4.	
1.5.	
1.6.	
1.7.	



QUESTION: 2

Class work no: 2

Date:.....

Answers

NO	ANSWERS
2.1.	
2.2.	
2.3.	
2.4.	
2.5.	
2.6.	

12



QUESTION: 3

Class work no: 3

Date:.....

Complete the following statement with the GAAP principle applied. To match the statement. (13)

STATEMENT	PRINCIPLE
Rent has been received for 13 months. Rent for 12 months is shown in the Income Statement.	
The owner of the business wins R2 000 in a competition. This is not shown in the Income Statement of the business.	
Land and buildings are shown in the Balance Sheet at R500 000, although the market value is estimated at R800 000.	
Trading stock is shown in the Balance sheet at R10 000 but the business would only get R7 000 if the stock were to be sold at a flea market the next day.	
Cleaning materials bought for R25 are shown as part of Sundry Operating Expenses in the Income Statement.	
A business records sales of goods for R12 000. At the same time they record the cost of sales and the cost of the advertisement that led to these sales.	
The financial seriousness of the entry must always be considered – a kettle costing R100 may last for more than a year, but it would not be classified as a non-current asset.	
Profits should not be overstated and loss must not be understated.	
A company has bought this property for R1 million in year 2003 but now the property has appreciated to R5 million. The company is recording the property at R1 million.	
Which principle directs a company to show all expenses related to its revenue of a specified period even if the expenses were not paid in that period?	
A company borrowed R60 000 on December 1, 2015 and will make its payment for interest only when the loan is paid off on June 1, 2016. The total interest for the six months will be R6 000. On the December 2015 income statement the accountant reported interest expense of R1 000.	
For the December year-end close, the utilities bills have not been received for the month of November and December. However, based on previous average month trends, utilities expenses for November and December is estimated at $R20\ 000 \times 2 = R40\ 000$.	
Once a particular financial period is adopted by a business, it is not changed from one period to the next period.	

QUESTION: 4

Class work no: 4

Date:.....

Answers

4.1. Calculate the Average Issue Price (**AIP**) (2)

--

4.2. Calculate the total Amount of Shares bought back at an Average Issue Price (2)

--

4.3. Calculate the Price above the Average Issue Price (**PAIP**) (3)

--

4.4. Calculate the Total Amount of shares bought back at Price above the Average issue Price (**PAIP**) (2)

--

4.5. Calculate the Total Amount bought Back (3)

--

4.6. Complete the following ledger accounts:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B

SARS (income tax) ACCOUNT (CL)

B

RETAINED INCOME ACCOUNT [OE]

B2

INCOME TAX ACCOUNT [E]

N4

DIVIDENDS ON ORDINARY SHARE ACCOUNT [E]

N5

APPROPRIATION ACCOUNT (F3)

N15

QUESTION: 5

Class work no: 5

Date:.....

Answers

Activity

Complete the following ledger accounts of REATLGILE Ltd:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

RETAINED INCOME ACCOUNT [OE] B2

SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B

SARS (income tax) ACCOUNT (CL) B

INCOME TAX ACCOUNT [E]

N4

--	--	--	--	--	--	--	--	--	--

DIVIDENDS ON ORDINARY SHARE ACCOUNT [E]

N5

APPROPRIATION ACCOUNT (F3)

N15



REVISION TEST 1

Weekly test no 1

ANSWERSHEET

1.

1.1	Issue price
1.2	Share capital
1.3	Retained income
1.4	Interim dividends
1.5	Final dividends
2	

2. ACCOUNTING EQUATION

No	General ledger		Effects on accounting equation			
	Acc to be debited	Acc to be credited	Amount	A =	O +	L
E.g	Rent expense	Bank	5000	-	-	0
1.						
2.						
3.1						
3.2						

QUESTION: 6

Class work no: 6

Date:.....

Answers

Activity 6

Complete the following ledger accounts of PHELETSO Ltd:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

RETAINED INCOME ACCOUNT [OE] B2

SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B

SARS (income tax) ACCOUNT (CL) B

INCOME TAX ACCOUNT [E]

N4

--	--	--	--	--	--	--	--	--	--

DIVIDENDS ON ORDINARY SHARE ACCOUNT [E]

N5

APPROPRIATION ACCOUNT (F3)

N15

6.2. Complete the following notes of the statement of financial positions

Ordinary share capital

R

Authorised		
Issued		

4

6.2. RETAINED INCOME

R

Balance at the beginning of the year		
Ordinary share dividend		

4

6.3. Complete the statement of financial position for the year ended 28 February 2021 [8]

	R
Equities and Liabilities	
Owners' Equity	
Ordinary share capital	
Retained income	
Current Liabilities	
Shareholders for dividends	
Total equities and Liabilities	

6.4. Complete the Incomplete Accounting Equation ($A = O/E + L$)

[10]

6.4. ACCOUNTING EQUATION:

DATE	Account Debited	Account Credited	Amount	Assets +/-	=	O/Equity +/-	+	Liability +/-
E.G	AUDIT FEE	BANK	22 500	-		-		0
01-May 2020								
02-July 2020								
02-Jan 2021								



QUESTION: 7

Class work no: 7

Date:.....

Answers

Activity: 7

Complete the following ledger accounts of KAMOGELO Ltd:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

RETAINED INCOME ACCOUNT [OE] B2

SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B

SARS (income tax) ACCOUNT (CL) B

INCOME TAX ACCOUNT [EXP]

N4

--	--	--	--	--	--	--	--	--	--

DIVIDENDS ON ORDINARY SHARE ACCOUNT [EXP]

N5

APPROPRIATION ACCOUNT (F3)

N15

7.2. Complete the following notes of the statement of financial positions

Ordinary share capital

R

Authorised		
Issued		

4

7.2. RETAINED INCOME

R

Balance at the beginning of the year		
Ordinary share dividend		

4

7.3. Complete the statement of financial position for the year ended 28 February 2021 [8]

	R
Equities and Liabilities	
Owners' Equity	
Ordinary share capital	
Retained income	
Current Liabilities	
Shareholders for dividends	
Total equities and Liabilities	

7.4. Complete the Incomplete Accounting Equation ($A = O/E + L$) [10]

7.4. ACCOUNTING EQUATION:

DATE	Account Debited	Account Credited	Amount	Assets +/-	=	O/Equity +/-	+	Liability +/-
E.G	AUDIT FEE	BANK	22 500	-		-		0
20-April 2020								
01-Sept 2020								
03-Jan 2021								



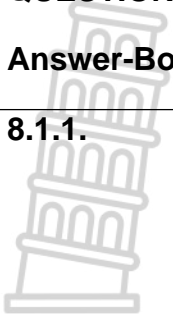
QUESTION: 8

Class work no: 8

Date:.....

Answer-Book

8.1.1.



4

8.1.2.

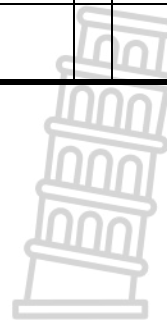
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4

8.1.3. ACCOUNTING EQUATION:

20

Day	Account Debited	Account Credited	Amount	Assets +/-	=	O/Equity +/-	+	Liability +/-
E.G	AUDIT FEE	BANK	22 500	-		-		0
1.								
5.								
6.								
7.								
10.								
12.								



8.2.1. Ordinary share capital

R

Authorised		
Issued		
		4

8.2.2. RETAINED INCOME

R

Balance at the beginning of the year	650 000	
Ordinary share dividend		
		4

8.3.

4

REVISION TEST 2

WEEKLY TEST NO 2

DATE:.....

ANSWERSHEET

ORDINARY SHARE CAPITAL

Date	Details	Amount	Date	Details	Amount

SARS (Income tax)

Date	Details	Amount	Date	Details	Amount

APPROPRIATION ACCOUNT

Date	Details	Amount	Date	Details	Amount

QUESTION: 9

ACTIVITY NO: 9

DATE:.....

9.1. Ordinary share capital

R

Authorised		
1 900 000 shares		
Issued		
1 000 000	Shares issued at the beginning @ R5	R5 000 000

--

8

9.2. RETAINED INCOME

R

Balance at the beginning of the year	650 000
Ordinary share dividend	

--

10

9.3.

--

--

2



9.3. Complete the statement of financial position for the year ended 30 June 2017

[8]

	R
Equities and Liabilities	
Owners' Equity	
Current Liabilities	
Total equities and Liabilities	



QUESTION: 10

ACTIVITY NO: 10

DATE:.....

ANSWER BOOK

10.1. Ordinary share capital

R

Authorised			
1 200 000 shares			
Issued			
	Shares issued at the beginning @ R		
			10

• RETAINED INCOME

R

Balance at the beginning of the year			
Net profit after tax		290 416	
Ordinary share dividend			
PAID (Interim)		340 000	
			11

10.2.

2

10.3. Complete the statement of financial position for the year ended 28-February-2017

[8]

	R
Equities and Liabilities	
Owners' Equity	
Current Liabilities	
Total equities and Liabilities	



QUESTION: 11

ACTIVITY NO: 11

DATE:.....

ANSWER-BOOK

11.1. Ordinary share capital

R

Authorised		
Shares Authorized		
Issued		
Shares issued at the end	5 418 500	10

➤ RETAINED INCOME

R

Balance at the beginning of the year	1 933 000	
Ordinary share dividend		
PAID (Interim)		
		10

11.2.

		2

11.3. Complete the statement of financial position for the year ended 28-February-2017 [8]

	R
Equities and Liabilities	
Owners' Equity	
Current Liabilities	
Total equities and Liabilities	



QUESTION: 12
PRETORIUS LTD

ACTIVITY NO: 12

DATE:.....

12.1.1. ORDINARY SHARE CAPITAL

AUTHORIZED		
3 000 000 shares		
ISSUED		
1 800 000 ordinary shares in issue at beginning of year at R		
		12

12.1.2. RETAINED INCOME

Balance on 1 March 20.11	200 000	
Net profit after income tax		
Shares repurchased		
Ordinary share dividends		
Interim		
Final	300 000	
Balance on 28 February 20.12		12

12.2. Complete the statement of financial position for the year ended 28-February-2012 [8]

	R
Equities and Liabilities	
Owners' Equity	
Current Liabilities	
Total equities and Liabilities	

QUESTION: 13

ACTIVITY NO: 13

DATE:.....

**STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)
 OF WOODHILL TRADERS LIMITED FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	R
Gross Profit		
Other Operating Income		
Gross Operating Income		
Operating Expenses		
Advertising		180 900
Sundry expenses		25 600
Directors' fees		384 000
Audit fees		40 500
Operating Profit		
	1	
Profit before interest expense		
Profit before tax		
Net Profit for the year	9	

QUESTION 14

ACTIVITY NO: 14

DATE:.....

