



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

ACCOUNTING

SCHOOL BASED ASSESSMENT

GRADE 12

WRITTEN REPORT

TERM 1: 2022

MARKS	50
DURATION	1 Hour
TOPICS	<ul style="list-style-type: none">• Formation of Company and Legislation• Ledger Accounts• Majority Share Holding and Corporate Governance

NOTE:

- The task should be administered in class under the supervision of the teacher.
- Learners should be given a rubric to conduct research before a task is administered.
- Learners must not be allowed to refer to researched notes during the administration process.

This question paper consists of 6 pages.

ACCOUNTING
TASK 1: WRITTEN REPORT

MARKS: 50

DURATION: 1 HOUR

CRITERIA			
QUESTION 1	DISTRIBUTION OF MARKS	MARKS	
		TOTAL	LEARNER
1.1 Explain the process of registering a company, provide FOUR points.	One mark for each point (1 x 4)	4	
1.2 Briefly explain the purpose of companies Act, provide TWO points.	One mark for each point (1 x 2)	2	
1.3 What are the advantages of preparing the financial statements in accordance with IFRS? Provide TWO points.	Two marks for each advantage (2 x 2)	4	
1.4 GAAP Concepts	Allocate marks as indicated in the marking guideline	6	
TOTAL MARKS: Q1		16	
QUESTION 2			
Companies' Ledger Accounts	Allocate marks as indicated in the marking guideline	24	
QUESTION 3			
Majority Shareholding Corporate Governance (Under-handed agreement)	Allocate marks as indicated in the marking guideline	10	
TOTAL (1 + 2 + 3)		50	

QUESTION 1: FORMATION OF COMPANY AND LEGISLATION

(16 Marks; 19 Minutes)

Mr Ndulula owns a busy restaurant in Soweto, Vilakazi street, he recently inherited three million from the estate of his deceased uncle. Ndulula has been recruited by two of his customers who are civil engineers to register a public company that will supply PPE (Personal protective equipment) to government departments and companies.

As a trainee accountant, Mr Ndulula and his potential business associates are requesting you to clarify the registration process and legislation that governs companies.

They have requested you to prepare a report that will focus on the following :

- 1.1 Explain the process of registering a company, provide **FOUR** points. (4)
- 1.2 Briefly explain the purpose of companies Act, provide **TWO** points. (2)
- 1.3 What are the advantages of preparing the financial statements in accordance with IFRS? Provide **TWO** points. (4)
- 1.4 You have been requested to provide clarity on the GAAP concepts. Identify and define GAAP Concepts that will match with the scenarios provided below: (6)

TRANSACTION A

Items that are irrelevant and unimportant for mentioning individually in the financial records should be grouped together and be recorded as sundry expenses

TRANSACTION B

A company bought a property 10 years ago for R1 000 000, the market value of the property is R5000 000. The amount recorded in the books is R1000 000.

TRANSACTION C

An audit firm has completed an audit process, a fee amounting to R20 400 is owing at the end of the financial year.

QUESTION 2: COMPANY'S LEDGER ACCOUNTS**(24 Marks: 29 Minutes)****BAMBINOS LIMITED**

Zanele Ngwenya is a newly appointed accountant of Bambinos Limited, a public company that was incorporated on 1 March 2019. The company has an authorized share capital of 4 000 000 and their financial year ends on the last day of February each year.

The management has requested you to assist Zanele in preparing the financial report that will be presented to the Finance Committee.

The report should specifically include the following: effect of buy back of shares, income tax, dividends on ordinary shares, retained (income) for the current year.

REQUIRED:

2.1 Use the structure provided in your answer book to complete a report.

(24)**INFORMATION:**

The following balances, appeared amongst in the General Ledger of Bambinos Ltd.

	28 February 2022 R	28 February 2021 R	
Ordinary share capital	6 800 000	7 600 000	(CR)
Retained income	?	900 000	
SARS (Income tax)	?	18 000	
Shareholders for dividends	?	195 000	

ADDITIONAL INFORMATION:**A. Ordinary share capital**

- The business has an authorised share capital of 4 000 000 shares.
- Only 50% of the shares were in issue on 1 March 2021.
- On 30 April 2021, 500 000 ordinary shares were repurchased from a dissatisfied shareholder at R4, 10 per share.
- The company issued shares on 1 November 2021. All the shares were applied for and the money was banked.
- 1 700 000 shares were in issue at the end of the year.

