



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING PAPER 1
SEPTEMBER 2023**

MARKS: 150

TIME: 2 hours

This question paper consists of 11 pages,
a formula sheet and a 12-page Answer Book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

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

QUESTION	TOPIC	MARKS	MINUTES
1	Companies: Statement of Financial Position	50	40
2	Cash Flow Statement and Financial Indicators	45	35
3	Interpretation of Company Financial Information	40	35
4	Audit Reports and Corporate Governance	15	10
TOTAL		150	120

QUESTION 1: COMPANIES: STATEMENT OF FINANCIAL POSITION**(50 marks; 40 minutes)**

- 1.1 Choose a term from the list provided to complete each of the following statements. Write only the term next to the question number (1.1.1 to 1.1.5) in the ANSWER BOOK. (5)

- Companies Act No. 71 of 2008
- Public company
- Private company
- Company and Intellectual Properties Commission (CIPC)
- International Financial Reporting Standards (IFRS)
- Memorandum of Incorporation (MOI);

- 1.1.1 Shares in a are generally not available to the public.
- 1.1.2 The Financial Statements of a must be audited by an independent auditor.
- 1.1.3 The sets out the rights, duties and responsibilities of shareholders and directors.
- 1.1.4 All companies should be registered with the
- 1.1.5 The requires listed companies to publish their financial statements within six months of the financial year-end.

1.2 NADELENE LTD.

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

REQUIRED:

- 1.2.1 Prepare the following notes to the Statement of Financial Position for the financial year ended 28 February 2023:
- Ordinary share capital (8)
 - Retained Income (9)
 - Trade and other Payables
- NOTE:** Include all amounts that would appear under Current Liabilities except bank overdraft. (19)
- 1.2.2 Complete the Equity and Liabilities section of the Statement of Financial Position on 28 February 2023. (9)

INFORMATION:**A Extract of balances and totals after adjustments have been made:**

	28 February 2023 R	1 March 2022 R
Ordinary share capital	?	5 833 500
Retained income	?	464 400
Creditors Control	206 500	74 800
Bank overdraft	65 000	0
Mortgage bond: ABC Bank	?	0
Shareholders for dividends	?	186 600
SARS: Income tax	30 100 Cr	21 140 Cr
Accrued income	19 786	
Accrued expenses	113 175	
Rent income	?	
Income tax	281 400	
Ordinary share dividend (interim)	294 000	

B Mortgage loan: ABC Bank

Loan statement received from ABC Bank	
Balance on 1 April 2022	R 1 170 250
Total repayments for the year	R 447 700
Interest on loan (capitalised)	?
Balance on 28 February 2023	R 593 850

- The loan was acquired on 1 April 2022, to purchase the new office block.
- Nadelene Ltd. expects to maintain the fixed monthly repayments (including interest capitalised) over the duration of the loan.
- Interest in the next financial year is expected to be R 140 400.

C Share capital:

- The authorised share capital comprises 700 000 ordinary shares.
- On 1 March 2022, 70% of the authorised share capital was in issue.
- On 1 November 2022, the company issued 160 000 additional shares at R11,60 per share.
- On 19 February 2023, the company re-purchased 50 000 ordinary shares from the estate of the late G. Pereira. The offer of R13,00 per share was accepted. An EFT payment for the full amount due was made. The estate is entitled to final dividends.

D Income tax:

- Income tax is calculated at 28% of the net profit.

E Dividends:

- An interim dividend was paid during the financial year.
- A final dividend of 45 cents per share was declared by directors.

F Adjustments:

NOTE: The following adjustments were considered in preparing the Statement of Comprehensive Income. These adjustments are ONLY relevant to complete the notes to the Statement of Financial Position.

- Salaries and wages:**

An employee was left out of Salaries Journal for February 2023.

The details are as follows:

Gross Salary	Deductions			Total Deductions	Net Salary
	PAYE	UIF	Pension Fund		
?	2 650	?	3 150	R6 250	?

- Employees contribute 7% of their gross salary to the pension fund and 1% of their gross salary to UIF.
- The employer contributes 10% of the gross salary to the Pension Fund and an amount equal to the amount contributed by the employee to the UIF.