14.1	Choose the correct word/s from those given below to complete the sentences:
14.1.1	
14.1.2	
14.1.3	
14.1.4	

4

14.2

Asset Disposal Account

10



14.4.1 ORDINARY SHARE CAPITAL

AUTHORISED:	
Number of authorized ordinary shares: 3 000 000 shares	
ISSUED:	
2 000 000 ordinary shares in issue at the beginning of financial year	5 225 000

8

14.4.2 RETAINED INCOME

Balance at the beginning of the financial year	770 000

12

TOTALMARKS
85



QUESTION: 15

ACTIVITY NO: 15

DATE:.....

Fixed Assets and Assets Disposal

15.1.1. Name two methods of calculating depreciations (2)

--	--

15.1.2. Complete fixed assets note of the financial statement (25)

B. Tangible asset

	Land and buildings	Vehicles	Equipment
Carrying value at the beginning	a)	636 000	b)
Cost price at the beginning	1 279 000	1 000 000	600 000
Accumulated depreciation at the beginning	(-)	c.()	(280 000)
Movement			
Additions	d)	e)	f)
Disposal at carrying value	(-)	g. ()	-
Depreciation	-	h. ()	i. ()
Carrying value at the end	j.	k.	L.
Cost price at the end	1 800 000	m.	n.
Accumulated depreciation at the end	(-)	(400 000)	o. ()

25

15.1.3. Prepare the Assets Disposal account (9)

Date	Details	Fol	Amount	Date	Details	Fol	Amount
					Accumulated Depreciation: Vehicles (64 000 +)		

9

QUESTION: 16

FIXED ASSETS

DATE:.....

16.1. Calculate the Depreciation Sold of Equipment (4)	ANSWER
<u>WORKINGS</u>	

16.2. Calculate total Depreciation of Equipment at end (6)	ANSWER
<u>WORKINGS</u>	

16.3. Calculate Accumulated depreciation on Equipment at the end of the year (5)	ANSWER
<u>WORKINGS</u>	

16.4 FIXED ASSETS

Calculate the missing amounts indicated by (i) – (iv) in the Fixed/Tangible Asset Note for the year ended 28 February 2017.

	Workings	Amount
i		
ii		
iii		
iv		

TOTAL MARKS
40

15

QUESTION 17

ACTIVITY NO: 17

DATE:.....

17.2.1 Notes to the Financial Statements

	Calculations	Answer
A		
B		
C		
D		



QUESTION 18

ACTIVITY NO: 18

DATE:.....

18.3 FIXED ASSETS

Calculate the missing amounts indicated by (i) – (iv) in the Fixed/Tangible Asset Note for the year ended 29 February 2020.

	Workings	Amount
i		
ii		
iii		
iv		

16

TOTAL MARKS
16



QUESTION 19

ACTIVITY NO: 19

DATE:.....

19.3 FIXED ASSETS

Calculate the missing amounts indicated by (A) – (C) in the Fixed/Tangible Asset Note for the year ended 29 February 2020.

	Workings	Amount
A		
B		
C		

12

TOTAL MARKS
12



QUESTION: 20

BARNARDO LIMITED

20.1.1 ORDINARY SHARE CAPITAL

AUTHORIZED		
1 750 000 shares		
ISSUED		
		10

20.1.2 RETAINED INCOME

Balance on 1 July 20.13	345 900	
Ordinary share dividends		
Balance on 30 June 20.14		10

50.1.3 TRADE AND OTHER RECEIVABLES

		10

20.2 BARNARDO TRADERS LTD
 BALANCE SHEET ON 30 JUNE 20.14

ASSETS		
NON-CURRENT ASSETS		
Fixed/Tangible Assets		
CURRENT ASSETS		
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Ordinary share capital		
Retained income		
NON-CURRENT LIABILITIES		
Loan: Drake Bank		
CURRENT LIABILITIES		
Trade and other payables		
TOTAL EQUITY AND LIABILITIES		

25

TOTAL MARKS
55

QUESTION: 21
KAMBULA LIMITED

21.1.1 ORDINARY SHARE CAPITAL

AUTHORIZED		
2 000 000 shares		
ISSUED		
		10

21.1.2 RETAINED INCOME

Balance on 1 July 20.07		
Ordinary share dividends		
Balance on 30 June 20.08		10



21.2 KAMBULO LTD
BALANCE SHEET ON 30 JUNE 20.08

ASSETS	
Non-current assets	
Fixed deposit (300 000)	
Current assets	
TOTAL ASSETS	
EQUITY & LIABILITIES	
Ordinary shareholders' equity	
Non-current liabilities	
Current liabilities	
TOTAL EQUITY & LIABILITIES	

35

TOTAL MARKS
55

QUESTION: 22

CLASS-ACTIVITY: 22

DATE:.....

Required:

22.1. Indicate whether each of the following would reflect an inflow or outflow of Funds (12)

1. increase in inventories		
2. decrease in inventories		
3. increase in trade and other receivables		
4. decrease in trade and other receivables		
5. increase in trade and other payables		
6. decrease in trade and other payables		12

22.2. What is the difference between a cash budget and a cash flow statement? (4)

Cash budget	
Cash flow statement	
	<input type="text"/>
	<input type="text" value="4"/>

22.3. What is the purpose of a cash flow statement? (2)

	<input type="text"/>
	<input type="text" value="2"/>

22.4. List **FOUR** items that are not included in the cash flow statement. Give a reason why it is not included in the cash flow statement.

List 4 items	(4)
Reason	(2)

6

22.5. Determine the inflow (+) and outflow (-) of cash for 2015 (See example). (24)

	2015		2014		Amount	Flow In/out
	Debit	Credit	Debit	Flow		
Land & buildings	520 000		450 000		(70 000)	Outflow
Ordinary share capital		500 000		400 000		
Vehicles	65 800		100 000			
Equipment	35 500		25 000			
Trading inventory	84 000		60 000			
Debtors	19 600		30 000			
Creditors		18 250		26 750		
Long-term loan		60 000		55 000		
Fixed deposit	30 000		10 000			
Accrued expenses		3 000		5 000		
Accrued income	1 000		7 000			
SARS: Income tax	10 000			15 000		
Bank		25 000	15 000			

QUESTION: 23

ACTIVITY NO: 23

DATE:.....

23.1 NOTE 1 TO THE CASH FLOW STATEMENT

Reconciliation between profit before taxation and cash generated from operations	
Adjustment in respect of	
Cash generated from operations	
	12

Taxation paid (5)	Answers

5

Calculate the net change in cash and cash equivalents.

Net change in cash and cash equivalents	
Opening bank balance	
Closing bank balance	

5

QUESTION: 24

ACTIVITY NO: 24

DATE:.....

24.1 NOTE 1 TO THE CASH FLOW STATEMENT

Reconciliation between profit before taxation and cash generated from operations	
Adjustment in respect of	
Cash generated from operations	
	12

Taxation paid (5)	Answers

5

Cash effects on investing activities	
Proceeds from asset sold	

10

Calculate the net change in cash and cash equivalents.

Net change in cash and cash equivalents	
Opening bank balance	
Closing bank balance	

5



QUESTION: 25

CASH FLOW STATEMENT

DATE:.....

25.1	25.1.1		
	25.1.2		
	25.1.3		

3

25.2.1

Ordinary Share Capital Note		
Authorised		
1 200 000 ordinary shares		
Issued		
	Shares in issue on 1 May 2019	
	Shares in issue on 30 April 2020	

11

Retained Income Note	
Balance at beginning of financial year	
Dividends	
•	
•	
Balance at end of financial year	

13

25.2.2

Calculate the income tax paid.

4

Calculate the dividends paid.

3

Calculate the loan repayment amount.

2

Calculate the net change in cash and cash equivalents.

Net change in cash and cash equivalents	
Opening bank balance	
Closing bank balance	

5

25.2.3

Cash effects on investing activities

Proceeds from asset sold	22 000

Dividends paid



	9

Marks
50



QUESTION: 26

ACTIVITY NO: 26

DATE:.....

26.1 NOTE 1 TO THE CASH FLOW STATEMENT

Reconciliation between profit before taxation and cash generated from operations		
Adjustment in respect of		
Cash generated from operations	2 663 340	12

ORDINARY SHARE CAPITAL		
<u>Authorised:</u>		
5 000 000 ordinary shares		
<u>Issued:</u>		
		7

**26.2 BOOYSENDAL LTD.
 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017**

Cash flows from operating activities		
Cash flows from investing activities		
Cash flows from financing activities		
Net change in cash equivalents		
Cash and cash equivalents – beginning of year		
Cash and cash equivalents – end of year		12 600

32

26.3 Mention TWO major decisions (above R900 000) that are reflected in the Cash Flow Statement and support the decisions by quoting relevant figures. Indicate ONE possible area of impact that each decision would have on the company's future operations.

Decision and figures	Impact on company's future

6

26.4	<p>Calculate the following financial indicators for the year ended 31 August 2017:</p> <p>% Return on average equity</p>	6
	<p>Net asset value per share</p>	3
26.5	<p>Explain what is meant by <i>good corporate governance</i>.</p>	3
26.6	<p>As a shareholder, explain THREE issues you would raise at the AGM.</p>	6

TOTAL MARKS
75

QUESTION: 27

ACTIVITY NO: 27

DATE:.....

FINANCIAL STATEMENTS, CASH FLOW AND INTERPRETATION

27.1 CONCEPTS: MATCHING

27.1.1			5
27.1.2			
27.1.3			
27.1.4			
27.1.5			

27.2 KHLOE L D

27.2.1

Net profit before income tax	988 700	9
Adjustments for : Interest expense	124 900	
Changes in working capital		
CASH GENERATED FROM OPERATIONS		

27.2.2 Amounts for the Cash Flow Statement.

WORKINGS	ANSWER
Income tax paid	4
Dividends paid	4
Fixed assets purchased	5

27.2.3 Calculate: Net change in cash and cash equivalents

4

27.3 KWEZI LTD

27.3.1 ORDINARY SHARE CAPITAL

760 000	Balance on 1 March 2017	
	Balance on 28 February 2018	4 291 500

7

27.3.2 Calculate: Net asset value per share

3

Calculate: Return on average shareholders' equity

5

27.3.3 Quote TWO financial indicators (with figures and trends) that indicate an improvement in the liquidity position of the business.

4

27.3.4 The company paid back a large portion of the loan. Explain why this was a good decision. Quote TWO financial indicators (with figures).

6

27.3.5 Comment on the dividend pay-out policy over the past two years. Provide a possible reason for the policy adopted. Quote figures.

5

27.3.6 Explain whether the price paid for the share buy-back was fair. Quote TWO financial indicators (with figures) in your explanation.