B. Dividends



- On 20 March 2021 funds were electronically transferred to the accounts of shareholders in respect of the final dividends that were owing at the end of previous financial year.
- An interim dividend was declared and paid by the directors on 31 August 2021.
- A total amount of R720 000 was paid to shareholders during the financial year.
- A final dividend of 40 cents per share was declared on 28 February 2022.

C. Income Tax and Net Profit

- The income tax due in respect of the previous year was paid on 20 March 2021.
- The company paid R250 000 to SARS for provisional tax on 31 August 2021 via EFT.
- An EFT payment for the second provisional tax was made on 15 February 2022.
- The total provisional income tax for the year amounted to R725 000.
- Income tax was calculated at 30%, net profit after tax amounted to R1 750 000.



QUESTION 3 : MAJOR SHAREHOLDING AND CORPORATE GOVERNANCE

(10 Marks: 12 Minutes)

3.1 KOKI LTD

Solly Edwards will retire at the end of June 2022 and will receive a pension fund pay-out. He intends to invest part of his pension in shares, at Koki Ltd. Solly has an investment of 200 000 shares at Koki Ltd. He has requested you to assist him to calculate the number of additional shares he will have to buy in order to qualify for majority status.

REQUIRED:

- 3.1.1 Refer to the information provided below to calculate the number of additional shares, to be invested by Solly Edwards to qualify as a majority shareholder and the price that he has to pay. (4)

Information extracted from the annual report:

	Koki LTD	
	2022 February	2021 February
Number of shares issued by Koki LTD	600 000	400 000
Market price at JSE	4,40	

3.2 CORPORATE GOVERNANCE

NGWANE LTD

An independent auditor revealed that Rose Mokoena, the CEO of Ngwane Ltd, has been engaging in several under-handed tender agreements with certain clients. Mokoena was taking these decisions on her own, without the approval of the Board of Directors.

- 3.2.1 What is your understanding of the term “under-handed”? (2)
- 3.2.2 Provide **TWO** possible reasons why Rose could be engaging in such agreements. (2)
- 3.2.3 How is it possible that Rose could take these decisions on her own? Provide **TWO** reasons. (2)

10

TOTAL MARKS : 50


ACCOUNTING TASK 1: WRITTEN REPORT – ANSWER BOOK
--

Name :	Date :

CRITERIA			
QUESTION 1	DISTRIBUTION OF MARKS	MARKS	
		TOTAL	LEARNER
1.1 Explain the process of registering a company, provide FOUR points.	One mark for each point (1 x 4)	4	
1.2 Briefly explain the purpose of companies Act, provide TWO points.	One mark for each point (1 x 2)	2	
1.3 What are the advantages of preparing the financial statements in accordance with IFRS? Provide TWO points.	Two marks for each advantage (2 x 2)	4	
1.4 GAAP Concepts	Allocate marks as indicated in the marking guideline	6	
TOTAL MARKS: Q1		16	
QUESTION 2			
Companies' Ledger Accounts	Allocate marks as indicated in the marking guideline	24	
QUESTION 3			
Majority Shareholding Corporate Governance (Under-handed agreement)	Allocate marks as indicated in the marking guideline	10	
TOTAL (1 + 2 + 3)		50	

This answer book consists of 6 pages including a rubric.

QUESTION 1 :

1.1	Explain the process of registering a company, provide FOUR points.	
		<div data-bbox="1361 674 1449 770" data-label="Text"> <div></div> <div>4</div> </div>
1.2	Briefly explain the purpose of companies Act, provide TWO points.	
		<div data-bbox="1361 1055 1449 1151" data-label="Text"> <div></div> <div>2</div> </div>
1.3	What are the advantages of preparing the financial statements in accordance with IFRS? Provide TWO points.	
		<div data-bbox="1361 1525 1449 1621" data-label="Text"> <div></div> <div>4</div> </div>

1.4	You have been requested to provide clarity on the GAAP concepts. Identify and define GAAP Concepts that will match with the scenarios provided below:		
Transaction	Concept	Definition	
A Items that are irrelevant and unimportant for mentioning individually in the financial records should be grouped together and be recorded as sundry expenses			
B A company bought a property 10 years ago for R1 000 000, the market value of the property is R5 000 000. The amount recorded in the books is R1 000 000.			
C An audit firm has completed an audit process, a fee amounting to R20 400 is owing at the end of the financial year.			