- Directors' fees:**

- All directors earn the same monthly amount (same fee structure).
- The company paid their three directors a total amount of R 216 000 up to 31 August 2022. Fees for the rest of the year must still be paid.
- A fourth director was appointed on 1 November 2022 on the same fee structure as the other directors. His director's fees have also not yet been paid.

Rent income:

Nadelene Ltd. has rented out their unused storeroom since 1 March 2019. The rent at the beginning of the current financial year (1 March 2022) was R1 750 per month. The lease agreement stipulates an annual increase of 10% effective from 1 January each year. The rent for March 2023 was received and deposited.

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS**(45 marks; 35 minutes)****BLADE MARINATE LTD.**

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

REQUIRED:

2.1 Complete the Note for CASH GENERATED FROM OPERATIONS. (8)

2.2 Complete Cash Flow Statement for the year ended 28 February 2023. (24)

NOTE: Some amounts are provided in the Answer Book.

2.3 Calculate the following Financial Indicators for year ended 28 February 2023:

- Dividends per share (DPS) (4)
- Net asset value (NAV) (3)
- % Return on total Capital Employed (ROTCE) (6)

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INFORMATION:**A Extract from the Statement of Comprehensive Income for the year ended 28 February 2023:**

Depreciation	R 214 000
Interest Expense	R 91 500
Net profit before taxation	R 1 586 000
Taxation	30% of net profit

B Extract from the Statement of Financial Position on:

	28 Feb 2023	28 Feb 2022
	R	R
Ordinary shareholders' equity	8 615 800	7 380 000
Ordinary share capital	7 395 000	6 400 000
Retained income	1 220 800	980 000
Loan: Baboo Bank	1 100 000	930 000
Total capital employed	9 715 800	8 310 000
Fixed assets (at carrying value)	2 981 000	2 780 000
Inventories (including Trading stock)	963 200	838 700
Debtors control	1 452 000	1 300 000
Creditors control	696 000	624 000
Accrued expenses	19 500	21 000
SARS (Income Tax)	9 000 Dr	34 000 Cr
Shareholders for dividends	191 400	115 300

C Additional information:**(i) Shares and dividends:**

DATE	DETAILS OF SHARES
1 March 2022	800 000 shares in issue.
30 June 2022	Additional shares issued at R 12,50 per share.
1 January 2023	30 000 shares repurchased at R36 000 above the average share price.
28 February 2023	870 000 shares in issue.

- Interim dividends were paid on 30 September 2022.
- Dividends paid as per the Cash Flow Statement on 28 February 2023 amounted to R 277 300.
- A final dividend of 22 cents per share was declared on 28 February 2023.

(ii) Fixed Assets:

- During the year, Blade Marinate Ltd. purchased a new delivery truck.
- They also sold equipment at carrying value of R860 000.

QUESTION 3: INTERPRETATION OF COMPANY FINANCIAL INFORMATION**(40 marks; 35 minutes)**

The information related to two companies that operate in the frozen food industry, namely Ice Ltd. and Freeze Ltd. Their financial year ended 28 February 2023.

REQUIRED:

NOTE: Provide figures, financial indicators, or calculations in EACH case to support your comments and explanations.

3.1 Liquidity:

Identify the company that is more efficient in managing its liquidity position. Quote THREE liquidity indicators, with figures, in your answer.

(6)

3.2 Risk and gearing:

Freeze Ltd. paid off a large portion of its loan during the financial year. Quote and explain TWO financial indicators (with figures) to show whether this was a good decision or not, taken by the directors.

(6)

3.3 Dividends:

3.3.1 Jonas Seshoene has 50 000 shares in **Freeze Ltd.** Calculate the total dividends that he earned for the current financial year.

(2)

3.3.2 Comment on the dividend pay-out policy of each company. Provide a possible reason why the directors of EACH company decided on this policy.

(6)

3.4 Share price:

Some shareholders were concerned with the issue price of the new shares in **Ice Ltd.** Explain whether they are justified to feel this way. Quote TWO financial indicators (with figures) in your answer.

(4)

3.5 % Shareholding of Jonas Seshoene:

3.5.1 Jonas was disappointed that **Ice Ltd.** issued additional shares whilst he was on holiday and was not aware of the new issue. Calculate his % shareholding after the issue of the additional shares.