4

Q:27
TOTAL MARKS

65

NAME OF SCHOOL

MARKING GUIDELINE

NAME OF CANDIDATE

CLASS

NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

ACADEMIC YEAR: 2022

TERM NO: 1

COMPANIES

MARKING GUIDELINE

QUESTION: 1

Class work no: 1

Date:.....

Answers

NO	ANSWERS
1.1.	D ✓✓
1.2.	E ✓✓
1.3.	F ✓✓
1.4.	G ✓✓
1.5.	A ✓✓
1.6.	B ✓✓
1.7.	C ✓✓

14



QUESTION: 2

Class work no: 2

Date:.....

Answers

NO	ANSWERS
2.1.	C ✓✓
2.2.	E ✓✓
2.3.	B ✓✓
2.4.	F ✓✓
2.5.	A ✓✓
2.6.	D ✓✓

12



QUESTION: 3

Class work no: 3

Date:.....

Complete the following statement with the GAAP principle applied. To match the statement. (13)

STATEMENT	PRINCIPLE
Rent has been received for 13 months. Rent for 12 months is shown in the Income Statement.	Matching ✓
The owner of the business wins R2 000 in a competition. This is not shown in the Income Statement of the business.	Business Entity ✓
Land and buildings are shown in the Balance Sheet at R500 000, although the market value is estimated at R800 000.	Historical cost ✓
Trading stock is shown in the Balance sheet at R10 000 but the business would only get R7 000 if the stock were to be sold at a flea market the next day.	Prudence ✓
Cleaning materials bought for R25 are shown as part of Sundry Operating Expenses in the Income Statement.	Materiality ✓
A business records sales of goods for R12 000. At the same time they record the cost of sales and the cost of the advertisement that led to these sales.	Matching principle ✓
The financial seriousness of the entry must always be considered – a kettle costing R100 may last for more than a year, but it would not be classified as a non-current asset.	Materiality ✓
Profits should not be overstated and loss must not be understated.	Prudence ✓
A company has bought this property for R1 million in year 2003 but now the property has appreciated to R5 million. The company is recording the property at R1 million.	Historical cost ✓
Which principle directs a company to show all expenses related to its revenue of a specified period even if the expenses were not paid in that period?	Accrual ✓
A company borrowed R60 000 on December 1, 2015 and will make its payment for interest only when the loan is paid off on June 1, 2016. The total interest for the six months will be R6 000. On the December 2015 income statement the accountant reported interest expense of R1 000.	Accrual ✓
For the December year-end close, the utilities bills have not been received for the month of November and December. However, based on previous average month trends, utilities expenses for November and December is estimated at R20 000 x 2 = R40 000.	Accrual ✓
Once a particular financial period is adopted by a business, it is not changed from one period to the next period.	Consistency ✓

QUESTION: 4

Class work no: 4

Date:.....

Answers

4.1. Calculate the Average Issue Price (AIP) (2)

$$\frac{2\,500\,000}{800\,000}$$

$$= R3,125$$

$$= R3,13 \checkmark \checkmark$$

4.2. Calculate the total Amount of Shares bought back at an Average Issue Price (2)

$$40\,000 \times R3,13$$

$$= R125\,200 \checkmark \checkmark$$

4.3. Calculate the Price above the Average Issue Price (PAIP) (3)

$$R5 \checkmark - R3,13 \checkmark = R1,87 \checkmark$$

4.4. Calculate the Total Amount of shares bought back at Price above the Average issue Price (PAIP) (2)

$$40\,000 \times R1,87 = R74\,800 \checkmark \checkmark$$

4.5. Calculate the Total Amount bought Back (3)

$$R125\,200 \checkmark + R74\,800 \checkmark = R200\,000 \checkmark$$

4.6. Complete the following ledger accounts:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

	Bank (40 000 x 3,13)	CPJ	125 200 $\checkmark \checkmark$		Balance	b/d	1 600 000 \checkmark
	Balance	c/d	2 375 000 \checkmark		Bank \checkmark	CRJ	900 000 $\checkmark \checkmark$
			2 500 000				2 500 000
					Balance	b/d	2 375 000 \checkmark

SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B

	Bank	CPJ	40 000 \checkmark		Balance	b/d	40 000 \checkmark
	Balance	c/d	243 200		Ordinary share dividends	GJ	243 200 \checkmark
			283 200				283 200
					Balance	b/d	\checkmark 243 200

(INCOME TAX) ACCOUNT (CL)

B

	Balance	b/d	5 000 ✓			Income tax ✓	GJ	330 000 ✓✓
	Bank	CPJ	45 000 ✓					
	Bank	CPJ	45 000 ✓					
	Balance	c/d	235 000 ✓					
			330 000					330 000
						Balance	b/d	235 000 ✓

RETAINED INCOME ACCOUNT [OE]

B2

	Bank	CPJ	74 800 ✓✓			Balance	b/d	600 000 ✓
	Balance	c/d	988 000 ✓			Appropriation account	GJ	462 800 ✓
			1 062 800					1 062 800
						Balance	b/d	988 000 ✓

INCOME TAX ACCOUNT [E]

N4

	SARS Income Tax	GJ	330 000 ✓			Appropriation account	GJ	330 000 ✓
--	-----------------	----	-----------	--	--	-----------------------	----	-----------

DIVIDENDS ON ORDINARY SHARE ACCOUNT [E]

N5

	Bank (800 000 x 0,08)	CPJ	64 000 ✓			Appropriation account	GJ	307 200 ✓
	Shareholders for dividends	GJ	243 200 ✓					
			307 200					307 200

DR

APPROPRIATION ACCOUNT (F3)

N15

CR

	SARS Income Tax	GJ	330 000 ✓			Net profit before tax ✓	GJ	1 100 000 ✓
	Ordinary share dividends	GJ	307 200 ✓					
	Retained income	GJ	462 800 ✓					
								1 100 000

QUESTION: 5

Class work no: 5

Date:.....

Answers

Activity

Complete the following ledger accounts of REATLGILE Ltd:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

	Bank (80 000 x 1,29)	CPJ	103 200 ✓✓		Balance	b/d	2 880 000 ✓
	Balance	c/d	3 379 800 ✓		Bank ✓	CRJ	603 000 ✓✓
			3 483 000				3 483 000
					Balance	b/d	3 379 800 ✓

DR RETAINED INCOME ACCOUNT [OE] B2 CR

	Bank ✓	CPJ	200 800 ✓✓✓		Balance	b/d	550 000 ✓
	Balance	c/d	566 200 ✓		Appropriation account ✓	GJ	217 000 ✓
			767 000				767 000
					Balance	b/d	566 200 ✓

DR SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B CR

	Bank	CPJ	135 000 ✓		Balance	b/d	135 000 ✓
	Balance	c/d	786 000		Ordinary share dividends	GJ	786 000 ✓
			921 000				921 000
					Balance	c/d	786 000 ✓

DR SARS (income tax) ACCOUNT (CL) B CR

	Bank	CPJ	8 000 ✓		Balance	b/d	8 000 ✓
	Bank	CPJ	237 000 ✓		Income tax	GJ	615 000 ✓✓
	Bank	CPJ	237 000 ✓				
	Balance	c/d	141 000 ✓				
			623 000				623 000
	Balance	b/d	69 000		Balance	b/d	141 000 ✓

INCOME TAX ACCOUNT [E]

N4

	SARS Income tax	GJ	615 000 ✓		Appropriation account	GJ	615 000 ✓
--	-----------------	----	-----------	--	-----------------------	----	-----------

Dr

DIVIDENDS ON ORDINARY SHARE ACCOUNT [E]

N5

Cr

	Bank	CPJ	432 000 ✓		Appropriation account	GJ	1 218 000 ✓
	Shareholders for dividends	GJ	786 000 ✓				
			1 218 000				1 218 000

APPROPRIATION ACCOUNT (F3)

N15

	SARS income tax ✓	GJ	615 000 ✓		Net profit before tax ✓	GJ	2 050 000 ✓
	Shareholders for dividends	GJ	1 218 000 ✓				
	Retained income	GJ	217 000 ✓				
			2 050 000				2 050 000



REVISION TEST 1

Weekly test no 1

ANSWERSHEET

1.

1.1	Issue price ❖ It the price at which shares were issued ✓✓
1.2	Share capital ❖ The capital provided by shareholders at issue price ✓✓
1.3	Retained income ❖ Portion of the earnings or net that is not distributed to shareholders in the form of dividends. It is kept in reserve to use for future payments. ✓✓
1.4	Interim dividends ❖ Dividends declared during the financial year and it is paid within the current year ✓✓
1.5	Final dividends ❖ Dividends declared at the end of the financial and is subject to approval by board of directors. ✓✓
2	<ul style="list-style-type: none"> ❖ Fear of losing control of the company ❖ Company shares are undervalued ❖ Reduce the equity capital of the company ✓✓ <p style="text-align: right;">Any one point</p>

2. ACCOUNTING EQUATION

No	General ledger		Effects on accounting equation			
	Acc to be debited	Acc to be credited	Amount	A =	O +	L
E.g	Rent expense	Bank	5000	-	-	0
1.	Bank ✓	Ordinary share capital ✓	100 000	+ ✓	+ ✓	0
2.	SARS(income tax) ✓	Bank ✓	5 400	- ✓	0	- ✓
3.1	Ordinary share capital ✓	Bank ✓	10 000 ✓	- ✓	- ✓	0
3.2	Retained income ✓	Bank ✓	7500 ✓	- ✓	- ✓	0

QUESTION: 6

Class work no: 6

Date:.....