QUESTION 2 : COMPANY LEDGER ACCOUNTS

ORDINARY SHARE CAPITAL									
				2021 March	1	Balance	b/d	7 600 000	

4

Calculate the issue price of each share on 1 November 2021

Workings	Answer

3

SARS INCOME TAX									
				2021 March	1	Balance	b/d	18 000	

6

RETAINED INCOME									
					2021 March	1	Balance	b/d	900 000


5

APPROPRIATION ACCOUNT									

6

24

QUESTION 3: MAJORITY SHAREHOLDING AND CORPORATE GOVERNANCE

3.1.1	Calculate the number of additional shares, to be invested by Solly Edwards to qualify as a majority shareholder and the price he had to paid.	
		<div></div> <div>4</div>
3.2.1	What is your understanding of the term “under-handed”?	
		<div></div> <div>2</div>
3.2.2	Provide TWO possible reasons why Rose could be engaging in such agreements.	
		<div></div> <div>2</div>
3.3.3	How is it possible that Rose could take these decisions on her own? Provide TWO reasons.	
		<div></div> <div>2</div>

10

ACCOUNTING
TASK 1: GRADE 12 WRITTEN REPORT

MARKS: 50

MARKING GUIDELINE

CRITERIA			
QUESTION 1	DISTRIBUTION OF MARKS	MARKS	
		TOTAL	LEARNER
1.1 Explain the process of registering a company, provide FOUR points.	One mark for each point (1 x 4)	4	
1.2 Briefly explain the purpose of companies Act, provide TWO points.	One mark for each point (1 x 2)	2	
1.3 What are the advantages of preparing the financial statements in accordance with IFRS? Provide TWO points.	Two marks for each advantage (2 x 2)	4	
1.4 GAAP Concepts	Allocate marks as indicated in the marking guideline	6	
TOTAL MARKS: Q1		16	
QUESTION 2			
Companies' Ledger Accounts	Allocate marks as indicated in the marking guideline	24	
QUESTION 3			
Majority Shareholding Corporate Governance (Under-handed agreement)	Allocate marks as indicated in the marking guideline	10	
TOTAL (1 + 2 + 3)			
		50	

This Marking guideline consists of eight pages.

QUESTION 1 : FORMATION OF COMPANY AND LEGISLATION

1.1	<p>Explain the process of registering a company, provide FOUR points.</p> <p>Any four valid points ✓✓✓✓ (1 x 4)</p> <ul style="list-style-type: none"> • The company is started and registered by a promoter. • A memorandum of incorporation and a prospectus must be drafted in the prescribed form and submitted to CIPRO (the Companies and Intellectual Properties Commission), together with the necessary declarations and fees. • Company is formed when CIPRO certifies the memorandum of incorporation and declares the company registered. • The public is informed of the company through the publication and distribution of the prospectus. • Prospective shareholders must submit full payment for shares ordered by them together with the share application form – a financial institution will usually be appointed by the company to handle the share applications and process the specific allotments to shareholders. • After allotment, successful applicants are issued with share certificates in respect of the allotted shares (note that share certificates may be in digital or electronic format) 	<div></div> <div>4</div>
1.2	<p>Briefly explain the purpose of companies Act, provide TWO points.</p> <p>Any two valid points ✓ ✓ (1 x 2)</p> <ul style="list-style-type: none"> • Encourage entrepreneurship and create job opportunities. • Promote the compliance with the Bill of rights. • Promote transparency and high standard of corporate governance. • Balancing the rights for both the directors and shareholders. • Encourage the efficient and responsible management of companies 	<div></div> <div>2</div>
1.3	<p>What are the advantages of preparing the financial statements in accordance with IFRS? Provide TWO points.</p> <p>TWO possible responses ✓✓ ✓✓ One mark for partial response</p> <ul style="list-style-type: none"> • Attraction of more foreign capital/ Recognition at global markets. • Companies using similar standards (IFRS) can be compared to other companies within the same industry/ Policies are consistent and comparable • The company is influenced by the global economy/exchange rates etc. 	<div></div> <div>4</div>

1.4	You have been requested to provide clarity on the GAAP concepts. Identify and define GAAP Concepts that will match with the scenarios provided below:		
Transaction		Concept	Definition
A	Items that are irrelevant and unimportant for mentioning individually in the financial records should be grouped together and be recorded as sundry expenses	Materiality	<ul style="list-style-type: none">All items that are material enough to affect evaluation or decision should be disclosed separately in the financial statements.All values that appear in the financial statements must have material value, companies can group smaller items together. <p style="text-align: center;">OR</p> <ul style="list-style-type: none">Amounts of the similar nature or function need not to be presented separately.
B	A company bought a property 10 years ago for R1 000 000, the market value of the property is R5000 000. The amount recorded in the books is R1000 000.	Historical Cost.	<ul style="list-style-type: none">The tangible assets of the business are valued at the historical cost, i.e. at the amount that was originally paid for them.Assets amounts are not adjusted to reflect any type of increase or decrease in value.
C	An audit firm has completed an audit process, a fee amounting to R20 400 is owing at the end of the financial year.	Matching	<ul style="list-style-type: none">Expenses and income must be recorded in the same financial year they occurred, not in the period expenses are paid or income is received.The companies are expected to use the accrual system.