(2)

3.5.2 **Ice Ltd.** plans to issue an additional 400 000 shares over the next three months. Calculate the number of shares that Jonas must buy to regain his majority status of the company.

(4)

3.5.3 Provide TWO reasons why Jonas wants to be the majority shareholder.

(4)

3.5.4 Jonas is doubtful of whether he should sell his shares in **Freeze Ltd.** as he feels that the earnings (EPS) is better. What advice would you offer? Quote figures.

(6)

INFORMATION:**A FINANCIAL INDICATORS ON 28 FEBRUARY 2023:**

	ICE LTD.		FREEZE LTD.	
	2023	2022	2023	2022
Current ratio	2,4: 1		1,8: 1	
Acid-test ratio	0,9: 1		0,7: 1	
Average debtors' collection period	51 days		72 days	
Stock turnover rate	3,6 times		2,4 times	
Debt-equity ratio			0,3: 1	0,6 : 1
% return on shareholders' equity			8,3%	7,8%
% return on capital employed			13,5%	10,2%
Dividends per share	40 cents	68 cents	65 cents	60 cents
Earnings per share	82 cents	87 cents	79 cents	76 cents
Dividend pay-out rate	49%	78%	82%	79%
Net asset value per share	475 cents		330 cents	
Additional Information:				
% interest rate on loans	13%	13%	13%	13%
% interest rate on fixed deposit	8%	8%	8%	8%
Market price per share on JSE	498 cents		322 cents	

B NUMBER OF SHARES IN EACH COMPANY:

	ICE LTD.	FREEZE LTD.
ISSUED		
Shares in issue on 1 March 2022	800 000	1 500 000
Shares issued at R3,70 each	300 000	0
Shares in issue on 28 February 2023	1 100 000	1 500 000

C SHAREHOLDING OF JONAS SESHONE ON 28 FEBRUARY 2023:

	ICE LTD.	FREEZE LTD.
Number of shares	410 000	50 000
% shareholding before issue of new shares.	51,3%	3,3%

QUESTION 4: AUDIT REPORTS AND CORPORATE GOVERNANCE**(15 marks; 10 minutes)**

- 4.1 Choose an explanation in COLUMN B that matches the term in COLUMN A. Write only the letters (A–F) next to the question numbers (4.1.1 to 4.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	External auditor	A	Auditors' report states: "In our opinion financial statements are a true reflection and are fully reliable..."
4.1.2	Internal auditor	B	Appointed to give an unbiased opinion on the reliability of the financial statements.
4.1.3	Unqualified audit report	C	Auditors' report states: "Except for a few minor aspects all figures are reliable and trustworthy..."
4.1.4	Qualified audit report	D	Employed by a company to ensure good internal control procedures.
4.1.5	Disclaimer audit report	E	Appointed by Parliament to conduct regular audits of national and provincial departments.
		F	Auditors' report states: "We have not been able to obtain sufficient audit evidence to provide for an audit opinion on the financial statements."

(5 x 1) (5)

4.2 AFRICAN LTD.

An extract from a recent newspaper article that featured African Ltd. is provided.

Use the information presented and your knowledge on companies to answer the questions.

REQUIRED:

4.2.1 Governance:

What do you understand by the concept "basic governance"? (2)

4.2.2 Directorship:

Provide TWO points why did the High Court labelled Thokozile as a delinquent director? (2)

4.2.3 Concerns of shareholders:

As a concerned shareholder, what questions would you raise at a meeting with the Board of Directors?

Provide TWO different questions. In EACH case explain an appropriate reason. (3 x 2) (6)

INFORMATION:

Extract: COURT TAKES ACTION AGAINST FORMER AFRICAN LTD DIRECTOR.

Advocate Cathy in her closing argument said the former chairperson of the Board Thokozile blocked, delayed, and obstructed important initiatives to turn the company around. She ran up losses of R16,8 billion as chair of African Ltd. She broke the law and flouted the **basic governance**.

The evidence in Court showed a pattern of repeated misconduct, dishonesty, obstruction, and interference, improperly inserting middleman contributing to many governance failures.

She was declared a **delinquent director** by the High Court. As a consequence, she is effectively banned from holding any directorship position for life.