Answers

Activity 6

Complete the following ledger accounts of PHELETSO Ltd:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

	Bank ✓ (70 000 x 4)	CPJ	280 000 ✓✓		Balance	b/d	4 500 000 ✓
	Balance	c/d	5 720 000 ✓		Bank ✓	CRJ	1 500 000 ✓
			6 000 000				6 000 000
					Balance	b/d	5 720 000 ✓

RETAINED INCOME ACCOUNT [OE] B2

	Bank ✓ (70 000 x 0,80)	CPJ	56 000 ✓✓✓		Balance	b/d	760 000 ✓
	Balance	c/d	1 243 000 ✓		Appropriation account ✓	GJ	539 000 ✓
			1 299 000				1 299 000
					Balance	b/d	1 243 000 ✓

SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B

	Bank	CPJ	40 000 ✓		Balance	bld	40 000 ✓
	Balance	c/d	286 000 ✓		Ordinary share dividends ✓	GJ	286 000 ✓
			326 000				326 000
					Balance	b/d	286 000

SARS (income tax) ACCOUNT (CL) B

	Bank ✓	CPJ	20 000 ✓		Balance	b/d	20 000 ✓
	Bank ✓	CPJ	212 250 ✓		Income tax ✓	GJ	450 000 ✓✓
	Bank ✓	CPJ	212 250 ✓				
	Balance	c/d	25 500 ✓				
			470 000				470 000
					Balance	b/d	25 500 ✓

INCOME TAX ACCOUNT [E]

N4

	SARS (Income tax)		450 000 ✓		Appropriation Account	GJ	450 000 ✓
--	-------------------	--	-----------	--	-----------------------	----	-----------

DIVIDENDS ON ORDINARY SHARE ACCOUNT [E] N5

	Bank	CPJ	225 000 ✓		Appropriation Account ✓	GJ	511 000 ✓
	Shareholders for dividends		286 000 ✓				
			511 000				511 000

APPROPRIATION ACCOUNT (F3)

N15

	SARS income tax ✓	GJ	450 000 ✓		Profit & loss ✓		1 500 000 ✓
	Ordinary share dividends	GJ	511 000 ✓				
	Retained Income	GJ	539 000 ✓				
			1 500 000				1 500 000

6.2. Complete the following notes of the statement of financial positions

Ordinary share capital

R

Authorised		
5 000 000 ordinary shares Authorised		
Issued		
1 000 000 ✓	Ordinary shares issued at the beginning @ R4.5	4 500 000 ✓
500 000 ✓	Additional shares issued at R3	1 500 000 ✓
(70 000) ✓	Bought back shares at an AIP of R4 ✓	(280 000) ✓
1 430 000	Shares in issue at the end	5 720 000 ✓

8

6.2. RETAINED INCOME

R

Balance at the beginning of the year	760 000
Net profit after tax	1 050 000 ✓✓
Buyback of shares (70 000 x 0,80)	(56 000) ✓✓
Ordinary share dividend	(511 000)
Interim	225 000 ✓✓
Final	286 000 ✓✓
Balance at the end of the year	1 243 000 ✓

9

6.3. Complete the statement of financial position for the year ended 28 February 2021 [8]

	R
Equities and Liabilities	
Owners' Equity	6 963 000 <input checked="" type="checkbox"/>
Ordinary share capital	5 720 000 <input checked="" type="checkbox"/>
Retained income	1 243 000 <input checked="" type="checkbox"/>
Current Liabilities	311 500 <input checked="" type="checkbox"/>
Shareholders for dividends	286 000 <input checked="" type="checkbox"/>
SARS Income tax	25 500 <input checked="" type="checkbox"/>
Total equities and Liabilities	7 274 500 <input checked="" type="checkbox"/>

6.4. Complete the Incomplete Accounting Equation ($A = O/E + L$) [10]

6.4. ACCOUNTING EQUATION:

DATE	Account Debited	Account Credited	Amount	Assets +/-	=	O/Equity +/-	+	Liability +/-
E.G	AUDIT FEE	BANK	22 500	-		-		0
01-May 2020	Bank	Ordinary Share Capital	1 500 000	+ <input checked="" type="checkbox"/>		+ <input checked="" type="checkbox"/>		0
02-July 2020	Ordinary share dividends	Bank	225 000	- <input checked="" type="checkbox"/>		- <input checked="" type="checkbox"/>		0
02-Jan 2021	Ordinary share capital <input checked="" type="checkbox"/>	Bank	280 000	- <input checked="" type="checkbox"/>		- <input checked="" type="checkbox"/>		0
	Retained income <input checked="" type="checkbox"/>	Bank	56 000	- <input checked="" type="checkbox"/>		- <input checked="" type="checkbox"/>		0



QUESTION: 7

Class work no: 7

Date:.....

Answers

Activity: 7

Complete the following ledger accounts of KAMOGELO Ltd:

ORDINARY SHARE CAPITAL ACCOUNT (OE) B1

Bank ✓ (200 000 X 3.4)	CPJ	680 000 ✓ ✓		Balance	b/d	3 600 000 ✓
Balance	c/d	6 120 000 ✓		Bank ✓	CPJ	3 200 000 ✓ ✓
		6 800 000				6 800 000
				Balance	b/d	6 120 000 ✓

RETAINED INCOME ACCOUNT [OE] B2

Bank(200 000 X 0,4 ✓ ✓)	CPJ	80 000 ✓		Balance	b/d	640 000 ✓
Balance	c/d	774 000 ✓		Appropriation acc ✓	GJ ✓	214 000 ✓
		854 000				854 000
				Balance	b/d	774 000 ✓

SHAREHOLDERS FOR DIVIDENDS ACCOUNT [CL] B

Bank	CPJ	138 000 ✓		Balance	b/d	138 000 ✓
Balance	c/d	396 000 ✓		Ordinary share dividends	GJ	396 000 ✓
		534 000				534 000
				Balance	b/d	396 000 ✓

SARS (income tax) ACCOUNT (CL) B

Bank ✓	CPJ	11 000 ✓		Balance	b/d	11 000 ✓
Bank ✓	CPJ	230 000 ✓		Income tax ✓	GJ	390 000 ✓
Bank ✓	CPJ	180 000 ✓		Balance	c/d	20 000 ✓
		421 000 ✓				421 000
Balance	b/d	20 000 ✓				

If both amount are the same award one method mark

INCOME TAX ACCOUNT [EXP]

N4

	SARS Income tax	GJ	390 000 ✓		Appropriation Acc	GJ	390 000 ✓
--	-----------------	----	-----------	--	-------------------	----	-----------

DIVIDENDS ON ORDINARY SHARE ACCOUNT [EXP]

N5

	Bank	GJ	300 000 ✓		Appropriation account	GJ	396 000 ✓
	Shareholders for dividends.	GJ	396 000 ✓				
			696 000				396 000

APPROPRIATION ACCOUNT (F3)

N15

	SARS Income tax	GJ	390 000 ✓		Net profit before tax ✓	GJ	1 300 000 ✓✓
	Ordinary share dividends	GJ	696 000 ✓				
	Retained income	GJ	214 000 ✓				
			1 300 000				1 300 000

7.2. Complete the following notes of the statement of financial positions

Ordinary share capital

R

Authorised		
5 000 000 ✓ ordinary shares Authorised		
Issued		
1 200 000	Ordinary shares issued at the beginning	3 600 000 ✓
800 000 ✓	Additional shares issued at R4	3 200 000 ✓✓
(200 000) ✓	Bought back shares at an AIP of R3,40	(680 000) ✓✓
1 800 000	Shares in issue at the end	6 120 000 ✓

9

7.2. RETAINED INCOME

R

Balance at the beginning of the year	640 000 ✓
Net profit after tax (390 000 x 70/30)	910 000 ✓✓
Repurchases of shares (200 000 x 0,40)	(80 000 ✓✓)
Ordinary share dividend	(696 000) ✓
Interim dividends (2 000 000 x 0,15)	300 000 ✓
Final dividends (1 800 000 x 0,22)	396 000 ✓
Balance at the end of the financial year	774 000 ✓

9

7.3. Complete the statement of financial position for the year ended 28 February 2021 [8]

	R
Equities and Liabilities	
Owners' Equity	6 894 000 ✓
Ordinary share capital	6 120 000 ✓
Retained income	774 000 ✓
Current Liabilities	396 000 ✓
Shareholders for dividends	396 000 ✓
Total equities and Liabilities	7 290 000 ✓

7.4. Complete the Incomplete Accounting Equation ($A = O/E + L$) [10]

7.4. ACCOUNTING EQUATION:

DATE	Account Debited	Account Credited	Amount	Assets +/-	=	O/Equity +/-	+	Liability +/-
E.G	AUDIT FEE	BANK	22 500	-		-		0
20-April 2020	Bank	Ordinary Share Capital ✓	3 200 000	+ ✓		+ ✓		0
01-Sept 2020	SARS Income tax ✓	Bank	230 000	-		-	✓	0
03-Jan 2021	Ordinary Share Capital ✓	Bank	680 000	-		-	✓	0
	Retained Income ✓	Bank	80 000	- ✓		- ✓		0



QUESTION: 8

Class work no: 8

Date:.....

Answer-Book

8.1.1. Company it's a legal person OR legal entity ✓✓
 ❖ Company has the right to sue and to sued ✓✓
 ❖ It has limited liability on its name. ✓✓
 ❖ The shareholders are not responsible for the debt of business, but the business it's liable for its debt. ✓✓
Any two

4

8.1.2. For future expansion of the business. ✓✓
 It is kept in reserve to use for future payments ✓✓

4

8.1.3. ACCOUNTING EQUATION:

20

Day	Account Debited	Account Credited	Amount	Assets +/-	=	O/Equity +/-	+	Liability +/-
E.G	AUDIT FEE	BANK	22 500	-		-		0
1.	Bank ✓	Ordinary share capital ✓	1 200 000	+		+ ✓		0
5.	Ordinary share dividends ✓	Bank	225 000	-		- ✓		0
6.	Ordinary share capital ✓	Bank	600 000 ✓✓	-		-		0
	Retained income	Bank	127 500 ✓✓	-		-		0
7.	SARS Income tax ✓	Bank	250 000	-		0		-
10.	Income tax ✓	SARS Income tax ✓	390 000 ✓	0		-		+ ✓
12.	Ordinary share dividends ✓	Shareholders for dividends ✓	150 000 ✓	0		- ✓		+ ✓

8.2.1. Ordinary share capital

R

Authorised		
Issued		
500 000 ✓	Ordinary shares issued at the beginning	1 800 000 ✓
250 000 ✓	Additional shares issued @ R4.8	1 200 000 ✓
(150 000) ✓	Buyback at average issue price of R4 ✓☑	(600 000) ☑
600 000 ✓	Shares in issue at the end of the year	2 400 000 ☑

10

8.2.2. RETAINED INCOME

R

Balance at the beginning of the year	650 000
Net profit after tax	910 000 ✓
Buyback of shares (150 000 ✓ x 0,85 ☑)	(127 500) ☑
Ordinary share dividend	(375 000) ☑
Interim (750 000 x 0,30)	225 000 ✓☑
Final (600 000 x 0,25)	150 000 ✓☑
Balance at the end of the year	1 057 500 ☑

10

8.3.

500 000 + 250 000 = 750 000 ✓✓ (total issued)
 Therefore : 1 000 000 + 150 000 – 750 000 = 400 000 ✓☑
 (The remaining shares)

4



REVISION TEST 2

WEEKLY TEST NO 2

DATE:.....