QUESTION 2

COMPANY LEDGER ACCOUNTS

ORDINARY SHARE CAPITAL									
2021 Apr	30	Bank (500 000x3.8)	CPJ	1 900 000✓✓ #	2021 March	1	Balance	b/d	7 600 000
2022 Feb	28	Balance	c/d	6 800 000✓			Bank (balancing figure)	CRJ	1 100 000✓✓ #
				8 700 000					8 700 000
					2022 March	1	Balance	b/d	6 800 000

4

Calculate the issue price of each share on 1 November 2021

Workings

Answer

$$1\,100\,000 \checkmark \div (1\,700\,000 + 500\,000 - 200\,000) \checkmark$$

R5.50 OR 550 cents ✓
One part correct

3

SARS (INCOME TAX)

2021 Mar	20	Bank	CPJ	18 000✓	2021 Mar	1	Balance	b/d	18 000
2021 Aug	31	Bank	CPJ	250 000✓	2021 Feb		Income tax (1 750 000X30/70)	GJ	750 000✓✓ #
2022 Feb	15	Bank 725 000 – 250 000	CPJ	475 000✓✓					
	28	Balance	c/d	25 000					
				768 000					768 000
					2022 Mar	1	Balance	b/d	25 000

✓# Award a method mark if the amount is supported by workings

6

NOTE: ALTERNATIVE METHODS FOR RETAINED INCOME AND APPROPRIATION

Check exam guidelines 2021 page 21 - 23

RETAINED INCOME									
2021	30	Bank	GJ	150 000✓✓	2021	1	Balance	b/d	900 000
Apr		(500 000 x 0,30)			March				
2022	28	Balance	c/d	1 295 000✓	2021	28	Appropriation	GJ	545 000✓
Feb					Feb				
				1 445 000					1 445 000
					2022	1	Balance	b/d	1 295 000
					March				

5

APPROPRIATION ACCOUNT									
2022	28	Income tax	GJ	750 000✓ See SARS-Tax	2021	28	Profit and loss	GJ	2 500 000✓✓ (1 725 000 x 100/70)
Feb					Feb				
		Dividends on Ordinary shares	GJ	1 205 000✓✓ #					
		(680 000+525 000)							
		Retained income	GJ	545 000✓ (see RI)					
				2 500 000					2 500 000

✓# Award a method mark if the amount is supported by workings

6

OR METHOD (II)

RETAINED INCOME									
2021	30	Bank	GJ	150 000✓✓ <input checked="" type="checkbox"/>	2021	1	Balance	b/d	900 000
Apr		(500000x0,30)			Marc				
2022	28	Appropriation		900 000 <input checked="" type="checkbox"/>					
Feb									
		Balance	c/d	1 295 000	2021	28	Appropriation	GJ	1 445 000✓
					Feb				
				2 345 000					2 345 000
					2022	1	Balance	b/d	1 295 000
					Marc				

5

APPROPRIATION ACCOUNT									
2022	28	Income tax	GJ	750 000 <input checked="" type="checkbox"/> See SARS-Tax	2021	28	Profit and loss	GJ	2 500 000✓✓ (1 725 000 x 100/70)
Feb					Feb				
		Dividends on Ordinary shares	GJ	1 205 000✓ <input checked="" type="checkbox"/> #			Retained Income		900 000
		(680 000+ 525 000)							
		Retained income	GJ	1 445 000 <input checked="" type="checkbox"/> (see RI)					
				3 400 000					3 400 000

☒# Award a method mark if the amount is supported by workings

6

OR METHOD (III)

RETAINED INCOME									
2021 Apr	30	Bank (500 000x0,30)	GJ	150 000✓✓ <input checked="" type="checkbox"/>	2021 Marc	1	Balance	b/d	900 000
2022 Feb	28	Appropriation (900 000 – 150 000)		750 000 <input checked="" type="checkbox"/>					
		Balance	c/d	1 295 000	2021 Feb	28	Appropriation	GJ	1 295 000✓
				2 195 000					2 195 000
					2022 Marc	1	Balance	b/d	1 295 000