**Based on true articles, names changed*

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit} \times 100}{\text{Sales}} \quad 1$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: *In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.	



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SCHOOL:

CANDIDATE NAME & SURNAME:

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ACCOUNTING P1

GRADE 12

SEPTEMBER 2023

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This Answer Book consists of 12 pages.

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

5

1.2.1 Prepare the following notes to the Statement of Financial Position.

ORDINARY SHARE CAPITAL		
	Issued shares on 1 March 2022	5 833 500
(50 000)		

8

RETAINED INCOME	
Balance as at 1 March 2022	464 400
Interim dividends paid	294 000

9

TRADE AND OTHER PAYABLES	
NOTE: Include all amounts that would appear under current liabilities except bank overdraft.	
Creditors control	206 500
SARS-Income tax	30 100
SARS-PAYE	2 650

1.2.2 Complete Equity and Liabilities section of the Statement of Financial Position.**EQUITY AND LIABILITIES SECTION**

Shareholders' Equity	
Non - Current Liabilities	
Current Liabilities	
Trade and other Payables	
Bank overdraft	65 000
TOTAL EQUITY AND LIABILITIES	

9

TOTAL MARKS

50

QUESTION 2**2.1 NOTE FOR RECONCILIATION BETWEEN PROFIT BEFORE TAXATION AND CASH GENERATED FROM OPERATIONS.**

Net profit before taxation	1 586 000
Adjustment for;	305 500
Depreciation	214 000
Interest Expense	91 500
Operating profit before changes in working capital	1 891 500
Net change in working capital	

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023.

Cash flow from operating activities	
Interest paid	(91 500)
Dividends paid	(277 300)
Cash flow from investing activities	
Proceeds from sale of fixed assets	860 000
Cash flow from financing activities	
Net change in cash and cash equivalents	
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

2.3 Calculate the following Financial Indicators for year ended 28 February 2023:

Dividends per share (DPS)

Workings	Answer
 	


4

Net asset value (NAV)

Workings	Answer
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3

% Return on total Capital Employed (ROTCE)

Workings	Answer
	

6



TOTAL MARKS
45

QUESTION 3**3.1 Liquidity:**

Identify the company that is more efficient in managing its liquidity position. Quote **THREE** liquidity indicators, with figures, in your answer.



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6

3.2 Risk and gearing:

Freeze Ltd paid off a large portion of its loan during the financial year. Quote and explain **TWO** financial indicators (with figures) to show whether this was a good decision or not, taken by the directors.



6

3.3 Dividends:

3.3.1 Jonas Seshoene has 50 000 shares in Freeze Ltd. Calculate the total dividends that he earned for the current financial year.

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2

3.3.2 Comment on the dividend pay-out policy of each company. Provide a possible reason why the directors of EACH company decided on this policy.

COMPANY	COMMENT (WITH FIGURES)	REASON
ICE LTD		
FREEZE LTD		

6

3.4 Share price:

Some shareholders were concerned with the issue price of the of the new shares in Ice Ltd. Explain whether they are justified to feel this way. Quote TWO financial indicators (with figures) in your answer.

4

3.5 % Shareholding of Jonas Seshoene:

3.5.1 Jonas was disappointed that Ice Ltd issued additional shares whilst he was on holiday and was not aware of the new issue. Calculate his % shareholding after the issue of the additional shares.

2

- 3.5.2** Ice Ltd plans to issue an additional 400 000 shares over the next three months. Calculate the number of shares that Jonas must buy to regain his majority status of the company.



4

- 3.5.3** Provide TWO reasons why Jonas wants to be the majority shareholder.



4

- 3.5.4** Jonas is doubtful of whether he should sell his shares in Freeze Ltd as he feels that the earnings (EPS) is better. What advice would you offer? Quote figures.



6

TOTAL MARKS

40

QUESTION 4**4.1**

4.1.1	
4.1.2	
4.1.3	
4.1.4	
4.1.5	

5

4.2 AFRICAN LTD.**4.2.1 Governance:**

What do you understand by the concept “basic governance”?

2


4.2.2 Directorship:

Provide TWO points why did the High Court labelled Thokozile as a delinquent director?

2

4.2.3 Concerns of shareholders:

As a concerned shareholder, what questions would you raise at a meeting with the Board of Directors?
Provide TWO different questions. In EACH case explain an appropriate reason.