ANSWERSHEET

ORDINARY SHARE CAPITAL

Date	Details		Amount		Date	Details		Amount
	Bank	CPJ	944 000 ✓✓✓		1 march	Balance	b/d	3 200 000 ✓
	Balance	c/d	4956 000 ✓			Bank	CRJ	2 700 000 ✓
			5900 000					5900 000
						Balance	b/d	4956 000 ✓

SARS (Income tax)

Date	Details		Amount		Date	Details		Amount
	Bank	CPJ	60 000 ✓			Balance	b/d	60 000 ✓
	Bank	CPJ	400 000 ✓			Income tax	GJ	900 000 ✓
	Bank	CPJ	400 000 ✓					
	Balance	c/d	100 000 ✓					
			900 000					900 000
						Balance	b/d	100 000 ✓

APPROPRIATION ACCOUNT

Date	Details	Amount		Date	Details	Amount
	Income tax	900 000 ✓			Profit and loss	3000 000 ✓
	Ordinary share dividends	1390 000 ✓			Retained income (1600 000 ✓ - 1056 000 ✓✓)	544 000 ✓
	Retained income	1254 000 ✓				
		3544 000				3544 000

QUESTION: 9

ACTIVITY NO: 9

DATE:.....

9.1. Ordinary share capital

R

Authorised			
1 900 000 shares			
Issued			
1 000 000	Shares issued at the beginning @ R5	R5 000 000	
400 000 ✓	Additional shares issued during the year	4 120 000 ✓✓	
(120 000) ✓	Bought back at an average price of R6,51 ✓	(781 200) ✓	
1 280 000 ✓	Shares in issue at the end of the year	8 338 800 ✓	8

9.2. RETAINED INCOME

R

Balance at the beginning of the year	650 000	
Net profit after tax	627 200 ✓	
Bought back of shares (120 000 ✓ x 2.60 ✓)	(312 000) ✓	
Ordinary share dividend	(408 000) ✓	
Interim (1 400 000 x 0,20)	280 000 ✓✓	
Final (1 280 000 x 0.10)	128 000 ✓✓	
Balance at the end of the year	557 200 ✓	10

9.3.

$$8\,338\,800 / 1\,280\,000 = R6.51 \checkmark \checkmark$$

2

9.3. Complete the statement of financial position for the year ended 30 June 2017

[8]

	R
Equities and Liabilities	
Owners' Equity	8 896 000 ✓
Ordinary share capital	8 338 800 ✓
Retained income ✓	557 200 ✓
Current Liabilities	128 000 ✓
Shareholders for dividends ✓	128 000 ✓
Total equities and Liabilities	9 024 000 ✓



QUESTION: 10

ACTIVITY NO: 10

DATE:.....

ANSWER BOOK

10.1. Ordinary share capital

R

Authorised			
1 200 000 shares			
Issued			
765 000 ✓	Shares issued at the beginning @ R	4 069 500 ✓	10
15 000 ✓	Additional shares issued @ R9,50	142 500 ✓	
(20 000) ✓	Shares repurchased @ R5.4 ✓	(108 000) ✓	
760 000 ✓	Share in issue at the end of the year	4 104 000 ✓	

• RETAINED INCOME

R

Balance at the beginning of the year	872 000 ✓	11
Net profit after tax	290 416	
Buyback of shares (20 000 ✓ x 1.80 ✓)	(36 000) ✓	
Ordinary share dividend	(796 000) ✓	
PAID (Interim)	340 000	
Final/ Declared ✓ (760 000 ✓ X 0.60 ✓)	456 000 ✓	
Balance at the end of the year	330 416 ✓	

10.2. Income tax amount

$290\ 416 \times 30/70 = R124\ 464 \checkmark$

2

10.3. Complete the statement of financial position for the year ended 28-February-2017 [8]

	R
Equities and Liabilities	
Owners' Equity	4 434 416 <input checked="" type="checkbox"/>
Ordinary share capital ✓	4 104 000 <input checked="" type="checkbox"/>
Retained income	330 416 <input checked="" type="checkbox"/>
Current Liabilities	456 000 <input checked="" type="checkbox"/>
Shareholders for dividends ✓	456 000 <input checked="" type="checkbox"/>
Total equities and Liabilities	4 890 416 <input checked="" type="checkbox"/>



QUESTION: 11

ACTIVITY NO: 11

DATE:.....

ANSWER-BOOK

11.1. Ordinary share capital

R

Authorised			
Shares Authorized			
Issued			
1 200 000 ✓	Shares issued at the beginning @ R	5 125 000 ✓ <input checked="" type="checkbox"/>	
100 000 ✓	Additional shares issued @ R5.10	510 000 ✓	
(50 000) ✓	Shares repurchased @ R4.33 ✓ <input checked="" type="checkbox"/>	(216 500) ✓	
1 250 000 ✓	Shares issued at the end	5 418 500	10

➤ RETAINED INCOME

R

Balance at the beginning of the year	1 933 000	
Net profit after tax	1 592 500 ✓	
Repurchase of shares (50 000 ✓ x 1.87 ✓ <input checked="" type="checkbox"/>)	(93 500) <input checked="" type="checkbox"/>	
Ordinary share dividend	(500 000) <input checked="" type="checkbox"/>	
Interim (1 300 000 ✓ x 0.30 ✓)	390 000 <input checked="" type="checkbox"/>	
Final Dividends	110 000	
Balance at the end of the year	2 932 000 <input checked="" type="checkbox"/>	10

11.2. For future expansion of the business. ✓✓

2

11.3. Complete the statement of financial position for the year ended 28-February-2017 [8]

	R
Equities and Liabilities	
Owners' Equity	8 350 500 <input checked="" type="checkbox"/>
Ordinary share capital <input checked="" type="checkbox"/>	5 418 500 <input checked="" type="checkbox"/>
Retained income <input checked="" type="checkbox"/>	2 932 000 <input checked="" type="checkbox"/>
Current Liabilities	110 000 <input checked="" type="checkbox"/>
Shareholders for dividends	110 000 <input checked="" type="checkbox"/>
Total equities and Liabilities	8 460 500 <input checked="" type="checkbox"/>



QUESTION: 12
 PRETORIUS LTD

ACTIVITY NO: 12

DATE:.....

12.1.1. ORDINARY SHARE CAPITAL

AUTHORIZED		
3 000 000 shares		
ISSUED		
1 800 000 ordinary shares in issue at beginning of year at R4✓	7 200 000	✓✓
200 000✓ additional shares issued @ R6✓	1 200 000	✓
(80 000) ✓ Bought back at an average price R4.20✓✓	(336 000)	✓
1 920 000 ✓ shares in issue at the end of the year	8 064 000	✓

12

12.1.2. RETAINED INCOME

Balance on 1 March 20.11	200 000	
Net profit after income tax ✓	547 200	✓✓
Shares repurchased (80 000✓ X 0.70✓✓)	(56 000)	✓
Ordinary share dividends	(537 600)	✓✓
Interim	237 600	✓✓
Final	300 000	
Balance on 28 February 20.12	153 600	✓

12

12.2. Complete the statement of financial position for the year ended 28-February-2012 [8]

	R
Equities and Liabilities	
Owners' Equity (4.28✓ x 1 920 000✓)	8 217 600✓
Ordinary share capital	8 064 000✓
Retained income	153 600✓
Current Liabilities	300 000✓
Shareholders for dividends	300 000✓
Total equities and Liabilities	8 517 600✓

QUESTION: 13

ACTIVITY NO: 13

DATE:.....

**STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)
 OF WOODHILL TRADERS LIMITED FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	R
Sales (5 250 000 ✓ – 65 200 ✓)		5 184 800 ✓
Cost of sales		(3 510 000) ✓
Gross Profit		1 674 800 ✓
Other Operating Income		82 205
Bad debts recovered		450 ✓
Rent income (88 440 ✓ – 7 260 ✓✓)		81 180
Provision for bad debts adjustment (9 000 – 8 425)		575 ✓✓
Gross Operating Income		1757 005
Operating Expenses		(1 113 670) ✓
Advertising		180 900
Sundry expenses		25 600
Directors' fees		384 000
Audit fees		40 500
Packing material (7 500 ✓ + 11 550 ✓ – 6 900 ✓)		12 100 ✓
Salaries and wages (350 000 ✓ + 15 000 ✓ + 800 ✓ + 1 500 ✓)		367 300 ✓
Trading stock deficit (480 830 – 481 230)		400 ✓✓
Bad debts (4 320 ✓ + 7 200 ✓✓)		11 520 ✓
Depreciation (78 000 ✓ + 2 000 ✓ + 11 350 ✓)		91 350 ✓
Operating Profit		643 335 ✓
Interest income (12 430 + 12 370)	1	24 800 ✓✓
Profit before interest expense		668 135 ✓
Interest Expenses (376 000 ✓ + 240 000 ✓ – 560 000 ✓)		(56 000) ✓
Profit before tax		612 135 ✓
Income tax		(183 641) ✓
Net Profit for the year	9	428 494 ✓

QUESTION 14

ACTIVITY NO: 14

DATE:.....

14.1	Choose the correct word/s from those given below to complete the sentences:				
14.1.1		Working capital ✓	<table border="1" style="width: 100%; height: 100%;"> <tr><td style="text-align: center;"> </td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
4					
14.1.2		Unqualified ✓			
14.1.3		Finance cost ✓			
14.1.4		Cash and cash equivalents ✓			

14.2

Asset Disposal Account

2014 DEC	31	Vehicles ✓	GJ	800 000 ✓	2014 DEC	31	Accumulated Depreciation: Vehicles ✓ (750 000 ✓ + 50 000 ✓)	GJ	800 000 ✓
		Profit on sale of asset ✓	GJ	70 000 ✓			Bank ✓	GJ	70 000 ✓
		operation							
				870 000					870 000

10

Do not accept depreciation of 49 999, the asset will be no longer used by the business.
 Foreign items -1 each (max -2)



14.3

GREY LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Sales(7 200 000✓ – 30 000✓ –7 200✓)	✓ 7 162 800
	Cost of sales (4 780 000✓ – 4 800✓✓)	✓ (4 775 200)
9	Gross profit operation	✓ 2 387 600
	Other operating income operation	✓ 157 040
	Bad debts recovered	✓ 600
	Rent income (93 800✓ – 7 700✓✓)	✓ 86 100
	Provision for bad debts adjustment	✓✓ 340
9	Profit on sale of asset check 14.2	✓ 70 000
	Gross operating income	2 544 640
	Operating Expense operation	✓ (1 349 640)
	Audit fees	68 000
	Insurance	148 000
	Directors fees	470 000
	Salaries and wages(270 000✓ + 10 000✓)	✓ 280 000
	Employer contribution (72 000✓ + 1 050✓ + 1 200✓)	✓ 74 250
	Consumable stores (12 000✓ – 3 000✓)	✓ 9 000
	Sundry expenses operation- reasonable figure	✓ 30 090
	Loss due to theft (42000 ✓ x 20/80✓)	✓ 10 500
	Trading stock deficit (197 000✓ + 4 800✓ – 52 500✓✓ – 144 000✓)	✓ 5 300
26	Depreciation (50 000✓ + 165 000✓✓ + 39 500✓)	✓ 254 500
	Operating profit operation	✓ 1 195 000
	Interest Income	✓ 12 000
	Operating profit before interest expense operation	✓ 1 207 000
	Interest expense	✓ (7 000)
	Net profit before tax	✓ 1 200 000
	Income tax operation	✓ (360 000)
7	Net profit after tax	✓ 840 000