5

APPROPRIATION ACCOUNT									
2022 Feb	28	Income tax	GJ	750 000 <input checked="" type="checkbox"/> See SARS-Tax	2021 Feb	28	Profit and loss	GJ	2 500 000✓✓
		Dividends on Ordinary shares (680 000+ 525 000)	GJ	1 205 000✓ <input checked="" type="checkbox"/> #			Retained Income (900 000 – 150 000)		750 000
		Retained income	GJ	1 295 000 <input checked="" type="checkbox"/> (see RI)					
				3 250 000					3 250 000
<input checked="" type="checkbox"/> # Award a method mark if the amount is supported by workings									

6

24

CALCULATIONS FOR QUESTION 2

Average Share Price:

$$7\,600\,000 / 2\,000\,000$$

$$= 3,80 \times 500\,000$$

$$= 1\,900\,000$$

Additional shares

200 000 (4 000 000 x 50%)	Balance at the beginning of the year	7 600 000
(500 000)	Repurchased shares at 3,80	(1 900 000)
200 000	Additional shares issued	1 100 000
1 700 000	Balance at the end of the year	6 800 000

Bottom up:

$$6\,800\,000 + 1\,900\,000 - 7\,600\,000 = 1\,100\,000$$

Calculation of above average price

$$4,10 - 3,80 = 0,30$$

$$500\,000 \times 0,30$$

$$= 150\,000$$

Interim and Final dividends

Final:

$$1\,700\,000 \times 0,40$$

$$= 680\,000$$

Interim:

Dividends for the year	(1 205 000)
Interim (720 000 - 195 000)	525 000
Final	680 000

QUESTION 3: MAJORITY SHAREHOLDING AND CORPORATE GOVERNANCE

3.1.1	Calculate the number of additional shares, to be invested by Solly Edwards to qualify as a majority shareholder and the price that he has to pay.	
	$600\,000 \times 51/100$ $306\,000 \checkmark \checkmark$ $306\,000 - 200\,000 \checkmark$ $= 106\,000 \times 4,4$ $= 466\,400 \checkmark$	$600\,000 \times 50/100 = 300\,000 \checkmark \checkmark$ Currently owns 200 000 $300\,000 - 200\,000 = 100\,000 \checkmark$ OR He needs more than 100 000 $100\,000 + 1 = 100\,001$ $100\,001 \times R4,40 = R\,440\,004 \checkmark$
		4
3.2.1	What is your understanding of the term “under-handed”?	
	Any one valid point $\checkmark \checkmark$ One mark for partial response <ul style="list-style-type: none"> • Illegal, unethical, devious tactics used to secure business deals. 	2
3.2.2	Provide TWO possible reasons why Rose could be engaging in such agreements.	
	Any two valid points $\checkmark \checkmark$ (1 x 2) <ul style="list-style-type: none"> • Self-enrichment / un-earned income / benefits • Taking advantage of position and influence • Nepotism – looking after family members or close friends • Personality disorder – need to be superior / want to be popular 	2
3.3.3	How is it possible that Rose could take these decisions on her own? Provide TWO reasons.	
	Any two valid reasons $\checkmark \checkmark$ (1 x 2) <ul style="list-style-type: none"> • Is the CEO of the company / influential on management / top management • Sole control / there could be weak directors on the board • Could be the majority shareholder 	2

16

TOTAL MARKS: 50

ACCOUNTING TASK 1: WRITTEN REPORT – ANSWER BOOK
--

Name :	Date :
--------	--------

RUBRIC

CRITERIA			
QUESTION 1	DISTRIBUTION OF MARKS	MARKS	
		TOTAL	LEARNER
1.1 Explain the process of registering a company, provide FOUR points.	One mark for each point (1 x 4)	4	
1.2 Briefly explain the purpose of companies Act, provide TWO points.	One mark for each point (1 x 2)	2	
1.3 What are the advantages of preparing the financial statements in accordance with IFRS? Provide TWO points.	Two marks for each advantage (2 x 2)	4	
1.4 GAAP Concepts	Allocate marks as indicated in the marking guideline	6	
TOTAL MARKS: Q1		16	
QUESTION 2			
Companies' Ledger Accounts	Allocate marks as indicated in the marking guideline	24	
QUESTION 3			
Majority Shareholding Corporate Governance (Under-handed agreement)	Allocate marks as indicated in the marking guideline	10	
TOTAL (1 + 2 + 3)		50	

This answer book consists of 6 pages including a rubric.