QUESTIONS YOU WOULD RAISE WITH DIRECTORS		ONE REASON FOR EACH QUESTION
QUESTION		
QUESTION		

6

TOTAL MARKS

15

TOTAL 150 MARKS

Please turn over.



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GRADE 12

**NATIONAL
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**ACCOUNTING PAPER 1
SEPTEMBER 2023
MARKING GUIDELINES**

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item. No double penalty applied.
2. Penalties for placement or poor presentation (e.g., details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ⚡.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 12 pages.

QUESTION 1

1.1

1.1.1	Private company ✓
1.1.2	Public company ✓
1.1.3	Memorandum Of Incorporation (MOI) ✓
1.1.4	Company and Intellectual Properties Commission (CIPC) ✓
1.1.5	Companies Act No. 71 of 2008 ✓

5

1.2.1 Prepare the following notes to the Statement of Financial Position.

ORDINARY SHARE CAPITAL		
490 000 ✓	Issued shares on 1 March 2022	5 833 500
160 000	Additional shares issued @ R11,60 during financial year	1 856 000 ✓✓
(50 000)	Shares repurchased (50 000 x 11,83 ✓✓*) $\frac{5\,833\,500 + 1\,856\,000}{490\,000 + 160\,000}$	(591 500)✓*
600 000 ✓#	Issued shares on 28 February 2023	7 098 000✓* # opening balance must be included

8

*one part correct

#Repurchased shares must be subtracted.

RETAINED INCOME	
Balance as at 1 March 2022	464 400
Net profit (281 400 ✓ x $\frac{72}{28}$ ✓ OR (281 400 x $\frac{100}{28}$) = (1 005 000 – 281 400)	723 600 ✓*
Repurchased of shares (50 000 x 1,17 ✓) R 13 – average price, see OSC above	(58 500) ✓* ignore brackets
Dividends for the year	(586 500) ✓ ignore brackets
Interim dividends paid	294 000
Final dividend (650 000 x 45 cents) ignore workings	292 500 ✓✓*
Balance as at 28 February 2023	543 000 ✓*#

9

*one part correct

#operation: repurchased shares and OSD must be subtracted

TRADE AND OTHER PAYABLES	
NOTE: Include all amounts that would appear under current liabilities except bank overdraft.	
Creditors control	206 500
SARS-Income tax	30 100
SARS-PAYE	2 650
Creditors for salaries ($45\,000 \checkmark - 6\,250 \checkmark$) $3\,150 \times \frac{100}{7}$ ($2\,650 + 450 + 3\,150$)	38 750 <input checked="" type="checkbox"/> *
Pension fund ($3\,150 + 4\,500$)	7 650 <input checked="" type="checkbox"/>
UIF ($450 + 450$)	900 <input checked="" type="checkbox"/>
Accrued expenses [$216\,000 \checkmark + (\frac{216\,000}{3} \times \frac{4}{6}) \checkmark$] + $113\,175 \checkmark$ $48\,000$	377 175 <input checked="" type="checkbox"/> *
Income received in advance ($1\,750 \times \frac{110}{100}$)	1 925 <input checked="" type="checkbox"/>
Shareholders for dividends	292 500 <input checked="" type="checkbox"/> <small>see RI note</small>
Short-term portion of the loan ($447\,700 \times \frac{12}{11}$) <input checked="" type="checkbox"/> * - $140\,400 \checkmark$ $488\,400$	348 000 <input checked="" type="checkbox"/> *
	1 306 150 <input checked="" type="checkbox"/> * <small>opening balance must be included</small>

1.2.2 Complete Equity and Liabilities section of the Statement of Financial Position.**EQUITY AND LIABILITIES SECTION**

Shareholders' Equity	operation	7 641 000 <input checked="" type="checkbox"/>
Ordinary share capital	see OSC note	7 098 000 <input checked="" type="checkbox"/>
Retained Income	see RI note	543 000 <input checked="" type="checkbox"/>
	3	
Non - Current Liabilities	no mark allocated	245 850
Mortgage bond (593 850 ✓ – 348 000 <input checked="" type="checkbox"/>)	see 1.2.1 T&OP	245 850 <input checked="" type="checkbox"/> *
	3	
Current Liabilities	operation	1 371 150 <input checked="" type="checkbox"/>
Trade and other Payables	see T&OP note	1 306 150 <input checked="" type="checkbox"/>
Bank overdraft		65 000
TOTAL EQUITY AND LIABILITIES	SHE+NCL+CL 3	9 258 000 <input checked="" type="checkbox"/>