Operation for total amounts for depreciation and trading stock deficit
 Check 14.2 for depreciation of 50 000

Foreign items i.e. Balance sheet items -1 each (max -2)

If the pre-adjustment figure is shown as the final answer the relevant mark is still given

If final figures are correct award full marks, if incorrect mark workings, if no works no marks

51

51

14.4.1 ORDINARY SHARE CAPITAL

AUTHORISED:	
Number of authorized ordinary shares: 3 000 000 shares	
ISSUED:	
2 000 000 ordinary shares in issue at the beginning of financial year	5 225 000
250 000 ✓ additional shares issued during the financial year at an issue price of R2,50 per share	625 000 ✓
10 000 ✓ shares bought back during the financial year at R2,60 ✓	(26 000) ✓
2 240 000 ✓ Ordinary shares in issue at the end of the financial year	5 824 000 ✓
operation if one part correct	

8
8

14.4.2 RETAINED INCOME

Balance at the beginning of the financial year	770 000
Funds used for shares buy-back (10 000 ✓ x 0,50 ✓)	(5 000) ✓
Net profit after tax for the year	840 000 ✓
Dividends	(370 000) ✓
Interim/paid	(100 000) ✓
Final/recommended (2250 000 ✓ x 0,12 ✓) operation if one part correct	(270 000) ✓
operation	
Balance at the end of the financial year	1 235 000 ✓

12
12

Operation if one part is correct

TOTALMARKS
85
85



QUESTION: 15

ACTIVITY NO: 15

DATE:.....

Fixed Assets and Assets Disposal

15.1.1. Name two methods of calculating depreciations (2)

- CV method or diminishing balance method ✓
- Straight line methods or cost price method ✓

15.1.2. Complete fixed assets note of the financial statement (25)

B. Tangible asset

	Land and buildings	Vehicles	Equipment
Carrying value at the beginning	a) 1 279 000 ✓	636 000	b) 320 000 ✓✓
Cost price at the beginning	1 279 000	1 000 000	600 000
Accumulated depreciation at the beginning	(-)	c. (364 000) ✓✓	(280 000)
Movement			
Additions	d) 521 000 ✓✓	e) 180 000 ✓	f) 90 000 ✓
Disposal at carrying value	(-)	g. (166 600) ✓✓☑	-
Depreciation	-	h. (129 400) ✓✓☑	i. (96 750) ✓✓☑
Carrying value at the end	j. 1 800 000 ✓	k. 520 000 ☑	L. 313 250 ☑
Cost price at the end	1 800 000	m. 920 000 ✓✓	n. 690 000 ✓
Accumulated depreciation at the end	(-)	(400 000)	o. (376 750) ☑

25

15.1.3. Prepare the Assets Disposal account (9)

Date		Details	Fol	Amount	Date		Details	Fol	Amount
Dec 2018	1	Vehicle ✓	GJ	260 000 ✓			Accumulated Depreciation: Vehicles (64 000 + 29 400 ✓✓)		93 400 ☑
							Bank ✓	CRJ	148 000 ✓
							Loss on sale of assets ✓		18 600 ☑
				260 000					260 000

9

QUESTION: 16

FIXED ASSETS

DATE:.....

16.1. Calculate the Depreciation Sold of Equipment (4)	ANSWER
WORKINGS	
$(85\ 000\checkmark - 48\ 000\checkmark) \times 10/100\checkmark \times 9/12\checkmark$	2 775 $\checkmark\checkmark$

16.2. Calculate total Depreciation of Equipment at end (6)	ANSWER
WORKINGS	
$2\ 775\checkmark + 3\ 600\checkmark + 39\ 900\checkmark$	46 275 \checkmark

16.3. Calculate Accumulated depreciation on Equipment at the end of the year (5)	ANSWER
WORKINGS	
$350\ 000\checkmark + 46\ 275\checkmark - (48\ 000\checkmark + 2\ 775\checkmark)$	345 500 \checkmark

16.4 FIXED ASSETS

Calculate the missing amounts indicated by (i) – (iv) in the Fixed/Tangible Asset Note for the year ended 28 February 2017.

	Workings	Amount
i	$1\ 710\ 000\checkmark - 240\ 000\checkmark$	1 450 000 \checkmark
ii	$220\ 500\checkmark + 6\ 000\checkmark$	226 500 \checkmark
iii	$85\ 000\checkmark - (48\ 000\checkmark + 2\ 775\checkmark)$	34 225 \checkmark
iv	$(350\ 000\checkmark + 46\ 275\checkmark - 50\ 775\checkmark\checkmark)$	345 500 \checkmark

TOTAL MARKS
30

15

QUESTION 17

ACTIVITY NO: 17

DATE:.....

17.1.1 Notes to the Financial Statements

	Calculations	Answer
2	A. 1 900 000 – 1 100 000	800 000 ✓✓ no part marks
7	B. Vehicle 1 One mark 500 000 x 20/100 = 100 000 but only 49 999 ✓✓	185 624 ✓ One part correct
	Vehicle 2 437 500 x 20/100 x 9/12 65 625 ✓✓	
4	Vehicle 3 350 000 x 20/100 70 000 ✓✓	
	C. See B 437 500 ✓ – (87 500 ✓ + 65 625 ✓) 153 125 two marks	284 375 ✓ One part correct
3	D. 300 000 – 120 000 = 180 000 ✓ – 81 000 ✓	99 000 ✓ One part correct



QUESTION 18

ACTIVITY NO: 18

DATE:.....

18.1 FIXED ASSETS

Calculate the missing amounts indicated by (i) – (iv) in the Fixed/Tangible Asset Note for the year ended 29 February 2020.

	Workings	Amount
i	1 470 000 + 240 000	1 710 000 ✓✓
ii	New: $240\ 000 \times 15\% \times \frac{2}{12} = 6\ 000$ ✓✓ Old: $1\ 470\ 000 \times 15\% = 220\ 500$ carry value is only R180 000, thus only R179 999 ✓	185 999 ✓ One part correct
iii	$(85\ 000 - 48\ 000) \times 10\% \times \frac{9}{12} = 2\ 775$ ✓ = $85\ 000$ ✓ - $(2\ 775 + 48\ 000)$ ✓ Three marks 50 775 Four marks	(34 225) ✓ One part correct
iv	350 000 ✓ + 46 275 ✓ - 50 775 ✓ See iii	345 500 ✓ One part correct

16

TOTAL MARKS
16
16



QUESTION 19

ACTIVITY NO: 19

DATE:.....

19.1 FIXED ASSETS

Calculate the missing amounts indicated by (A) – (C) in the Fixed/Tangible Asset Note for the year ended 29 February 2020.

	Workings	Amount
A	$CV - R1 = 20\ 000 - R1 = 19\ 999$ ✓✓ $460\ 000$ ✓ X $15/100$ ✓ X $9/12$ ✓ = $51\ 750$ ✓	R 71 749 ✓
B	$(1\ 200\ 000 - 350\ 000)$ ✓ X $20/100$ ✓	R 170 000 ✓
C	$600\ 000$ ✓ + $170\ 000$ ✓ - $850\ 000$ ✓	R 80 000 ✓

12

TOTAL MARKS
12



QUESTION: 20

BARNARDO LIMITED

20.1.1 ORDINARY SHARE CAPITAL

AUTHORIZED		
1 750 000 shares		
ISSUED		
900 000 ✓	Shares in issue at the beginning	5 150 000 ✓✓
100 000 ✓	Additional shares issued @ R9,25	925 000 ✓
(120 000)	Bought back @ R7 ✓✓	(840 000) ✓
880 000 ✓	Shares in issue at the end	6 160 000 ✓

10

20.1.2 RETAINED INCOME

Balance on 1 July 20.13	345 900
Net profit after tax	1 080 000 ✓
Buyback of shares (120 000 ✓ x 1,10 ✓)	(132 000) ✓
Ordinary share dividends	(536 400) ✓
Interim	290 000 ✓
Final (880 000 ✓ x 0.28 ✓)	246 400 ✓
Balance on 30 June 20.14	757 500 ✓

10

50.1.3 TRADE AND OTHER RECEIVABLES

Debtors control (156 570 ✓ + 10 500)	167 070 ✓
Provision for bad debts (10 380 ✓ + 5 610 ✓)	(15 990) ✓
Net trade debtors	151 080
Prepaid expenses	13 850 ✓✓
SARS Income tax	15 900 ✓✓
	180 830 ✓

10

- 2 BARNARDO TRADERS LTD
 0. BALANCE SHEET ON 30 JUNE 20.14
 2

ASSETS	
NON-CURRENT ASSETS	6 414 900 ✓
Fixed/Tangible Assets	6 054 900 ✓
Fixed deposit	360 000 ✓
CURRENT ASSETS (594 000x 2,3)	1 366 200 ✓
Inventories (594 000x 0,6)	356 400 ✓
Trade and other Receivables	180 830 ✓
Cash & cash equivalents	828 970 ✓
TOTAL ASSETS	7 781 100 ✓
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	6 917 500 ✓
Ordinary share capital	6 160 000 ✓
Retained income	757 500 ✓
NON-CURRENT LIABILITIES	269 600
Loan: Drake Bank (375 000– 105 400 ✓)	269 600 ✓
CURRENT LIABILITIES	594 000 ✓
Trade and other payables (196 700 + 10 500 ✓ + 35 000 ✓)	242 400 ✓
Shareholders for dividends	246 400 ✓
Current portion of a loan	105 400 ✓
TOTAL EQUITY AND LIABILITIES	7 781 100 ✓

25

TOTAL MARKS
 55

QUESTION: 21
KAMBULA LIMITED

21.1.1 ORDINARY SHARE CAPITAL

AUTHORIZED	
2 000 000 shares	
ISSUED	
✓ 1 200 000 ordinary shares in issue at beginning of year @ R5	6 000 000 ✓
✓ 300 000 ordinary shares in issue during the year at R8 ✓ per share	2 400 000 ✓
✓ (50 000) shares repurchased during the year at Average price of R5.60 ✓ operation, one part correct	(280 000) ✓
✓ 1 450 000 shares at the end of the year operation, one part correct	8 120 000 ✓

