2023

Province of the **EASTERN CAPE**
DEPARTMENT OF EDUCATION

CURRICULUM SUPPORT AND MANAGEMENT

GRADE 12: ACCOUNTING

TERM 1 CONTROLLED TEST

DURATION: 1½ hours **MARKS: 100**

INSTRUCTIONS AND INFORMATION:

1. The question paper consists of THREE questions.
2. Answer ALL questions in the special ANSWER-BOOK provided.
3. Show all workings to earn part marks.
4. Non-programmable calculators may be used. You may use a dark pencil or blue/black ink to answer the questions.
5. Questions and time-guide are as follows: Manage time effectively.

QUESTION	ASPECT / SECTION COVERED	MARKS	DURATION
1	Statement of Comprehensive Income and Retained Income note	45	40
2	Statement of Financial Position	30	25
3	Ordinary Share Capital Note and Cash Flow Statement	25	25
TOTAL		**100**	**90 minutes**

QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME AND RETAINED INCOME NOTE (45 marks; 40 minutes)

1.1 Choose the correct term/concept from the alternatives provided in bracket. Write only the term next to the number (1.1.1–1.1.3) in the ANSWER BOOK.

1.1.1 (Shareholders / directors) are appointed to manage the internal, day-to-day operations of the company.

1.1.2 Recording income and expenses relevant to a specific financial period is an application of the (prudence / matching) GAAP principle.

1.1.3 The (external / internal) auditor is appointed to express an unbiased opinion on the reliability of financial statements. (3)

1.2 PHALO LTD

The information relates to the financial year ended 28 February 2023.

REQUIRED:

1.2.1 Complete the Statement of Comprehensive Income for the financial year ended 28 February 2023.

1.2.2 Prepare the Retained Income note on 28 February 2023.

Note that some amounts are included in the Answer Book

INFORMATION:

A. Information extracted from records on 28 February 2023:

Retained Income (1 March 2022)	R 118 500
Loan: MBank	854 800
Trading stock	523 400
Debtors control	575 680
Provision for bad debts (1 March 2022)	33 250
Sales	11 456 000
Cost of sales	7 160 000
Salaries and wages	911 400
Discount received	17 880
Audit fees	71 400
Directors fees	539 150
Interest on fixed deposit	22 400
Insurance	32 900
Rent income	55 000
Depreciation	?
Sundry expenses	167 200
Ordinary share dividends (31 August 2022)	441 000

B. Additional Information: (information NOT taken into acount)

(i) A mark-up of 60% on cost is applied to all goods sold.
Credit sale for R56 320 on 28 February 2023 must still be recorded.

(ii) The provision for bad debts must be adjusted to 5% of debtors.

(iii) Stock destroyed in a fire was not yet recorded. An EFT for R24 500 was received from the insurance company. This was 70% of the stock damaged in the fire.

(iv) Stock on hand as per physical stock-take on 28 February 2023 amounted to R438 200.

(v) External auditors are paid 85% of the total amount due to them. The balance will be settled on 8 March 2023.

(vi) The rent for January and February 2023 was not yet received. A fixed monthly amount was applicable for the entire financial year.

(vii) Insurance is a fixed monthly premium. This was increased by R220 per month from 1 January 2023. Monthly premiums were paid up to 31 May 2023.

(viii) All directors receive the same monthly fee. On 1 March 2022, the company had three directors. An additional director was appointed on 1 September 2022. The new director did not receive her fees for February 2023.

(ix) Interest on loan is capitalised and was not yet recorded. The loan statement reflected a closing balance of R997 200.

(x) Income tax is calculated at 33% on the net profit.
The net profit after tax was correctly calculated at R1 494 100.

(xi) **Share Capital and Dividends:**

- On 1 March 2022, there were 980 000 shares in issue.
- Interim dividends were paid on 31 August 2022.
- On 1 December 2022, 80 000 shares were repurchased at R1,15 above the average share price. These shareholders do not qualify for final dividends.
- All shareholders on the share register on 28 February 2023 will recieve a final dividend of 28c per share.

45

QUESTION 2: STATEMENT OF FINANCIAL POSITION **(30 marks; 25 minutes)**

The information relates to Terode Ltd for the financial year ended 28 February 2023.

REQUIRED:

Complete the Statement of Financial Position on 28 February 2023. (30)
Note that some amounts are given. Show all workings.

INFORMATION:

A. Extract of balances/totals on 28 February:

	2023	2022
Shareholders equity	R 5 441 900	R 4 650 300
Retained income	413 400	172 300
Loan: Aquarius Bank	1 210 000	
Fixed assets are carrying value	5 737 500	
Fixed deposit	795 000	
Trade creditors	477 700	
Trading stock	?	
Trade debtors	387 640	
Provision for bad debts	?	11 560
SARS: Income tax (provisional payments)	280 000	
Ordinary share dividends (interim dividends)	211 600	
Bank overdraft	18 370	
Cash and cash equivalents	8 500	
Prepaid expenses	23 600	
Income received in advance	33 750	

B. Additional information: Relevant to complete the Statement of Financial Position.
Note: Adjustments necessary to calculate the net profit were correctly done.