9

*one part correct
presentation / no details -1

TOTAL MARKS
50



QUESTION 2

2.1 NOTE FOR RECONCILIATION BETWEEN PROFIT BEFORE TAXATION AND CASH GENERATED FROM OPERATIONS.

Net profit before taxation	1 586 000
Adjustment for;	305 500
Depreciation	214 000
Interest Expense	91 500
Operating profit before changes in working capital	1 891 500
Net change in working capital	(206 000) ✓*
Increase in inventories (963 200 – 838 700)	(124 500) ✓✓* must have brackets
Increase in debtors (1 452 000 – 1 300 000)	(152 000) ✓✓* must have brackets
Increase in creditors (696 000 + 19 500) – (624 000 + 21 000) 715 500 645 000	70 500 ✓✓*
	1 685 500 ✓*

*one part correct and must have the correct use of brackets/no brackets



2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023.

Cash flow from operating activities	797 900 <input checked="" type="checkbox"/> *
Cash generated from operations see 2.1	1 685 500 <input checked="" type="checkbox"/>
Interest paid	(91 500)
Dividends paid	(277 300)
Taxation paid (34 000 ✓ + 475 800 ✓✓ + 9 000 ✓) OR -34 000 – 475 800 – 9 000	(518 800) <input checked="" type="checkbox"/> *
7	
Cash flow from investing activities	(415 000) <input checked="" type="checkbox"/> *
Fixed assets purchased (2 981 000 ✓ + 214 000 ✓ + 860 000 ✓ - 2 780 000 ✓) OR -2 981 000 - 214 000 - 860 000 + 2 780 000	(1 275 000) <input checked="" type="checkbox"/> *
Proceeds from sale of fixed assets	860 000
6	
Cash flow from financing activities	1 129 000 <input checked="" type="checkbox"/> *
(870 000 + 30 000 – 800 000) Proceeds of shares issued (100 000 <input checked="" type="checkbox"/> * x 12,50)	1 250 000 <input checked="" type="checkbox"/> *
Shares repurchased 30 000 x 8,50 two marks 255 000 ✓✓ + 36 000 ✓	(291 000) <input checked="" type="checkbox"/>
Increase in loan (1 100 000 – 930 000)	170 000 ✓✓
Net change in cash and cash equivalents (797 900 - 415 000 + 1 129 000)	1 511 900 <input checked="" type="checkbox"/> check top to bottom
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

24

-1 P (if no details)

For use of reversed signs, ensure that only one option is consistently used

*one part correct; must indicate correct operation & correct use of brackets where applicable;

If no brackets, assume answer is an inflow of cash – award marks for workings only;



2.3 Calculate the following Financial Indicators for year ended 28 February 2023:

Dividends per share (DPS)

Workings	Answer
<p>(no part marks) (162 000/900 000) 18 cents ✓✓ + 22 cents ✓ OR 0,18 + 0,22</p> 	<p>40 cents <input checked="" type="checkbox"/></p> <p>one part correct MUST be interim +final dividends Assume cents if not specified.</p>

4

Net asset value (NAV)

Workings	Answer
$\frac{8\,615\,800 \checkmark}{870\,000 \checkmark} \times 100$ <p>Check numerator / denominator</p>	<p>990,3 cents <input checked="" type="checkbox"/></p> <p>one part correct * x 100 does not constitute 'one part correct'</p>

3

% Return on total Capital Employed (ROTCE)

Workings	Answer
<p>1 677 500 one mark</p> $\frac{(1\,586\,000 \checkmark + 91\,500) \checkmark}{\frac{1}{2} \checkmark (9\,715\,800 \checkmark + 8\,310\,000 \checkmark)} \times 100$ <p>Check numerator / denominator</p>	<p>18,6% <input checked="" type="checkbox"/></p> <p>one part correct calculated as a % * x 100 does not constitute 'one part correct' ignore % sign</p>

6

TOTAL MARKS

QUESTION 3**3.1 Liquidity:**

Identify the company that is more efficient in managing its liquidity position. Quote THREE liquidity indicators, with figures, in your answer.