10

21.1.2 RETAINED INCOME

Balance on 1 July 20.07	125 000 ✓
Net profit after income tax	875 000 ✓✓
Shares repurchased (50 000 x R1,90 ✓) operation, one part correct	(95 000) ✓
Ordinary share dividends operation, one part correct	(354 000) ✓
Interim	180 000 ✓
Final (1 450 000 x R0,12) operation, one part correct	174 000 ✓✓
Balance on 30 June 20.08 operation, one part correct	551 000 ✓

10



21.2

**KAMBULO LTD
BALANCE SHEET ON 30 JUNE 20.08**

ASSETS		
Non-current assets	<input checked="" type="checkbox"/>	8 035 500
Tangible assets (8 460 500 ✓ – 700 000 ✓)	<input checked="" type="checkbox"/>	7 760 500
Investment – Fixed deposit at DDB Bank	<input checked="" type="checkbox"/>	275 000
Do changes in the question paper (errata) fixed deposit was R300 000 the correct one is (R400 000-125 000)		
Current assets	<input checked="" type="checkbox"/>	2 050 000
Inventories	<input checked="" type="checkbox"/>	820 000
Trade & other receivables	<input checked="" type="checkbox"/>	1 097 000
Cash & cash equivalents (8 000 ✓ + 125 000 ✓)	<input checked="" type="checkbox"/>	133 000
TOTAL ASSETS	<input checked="" type="checkbox"/>	10 085 500
EQUITY & LIABILITIES		
Ordinary shareholders' equity	<input checked="" type="checkbox"/>	8 671 000
Ordinary share capital	<input checked="" type="checkbox"/>	8 120 000
Retained income	<input checked="" type="checkbox"/>	551 000
Non-current liabilities		594 500
Mortgage loan from Kwagga Bank 750 000 ✓ + 96 500 ✓ – 162 000 ✓ – 90 000 ✓	<input checked="" type="checkbox"/>	594 500
Current liabilities	<input checked="" type="checkbox"/>	820 000
Trade & other payables (138 000 ✓ + 11 500 ✓)	<input checked="" type="checkbox"/>	149 500
Bank overdraft (14 500 ✓ + 375 000 ✓ ✓)	<input checked="" type="checkbox"/>	389 500
SARS Income tax	<input checked="" type="checkbox"/>	17 000
Shareholders for dividends	<input checked="" type="checkbox"/>	174 000
Current portion of loan	<input checked="" type="checkbox"/>	90 000
TOTAL EQUITY & LIABILITIES	<input checked="" type="checkbox"/>	10 085 500

(6)

(8)

(3)

(5)

(13)

QUESTION: 22

CLASS-ACTIVITY: 22

DATE:.....

Required:

22.1. Indicate whether each of the following would reflect an inflow or outflow of Funds (12)

1. increase in inventories	Outflow ✓✓	
2. decrease in inventories	Inflow ✓✓	
3. increase in trade and other receivables	Outflow ✓✓	
4. decrease in trade and other receivables	Inflow ✓✓	
5. increase in trade and other payables	Inflow ✓✓	
6. decrease in trade and other payables	Outflow ✓✓	12

22.2. What is the difference between a cash budget and a cash flow statement? (4)

Cash budget	
Cash budget is the statements that predict cash expected receipts and cash expected payments. And also predict cash inflows and cash outflows. ✓✓	
Cash flow statement	
Cash flow statement It is a statement that reflect the inflow and outflow of money within the business and cash flow statement it is a statement that determine the Net change in cash & cash equivalents ✓✓	4

22.3. What is the purpose of a cash flow statement? (2)

Cash flow statement It is a statement that reflect the inflow and outflow of money within the business and cash flow statement it is a statement that determine the Net change in cash & cash equivalents ✓✓	2
---	---

22.4. List **FOUR** items that are not included in the cash flow statement. Give a reason why it is not included in the cash flow statement.

List 4 items	(4)
• Bad debts ✓	
• Provision for bad debts adjustments ✓	
• Profit & loss on sales of fixed assets ✓	
• Discount received & allowed ✓	
Reason	(2)
Because they are non-cash items and they cannot be included in the cash flow statement. ✓✓	

6

22. 5. Determine the inflow (+) and outflow (-) of cash for 2015 (See example). (24)

	2015		2014		Amount	Flow In/out
	Debit	Credit	Debit	Flow		
Land & buildings	520 000		450 000		(70 000)	Outflow
Ordinary share capital		500 000		400 000	100 000 ✓	Inflow ✓
Vehicles	65 800		100 000		34 200 ✓	Inflow ✓
Equipment	35 500		25 000		(10 500) ✓	Outflow ✓
Trading inventory	84 000		60 000		(24 000) ✓	Outflow ✓
Debtors	19 600		30 000		10 400 ✓	Inflow ✓
Creditors		18 250		26 750	(8 500) ✓	Outflow ✓
Long-term loan		60 000		55 000	5 000 ✓	Inflow ✓
Fixed deposit	30 000		10 000		(20 000) ✓	Outflow ✓
Accrued expenses		3 000		5 000	(2 000) ✓	Outflow ✓
Accrued income	1 000		7 000		6 000 ✓	Inflow ✓
SARS: Income tax	10 000			15 000	(5 000) ✓	Outflow ✓
Bank		25 000	15 000		(10 000) ✓	Outflow ✓

QUESTION: 23

ACTIVITY NO: 23

DATE:.....

23.1 NOTE 1 TO THE CASH FLOW STATEMENT

Reconciliation between profit before taxation and cash generated from operations	
Net profit before tax (700 000 x 100/28)	2 500 000 ✓✓
Adjustment in respect of	
Depreciation	350 000 ✓
Interest expenses	200 000 ✓
Net profit before changes in working capital	3 050 000 ☑
Changes in working capital	180 100 ☑
Inventory (1 572 000 – 1 198 000)	374 000 ✓
Trade & other receivables (364 680 – 348 290)	16 390 ✓☑
Trade & other payables (1 362 710 – 1 573 000)	210 290 ✓☑
Cash generated from operations	3 230 100 ☑

12

Taxation paid (5)	Answers
51 000 ✓ + 700 000 ✓ + 59 000 ✓	(810 000) ✓☑

5

Calculate the net change in cash and cash equivalents.

Net change in cash and cash equivalents	323 000 ☑
Opening bank balance (7 000 ✓ – 90 000 ✓)	(83 000) ☑
Closing bank balance	240 000 ✓

5

QUESTION: 24

ACTIVITY NO: 24

DATE:.....

24.1 NOTE 1 TO THE CASH FLOW STATEMENT

Reconciliation between profit before taxation and cash generated from operations	
Net profit before tax (651 000 x 100/30)	2 170 000 ✓✓
Adjustment in respect of	
Depreciation	175 000 ✓
Interest expenses	248 000 ✓
Net profit before changes in working capital	2 593 000 ✓
Changes in working capital	(213 080) ✓
Inventory (1 662 000 – 1 288 000)	374 000 ✓
Trade & other receivables (445 790 – 470 500)	(24710) ✓✓
Trade & other payables (471030 – 1 033 400)	(562 370) ✓✓
Cash generated from operations	2 379 920 ✓

12

Taxation paid (5)	Answers
651 000 ✓ – 42 500 ✓ – 50 100 ✓	(558 400) ✓✓

5

Cash effects on investing activities	
Do changes in the question paper (errata) purchases of fixed was R800 000 the correct one is R1 360 000	
(3 660 000 ✓ + 248 000 ✓ + 92 000 ✓ – 2 640 000) ✓	(1 360 000) ✓
Purchased of fixed assets	
Proceeds from asset sold	92 000 ✓
Investment (500 000 ✓ – 800 520 ✓)	(300 520) ✓
	(1 568 520) ✓
Calculate the net change in cash and cash equivalents.	
Net change in cash and cash equivalents	(464 200) ✓
Opening bank balance	380 000 ✓
Closing bank balance (35 800 ✓ – 120 000 ✓)	(84 200) ✓

10

5

QUESTION: 25

CASH FLOW STATEMENT

DATE:.....

25.1	25.1.1	False ✓	
	25.1.2	True ✓	
	25.1.3	False ✓	

3

25.2.1

Ordinary Share Capital Note		
Authorised		
1 200 000 ordinary shares		
Issued		
480 000 ✓	Shares in issue on 1 May 2019	1 500 000 ✓
120 000 ✓	Ordinary shares issued 30 July 2019	480 000 ✓
(50 000) ✓	Shares repurchased at R3,30 ✓ <small>AVP must never be R4,40</small>	(165 000) ✓
550 000 ✓✓ <small>one part correct</small>	Shares in issue on 30 April 2020	1 815 000 ✓
<u>2 739 000</u> (Shareholders equity) 4.98 (NAV) = 550 000		

11

Retained Income Note	
Balance at beginning of financial year	606 000 ✓
Net profit after tax (360 000 70/30) OR (1 200 000 – 360 000)	840 000 ✓✓
Repurchase of shares (220 000 – 165 000) OR (50 000 x 1,10) <small>See OSC above one part correct</small>	(55 000) ✓✓
Dividends	(467 000) ✓
• Paid (600 000 ✓ x 21/100 ✓) <small>one part correct</small>	126 000 ✓
• Recommended (550 000 ✓ x 62/100 ✓) <small>one part correct</small>	341 000 ✓
Balance at end of financial year	924 000 ✓

13

25.2.2

Calculate the income tax paid.

22 600 ✓ + 360 000 ✓ – 12 800 ✓ = 369 800 ✓ **one part correct**
 OR
 – 22 600 ✓ – 360 000 ✓ + 12 800 ✓ = – 369 800 ✓ **one part correct**
 Mark one line only – choose line to benefit candidate
 Accept alternative methods such as ledger account.

4

Calculate the dividends paid.

126 000 ✓ + 220 500 ✓ = 346 500 ✓ **one part correct**
 See RI
 Accept alternative methods such as ledger account.

3

Calculate the loan repayment amount.

135 000 – 246 000 = (111 000) ✓✓
 Accept reversed signs.

2

Calculate the net change in cash and cash equivalents.

Net change in cash and cash equivalents	105 000 ✓ One part correct
Opening bank balance (35 600 ✓ – 22 000 ✓)	(13 600) ✓ One part correct
Closing bank balance	91 400 ✓

5

25.2.3

Cash effects on investing activities

Fixed assets purchased 5 890 000 ✓ + 26 900 ✓ + 22 000 ✓ – 5 328 000 ✓ OR 5 328 000 - 26 900 – 22 000 – 5 890 000 Mark one line only – choose line to benefit candidate Accept alternative methods such as ledger account	(610 900) ✓ One part correct
Proceeds from asset sold	22 000
Fixed assets matured (210 000 ✓ x 1/2 ✓) OR (315 000 x 1/3) OR (315 000 – 210 000)	105 000 ✓ One part correct
	(483 900) ✓ One part correct

Dividends paid

- 275 000 ✓ - 360 000 ✓✓ = - 635 000 ✓ (One part Correct)
 + 275 000 ✓ + 360 000 ✓✓ = + 635 000 ✓ **use one line only**

9

Marks
50

QUESTION: 26

ACTIVITY NO: 26

DATE:.....