(i) A credit balance of R7 400 must be transferred from the debtors ledger to the creditors ledger.

(ii) The provision for bad debts must be increased by R1 840.

(iii) The telephone account for February 2023, R2 280, was not yet paid.

(iv) Rent of R122 320 was received for 11 months ending 31 January 2023. Note that rent was increased by 6% p.a. from 1 December 2022.

C. Dividends:

- Interim dividends were paid on 1 September 2022.
- Final dividends was declared on 28 February 2023.
- Total dividends as per the Retained Income note amounted to R451 900.

D. Loan: Aquarius Bank

- The loan statement received on 28 February 2023 reflected interest of R137 800 capitalised. This was not reflected in the loan balance above.
- The business expects to repay 15% of the balance, next year.

E. Income tax for the year amounted to R310 500.

30

QUESTION 3: ORDINARY SHARE CAPITAL NOTE AND CASH FLOW STATEMENT
(25 marks; 25 minutes)

3.1 Indicate whether the following statements are true or false. Write only True or False next to each number (3.1.1 – 3.1.3) in the Answer Book.

3.1.1 A decrease in inventories represents an outflow of cash.

3.1.2 Depreciation is added back to net profit in order to determine the cash generated from operations.

3.1.3 A fixed deposit that will mature during the following financial period is regarded as a current asset. (3)

3.2 FILAMINA LTD

The information relates to the financial year ended on 28 February:

REQUIRED:

3.2.1 Prepare the Ordinary Share Capital note. (7)

3.2.2 Calculate the following amounts for the Cash Flow Statement:

- Income tax paid (5)
- Dividends paid (4)
- Fixed assets purchased during the financial year. (6)

INFORMATION:

A. Extract: Statement of Comprehensive Income on 28 February 2023

Interest expense	R 331 800
Depreciation	613 200
Net profit before tax	1 735 000
Net profit after tax	1 214 500

B. Extract: Statement of Financial Position on 28 February:

	2023	2022
Ordinary share capital	10 676 250	9 892 500
Loan: NY Bank	4 675 000	5 000 000
Fixed assets (carrying value)	8 392 800	7 330 000
Cash and cash equivalents	72 600	0
Bank overdraft	0	37 700
SARS: Income tax	18 100 (Cr)	23 600 (Cr)
Shareholders for dividends	229 950	136 500

C. Fixed assets:

Old equipment sold for cash, at carrying value. Cost of the equipment sold was R437 000. Accumulated depreciation on the date of sale was R288 000.

C. Share Capital:

- On 1 March 2022, there were 1 020 000 shares in issue.
- On 31 May 2022 the company issued a further 150 000 shares.
- On 1 January 2023, directors repurchased 75 000 shares and made an EFT payment of R765 000 for these shares. These shareholders did not qualify for final dividends.

D. Dividends:

- An interim dividend of 18c per share was paid on 1 September 2022.
- Final dividends were declared on 28 February 2023.

25

TOTAL: 100

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ANSWER BOOK

NAME	
SCHOOL	

QUESTION	MAX. MARKS	ACHIEVED	MODERATED
1	45		
2	30		
3	25		
TOTAL	100		

QUESTION 1:

1.1

1.1.1	
1.1.2	
1.1.3	

3

** 1.2.1 Statement of Comprehensive Income on next page **

1.2.2 RETAINED INCOME

Balance on 1 March 2022	118 500
Ordinary share dividends	
• Interim dividend	441 000
•	
Balance on 28 February 2023	

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1.2.1 STATEMENT OF COMPREHENSIVE INCOME ON 28 FEBRUARY 2023

Sales	
Cost of sales	
Gross profit	
Other income	
Discount received	**17 880**
Gross income	
Operating expenses	
Salaries and wages	**911 400**
Depreciation	
Sundry expenses	**167 200**
Operating profit	
Interest income	**22 400**
Profit before interest expense	
Net profit before income tax	
Income tax	
Net profit after income tax	**1 494 100**

35

Q1		**45**

QUESTION 2:

STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2023

ASSETS	
Non-current assets	6 532 500
Fixed assets	5 737 500
Fixed deposit	795 000
Current assets	
Inventories	
Trade and other receivables	
Cash and cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES **Ordinary shareholders' equity**	
Retained income	413 400
Non-current liabilities	
Current liabilities	
Trade and other payables	
Bank overdraft	18 370
TOTAL EQUITY AND LIABILITIES	

Q2		**30**

QUESTION 3:

3.1

3.1.1	
3.1.2	
3.1.3	

3

3.2.1 **ISSUED SHARE CAPITAL**

1 020 000	Balance on 1 March 2022	9 892 500
	Balance on 28 February 2023	

7

3.2.2

Calculate: Income tax paid

5

Calculate: Dividends paid

4

Calculate: Fixed assets purchased

6

Q3		25

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REFINED MARKING GUIDELINE

QUESTION 1:

1.1

1.1.1	Directors ✓
1.1.2	Matching ✓
1.1.3	External ✓

3

** 1.2.1 Statement of Comprehensive Income on next page **

1.2.2 RETAINED INCOME

Balance on 1 March 2022		**118 500**	`
Net profit after tax	see 1.2.1	1 494 100	✓
Shares repurchased 80 000 x 1,15		(92 000)	✓✓
Ordinary share dividends	operation	(693 000)	☑
• **Interim dividend**		**441 000**	
• Final dividend 900 000 x 28c		252 000	✓☑*
Balance on 28 February 2023	OB+NPAT-SR-OSD	827 600	☑

*one part correct

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1.2.1 STATEMENT OF COMPREHENSIVE INCOME ON 28 FEBRUARY 2023

Sales	11 456 000 + 56 320	11 512 320	✓☑
Cost of sales	7 160 000✓ + 35 200 ✓✓	(7 195 200)	☑*
Gross profit	7	4 317 120	☑
Other income		85 530	☑
Discount received		**17 880**	
Rent income	55 000 x 12/10	66 000	✓☑
Provision for bad debts adjustment	33 250 – 31 600	1 650	✓✓
Gross income	6	4 402 650	☑
Operating expenses		(2 052 650)	☑
Salaries and wages		**911 400**	
Audit fees	71 400 x 100/85	84 000	✓☑
Directors fees	539 150 x 42/41 or 539 150 + 13 150	552 300	✓☑*
Stock loss	24 500 x 30/70	10 500	✓☑
Trading stock deficit	523 400 – 35 200 ☑ – 35 000 ✓ – 438 200 ✓ or 453 200 two marks - 438 200 one mark	15 000	☑*
Insurance	32 900 – 7 020 ✓✓	25 880	☑*
Depreciation	balancing figure	286 370	☑
Sundry expenses		**167 200**	
Operating profit	16	2 350 000	☑
Interest income		**22 400**	
Profit before interest expense		2 372 400	☑
Interest expense	997 200 – 854 800	(142 400)	✓✓
Net profit before income tax		2 230 000	☑
Income tax		(735 900)	✓✓
Net profit after income tax	6	**1 494 100**	

* one part correct ;

35

Q1		**45**

QUESTION 2:

STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2023

ASSETS		
Non-current assets	**6 532 500**	
Fixed assets	**5 737 500**	
Fixed deposit	**795 000**	
Current assets TA – NCA	1 067 500	☑
Inventories balancing figure	642 100	☑
Trade and other receivables 387 640 ✓ + 23 600 ✓ + 7 400 ✓ – 13 400 ✓✓ + 11 660 ✓✓	416 900	☑*
Cash and cash equivalents	8 500	✓
TOTAL ASSETS see TE&L 12	7 600 000	☑
EQUITY AND LIABILITIES		
Ordinary shareholders' equity	5 441 900	✓
Ordinary share capital	5 028 500	✓
Retained income 2	**413 400**	●
Non-current liabilities	1 145 630	
Loan: Aquarius Bank 1 210 000 ✓ + 137 800 ✓ – 202 170 ✓✓ 5	1 145 630	☑*
Current liabilities operation	1 012 470	☑
Trade and other payables 477 700 (No mark) + 33 750 ✓ + 7 400 ✓ + 2 280 ✓	521 130	☑*
SARS: Income tax 310 500 – 280 000	30 500	✓✓
Shareholders for dividends 451 900 – 211 600	240 300	✓✓
Current portion of loan see NCL above	202 170	☑
Bank overdraft	**18 370**	
TOTAL EQUITY AND LIABILITIES OSE + NCL + CL 11	7 600 000	☑

*one part correct

Q2		30

QUESTION 3:

3.1

3.1.1	False ✓
3.1.2	True ✓
3.1.3	True ✓

3

3.2.1 ISSUED SHARE CAPITAL

1 020 000	**Balance on 1 March 2022**	**9 892 500**
150 000 ✓	Shares issued CB + Share rep. - OB	1 515 000 ☑
(75 000)	Shares repurchased: ASP: 9,75 ✓✓	(731 250) ☑ one part correct
1 095 000 ☑	**Balance on 28 February 2023**	10 676 250 ✓

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3.2.2

Calculate: Income tax paid

23 600 ✓ + 520 500 ✓✓ – 18 100 ✓ = 526 000 ☑ one part correct

Be alert to alternative calculations: signs reversed; ledger format

5

Calculate: Dividends paid

136 500 ✓ + 210 600 ✓✓ = 347 100 ☑ one part correct

Be alert to alternative calculations: signs reversed; ledger format

4

Calculate: Fixed assets purchased

8 392 800 ✓ + 613 200 ✓ + 149 000 ✓✓ - 7 330 000 ✓= 1 825 000 ☑ one part correct

Be alert to alternative calculations: signs reversed; ledger format

6

Q3		**25**