Any THREE indicators ✓✓✓ figures ✓✓✓

If candidate chooses Freeze Ltd, award max 3 marks for names of financial indicators

ICE LTD has the following financial indicators that are better than Freeze Ltd:

- Current ratio is 2,4 : 1
- Acid test ratio is 0,9 : 1
- Average debtors' collection period is 51 days
- Stock turnover rate is 3,6 : 1

6

3.2 Risk and gearing:

Freeze Ltd paid off a large portion of its loan during the financial year. Quote and explain TWO financial indicators (with figures) to show whether this was a good decision or not, taken by the directors.

Financial indicators ✓✓ figures ✓✓

Valid comment ✓✓ part marks for incomplete / partial / unclear responses

Debt: equity is 0,3:1 the company is low geared / low financial risk

ROTCE: is 13,5% the company uses the loan effectively to generate profits;

Positive gearing, return is better than the interest rate of 13%

6

3.3 Dividends:**3.3.1 Jonas Seshoene has 50 000 shares in Freeze Ltd. Calculate the total dividends that he earned for the current financial year.**

$50\,000 \times 0.65c = R\,32\,500$ ✓✓ no part marks

2

3.3.2 Comment on the dividend pay-out policy of each company. Provide a possible reason why the directors of EACH company decided on this policy.

COMPANY	COMMENT (WITH FIGURES) ✓✓ ✓✓	REASON ✓ ✓
ICE LTD	Dividend pay-out rate is 49%; The directors decided to retain 51% of earnings.	Have plans for growth / expansion; they want to retain funds to ensure sustainability; want to improve profitability; want to address cash problems.
FREEZE LTD	Dividend pay-out rate is 82%; Retaining only 18% of earnings; Large portion of profits are being distributed.	Keep shareholders satisfied; Reaping benefits of low dividends in previous years; Possible cover for poor performance.

6

3.4 Share price:

Some shareholders were concerned with the issue price of the of the new shares in Ice Ltd. Explain whether they are justified to feel this way. Quote TWO financial indicators (with figures) in your answer.

Comparison of issue price with Market price OR NAV with figures ✓✓
Valid comment ✓✓

Issue price of 370c is below the NAV of 475c and below the market price of 498c
It is 105c below NAV and 128c less than the MP.

Valid comment:

Shareholders will not be satisfied. The company could have raised more money if they issued the shares at market price. (128c x 300 000 = R384 000) **OR**
Could have raised more money if they issued the shares at NAV price.
(105c x 300 000 = R315 000)

4

3.5 % Shareholding of Jonas Seshoene:**3.5.1 Jonas was disappointed that Ice Ltd issued additional shares whilst he was on holiday and was not aware of the new issue. Calculate his % shareholding after the issue of the additional shares.**

$410\,000 / 1\,100\,000 = 37,3\%$ ✓✓ no part marks

2

- 3.5.2 Ice Ltd plans to issue an additional 400 000 shares over the next three months. Calculate the number of shares that Jonas must buy to regain his majority status of the company.**

Total shares after the issue of 400 000 shares: $1\ 100\ 000 + 400\ 000 = 1\ 500\ 000$

$1\ 500\ 000 / 2 = 750\ 000$ ✓✓

Jonas needs $750\ 001 - 410\ 000 = 340\ 001$ ✓✓ **OR**

$750\ 100 - 410\ 000 = 340\ 100$ (if shares only available in 100s) **OR**

$765\ 000 - 410\ 000 = 355\ 000$ (accept 51% as majority)

4

- 3.5.3 Provide TWO reasons why Jonas wants to be the majority shareholder.**

TWO possible reasons ✓✓ ✓✓

- He feels he can influence major decisions in a constructive manner.
- He feels his input will benefit the company – lead to growth.
- He does not expect opposition to his plans / intentions.
- He has plans to place his favourites in key positions.
- May be selfish intentions to benefit from this influence.