26.1 NOTE 1 TO THE CASH FLOW STATEMENT

Reconciliation between profit before taxation and cash generated from operations	
Profit before taxation (672 000 x 100/28)	2 400 000
Adjustments in respect of:	
Depreciation	309 000
Interest expense	172 320
Operating profit before changes in working capital	2 881 320
Changes in working capital: Check operation	(217 980)
Decrease in inventory (1 462 000 – 1 094 000)	368 000
Increase in debtors (333 000 + 15 290) – (311 000 + 12 680)	(24 610)
Decrease in creditors (447 630 + 21 000) – (1 016 000 + 14 000)	(561 370)
Cash generated from operations	2 663 340

✓✓
✓
✓
☑
☑
✓✓
✓✓
✓✓

12

ORDINARY SHARE CAPITAL		
Authorised:		
5 000 000 ordinary shares		
Issued:		
2 880 000	Ordinary shares in issue at beginning of year	1 440 000
144 000	Ordinary shares repurchased on 30 June 2017 (average price 50c✓)	(72 000)
934 400✓	Ordinary shares issued on 1 August 2017	1 168 000
3 670 400✓	Ordinary shares in issue at end of year Check operation	2 536 000

✓
✓
✓
☑

7

26.2 BOOYSENDAL LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017

Cash flows from operating activities	1 203 420	<input checked="" type="checkbox"/>
Cash generated from operations	2 663 340	<input checked="" type="checkbox"/>
Interest paid	(172 320)	<input checked="" type="checkbox"/>
Dividends paid (273 600 ✓ + 432 000 ✓)	(705 600)	<input checked="" type="checkbox"/>
Tax paid (672 000 ✓ - 41 000 ✓ - 49 000 ✓)	(582 000)	<input checked="" type="checkbox"/>
Cash flows from investing activities	(1 717 420)	<input checked="" type="checkbox"/>
Purchase of fixed assets (2 532 000 ✓ - 84 000 ✓ - 309 000 ✓ - 3 552 000 ✓)	(1 413 000)	<input checked="" type="checkbox"/>
Proceeds from disposal of non-current assets (216 000 ✓ - 132 000 ✓)	84 000	<input checked="" type="checkbox"/>
Increase in financial assets (588 420 ✓ - 200 000 ✓)	(388 420)	<input checked="" type="checkbox"/>
Cash flows from financing activities	609 600	<input checked="" type="checkbox"/>
Proceeds from issue of share capital	1 168 000	<input checked="" type="checkbox"/>
Repurchase of shares (72 000 ✓ + 86 400 ✓)/(144 000 x R1,10)	(158 400)	<input checked="" type="checkbox"/>
Payment of capital portion of long-term borrowings (750 000 ✓ - 350 000 ✓)	(400 000)	<input checked="" type="checkbox"/>
Net change in cash equivalents <small>Check operation</small>	95 600	<input checked="" type="checkbox"/>
Cash and cash equivalents – beginning of year	(83 000)	<input checked="" type="checkbox"/>
Cash and cash equivalents – end of year	12 600	

27

32

Brackets are not negotiable

26.3 **Mention TWO major decisions (above R900 000) that are reflected in the Cash Flow Statement and support the decisions by quoting relevant figures. Indicate ONE possible area of impact that each decision would have on the company's future operations.**

Decision ✓✓ figures ✓✓ impact ✓✓ Work with learner's calculations, not to double penalise

Decision and figures	Impact on company's future
Fixed assets purchased 1 413 000	Future expansion of the business, future increase in profits. More assets increase the security for a future loan.
More shares were issued to raise R1 168 000	Money needed to finance extended fixed assets or repayment of loan. More shareholders more dividends to be paid.

6

26.4 Calculate the following financial indicators for the year ended 31 August 2017:

% Return on average equity

$$\frac{1\,728\,000}{\frac{1}{2}(2\,536\,000 + 1\,457\,600) + (1\,440\,000 + 823\,680)} \times \frac{100}{1}$$

$$= \frac{1\,728\,000}{3\,128\,640} \times \frac{100}{1}$$

= **55,2%** One part correct

Net asset value per share

$$\frac{3\,993\,600}{3\,670\,400} \times \frac{100}{1}$$

= **108,8 cents per share** One part correct

6

3

26.5 Explain what is meant by good corporate governance.

A system of rules, practices and processes by which a company is directed and controlled. Good corporate governance ensure accountability, ✓ fairness ✓ and transparency. ✓ (accept explanation of governance concepts/King code (social responsibility, economic and environmental awareness))

3

26.6 As a shareholder explain THREE issues you would raise at the AGM. ✓✓ ✓✓ ✓✓ (one mark without an explanation)

Directors' fees = The remunerations committee authorises and approves directors' fees. It should not be over budget.

Audit fees = A system should be in place so that audit fees are within budget/errors cause audit fees to increase/ possible conspiracy between auditors and directors to increase both audit and director's fees.

Board of directors = authorise all expenditure to ensure good governance.

6

TOTAL MARKS

75

QUESTION: 27

ACTIVITY NO: 27

DATE:.....

FINANCIAL STATEMENTS, CASH FLOW AND INTERPRETATION

27.1 CONCEPTS: MATCHING

27.1.1	F ✓
27.1.2	E ✓
27.1.3	A ✓
27.1.4	C ✓
27.1.5	B ✓

Accept only single answers.
E.g. If F/C is given as an answer for 27.1.1, mark wrong.

5

27.2 KHLOE LTD

27.2.1	Net profit before income tax	988 700
	Adjustments for :	
	Interest expense	124 900
	Depreciation	221 400 ✓
		1 335 000
	Changes in working capital	4 400 <input checked="" type="checkbox"/> *
	Decrease in inventories (163 300 – 123 800)	39 500 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
	Increase in debtors (134 700 + 14 400) – 155 600	(6 500) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
	Decrease in creditors 162 600 – (122 900 + 11 100)	(28 600) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
	CASH GENERATED FROM OPERATIONS	1 339 400 <input checked="" type="checkbox"/>*

9

*one part correct

OR one mark for amount and one mark for the correct use of the bracket

27.2.2 Amounts for the Cash Flow Statement.

WORKINGS	ANSWER
Income tax paid <small>(988 700 – 692 100) one mark</small> 27 200 ✓ + 296 600 ✓ + 12 700 ✓ OR: – 27 200 – 296 600 – 12 700 OR SARS: IT Account	336 500 <input checked="" type="checkbox"/> one part correct
Dividends paid <small>175 000 two marks (interim dividends)</small> 111 000 ✓ + 317 400 ✓ – 142 400 ✓ OR: – 111 000 – 317 400 + 142 400	286 000 <input checked="" type="checkbox"/> one part correct
Fixed assets purchased 1 437 200 ✓ + 221 400 ✓ + 283 500 ✓ – 1 120 400 ✓ –1 437 200 – 221 400 – 283 500 + 1 120 400	821 700 <input checked="" type="checkbox"/> one part correct

4

4

5

Accept **alternative presentation of information** such as signs reversed, ledger accounts etc.
 Choose the option that gives learners the maximum benefit (mark single line consistently)

27.2.3 Calculate: Net change in cash and cash equivalents

(76 750 – 15 500) two marks or no marks
 124 300 ✓ + 61 250 ✓✓
 = 185 550 ✓ one part correct

Net Change	method mark	185 550
Opening balance	two marks	(108 800)
Closing balance	one mark	76 750

Or: 76 750 – (15 500 – 124 300) = 185 550

4

27.3 KWEZI LTD

27.3.1 ORDINARY SHARE CAPITAL

3 724 000 – 76 000

760 000	Balance on 1 March 2017	3 648 000 ✓✓
(30 000)	Share re-purchased (ASP: R4,80 ✓✓)	(144 000) ✓*
150 000	Shares issued balancing figure	787 500 ✓
880 000 ✓	Balance on 28 February 2018	4 291 500
		*one part correct

7

27.3.2 Calculate: Net asset value per share

$\frac{4\,488\,000}{880\,000} \times 100 = 510 \text{ cents}$ ✓ one part correct
 see 27.3.1

3

Calculate: Return on average shareholders' equity

$\frac{545\,600}{\frac{1}{2}(3\,724\,000 + 4\,488\,000)} \times 100 = 13,3\%$ ✓ one part correct
 OR 13,29% (not 13%)
 4 106 000 three marks

5

27.3.3 Quote TWO financial indicators (with figures and trends) that indicate an improvement in the liquidity position of the business.

Current ratio ✓ improved from 1,4 : 1 to 1,9 : 1. ✓
 Average debtors collection period ✓
 improved from 57 days to 38 days. ✓ (by 19 days)

OR any form to indicate a trend (increase/decrease; from/to; by)

4

27.3.4 **The company paid back a large portion of the loan. Explain why this was a good decision. Quote TWO financial indicators (with figures).**

TWO financial indicators ✓ ✓ figures ✓ ✓ explanation ✓ ✓

- Debt/equity improved from 0,5 : 1 to 0,2 : 1.
The business is now lowly geared / not making extensive use of loans.
- ROTCE dropped from 22,3% to 20,8%.
The company is still positively geared as this return is better than the interest rate on loans (11%).

Explanation can be a combined statement.

6

27.3.5 **Comment on the dividend pay-out policy over the past two years. Provide a possible reason for the policy adopted. Quote figures.**

Comment on EPS and DPS for 2017 (with figures) : ✓✓

The company paid 52 cents of 65 cents earned/(80%).

OR: Only 20% of the net profit was retained.

Comment on EPS and DPS for 2018 (with figures) : ✓✓

The company paid 31 cents of 62 cents earned/(50%).

OR: 50% of the net profit was retained.

Reason for change ✓

A bigger % was retained for future expansion/growth.

Efforts being made to increase profitability or to address cash flow problems.

5

27.3.6 **Explain whether the price paid for the share buy-back was fair. Quote TWO financial indicators (with figures) in your explanation.**

Financial indicators (with figures) ✓ ✓ Explanation ✓✓

Not necessary to quote both figures for each financial indicator.

R5,20 was paid which was more than the market price of 485 cents (515 cents at end of year) and the NAV of 490 cents (510 cents at end of year).

Although the NAV and market price show an upward trend, the company paid too much for these shares.

4

Q27:
TOTAL MARKS

65