4

- 3.5.4 Jonas is doubtful of whether he should sell his shares in Freeze Ltd as he feels that the earnings (EPS) is better. What advice would you offer? Quote figures.**

Compare EPS to Value of share (MP / NAV) for Freeze Ltd with figures

✓✓ part marks for incomplete / partial / unclear responses

Compare EPS to Value of share (MP / NAV) for Ice Ltd with figures

✓✓ part marks for incomplete / partial / unclear responses

ICE LTD	FREEZE LTD
<ul style="list-style-type: none"> • EPS to NAV is 17,3% (82/475) / • EPS to MP is 16,5% (82/498) 	<ul style="list-style-type: none"> • EPS to NAV is 23,9% (79/330) / • EPS to MP is 24,5% (79/322)

Advice ✓✓

The return on a lower share price at Freeze Ltd is better, but a decline in MP (MP lower than NAV) is an indication of low demand for shares. Although the yield in Freeze Ltd. is better in the short term, it may be wise to sell these shares to avoid losses in the future due to lowering market prices.

OR

He can keep the shares as he only has 3,3% of the total shares. If the market improves, he will benefit, otherwise, the loss may not be very significant.

6

TOTAL MARKS

40

QUESTION 4**4.1**

4.1.1	B ✓
4.1.2	D ✓
4.1.3	A ✓
4.1.4	C ✓
4.1.5	F ✓

5

4.2 AFRICAN LTD.**4.2.1 Governance:****What do you understand by the concept “basic governance”?**

Any valid comment ✓✓ part marks for incomplete / partial / unclear responses

- Managing the business on sound business and ethical principles.
- Looking after the interest of all role players / stakeholders (including the community) by being fair, equitable, transparent.
- Ensure that the company has proper rules, policies, and practices to create long term shareholder value, and are implementing them.

2

4.2.2 Directorship:**Provide TWO points why did the High Court labelled Thokozile as a delinquent director?**

Any two valid points ✓ ✓ could be verbatim from scenario

- She was found guilty of serious misconduct, dishonesty, obstruction, and interference, improperly inserting middleman and governance failures.
- She broke the law and flouted the basic governance.
- She deliberately blocked, delayed, and obstructed important initiatives to turn the company around.

Any other valid point related to the information provided.

2

4.2.3 Concerns of shareholders:

This is a very open-ended question; be alert to any other valid responses.

Be alert to questions making the same point, stated differently.

As a concerned shareholder, what questions would you raise at a meeting with the Board of Directors?

Provide TWO different questions. In EACH case explain an appropriate reason.

Any two valid questions ✓✓ ✓✓ Part marks for incomplete/ unclear/ partial responses Excellent = 2 marks Good = 1 mark		Any two valid reasons ✓ ✓ Reasons to be appropriate to the questions. The same reason could apply to more than one question/ could be verbatim from scenario.	
Questions you would raise with Directors		One reason for each question	
QUESTION	Why did the board not take immediate action when misconduct occurred?	Misconduct of a director negatively impact on the company.	
QUESTION	Why have the board not implemented disciplinary action over the director?	The board should have taken prompt action to prevent further problems.	
QUESTION	How was the director solely involved in losses of up to R16,8 billion? / Was the director acting alone?	There should be internal control measures in place to prevent so much power to one director.	
QUESTION	Why were such important roles allocated to only one director.	Separation of duties should be in place to avoid abuse of power.	
QUESTION	Why was an unethical director appointed? / Did the director have appropriate qualifications and skills for the position? / How are the vacant directors' post going to be filled?	The company should have transparent vetting processes in place prior to appointing directors. / The shareholders should be involved in the hiring of directors.	
QUESTION	Does the director have knowledge of basic corporate governance and ethics?	A code of conduct underlining the King Code principles should be in place and followed by all stakeholders.	
QUESTION	Where will the funds come from to cover the R 16, 8 billion losses?	Transparency required by King Code in all processes. Profits or retained income could be negatively affected.	
QUESTION	How has the financial stability of the company been affected by this incident?	The losses made due to the misconduct, as well as the bad publicity can affect the company's sustainability.	
QUESTION	How will a situation like this be avoided in future? / What control measures does the Risk committee have in place?	Transparency/ accountability/ improving controls.	
Accept any other valid questions		Accept reasons that correspond to the questions	

6

TOTAL MARKS

15