



**GAUTENG PROVINCE**

EDUCATION  
REPUBLIC OF SOUTH AFRICA

## **ACCOUNTING**

### **SCHOOL BASED ASSESSMENT**

### **GRADE 12**

### **WRITTEN REPORT**

**TERM 1: 2023**

<b>MARKS</b>	50 (55/1.1)
<b>DURATION</b>	1 Hour
<b>TOPICS</b>	<ul style="list-style-type: none"><li>• Companies Concepts and Ledger Accounts</li><li>• Majority Share Holding and Corporate Governance</li></ul>

#### **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 5 pages.**

QUESTION 1 : COMPANY'S LEDGER ACCOUNTS

(36 marks: 33 minutes)

MLUNGISI LIMITED

Mlungisi Limited was incorporated on 1 July 2019. The Chief Financial Officer (CFO) has requested you as senior accountant to prepare a report that will be presented by him to the potential investor, R.Kubheka. Kubheka lacks background knowledge of how companies are run as legal entities or even raise their capital.

REQUIRED

- 1.1 The first section of the report should include the following questions that have been raised by R.Kubheka.
- 1.1.1 Mention one advantage of listing a company at the JSE (2)
- 1.1.2 Explain two reasons why companies should comply with IFRS when completing the financial statements (4)
- 1.1.3 How does the repurchase of shares benefit the company? Provide **TWO** points. (4)
- 1.1.4 In **ONE** point, explain how retaining of profit benefits a company. (2)
- 1.2. Record the following Ledger Accounts in the second section of the report. The financial year of Mlungisi Limited ended on 30 June 2022. (Calculations must be shown in brackets)
- 1.2.1 Ordinary Share Capital (6)
- 1.2.2 Retained Income (5)
- 1.2.3 SARS Income Tax (8)
- 1.2.4 Ordinary Share Dividends (5)

INFORMATION


Mlungisi Ltd has an authorised share capital of 2 500 000 ordinary shares. On 1 July 2019 they issued 1 500 000 ordinary shares at R3 each to shareholders.

**NOTE:** no additional shares were issued or repurchased since 2019.

BALANCES ON 1 JULY 2021:

	R
Ordinary share capital	4 500 000
Retained income	650 000
SARS-income tax (dr)	8 000
Shareholders for dividends	180 000

**TRANSACTIONS FOR THE YEAR:**



<b>20 July 2021</b>	<ul style="list-style-type: none"><li>• Paid the amount owing to shareholders for final dividends.</li><li>• The total amount for two provisional payments to SARS was R360 000, 55% of the total was paid on 31 August 2021 and the second payment was on 28 February 2022.</li></ul>
<b>1 October 2021</b>	<ul style="list-style-type: none"><li>• The company declared and paid an interim dividend of 14 cents per share.</li></ul>
<b>1 November 2021</b>	<ul style="list-style-type: none"><li>• The company issued a further 300 000 shares at 420 cents each.</li></ul>
<b>30 June 2022</b>	<ul style="list-style-type: none"><li>• The company bought back 50 000 shares, each at 140 cents above the average share price.</li></ul>
<b>30 June 2022</b>	<ul style="list-style-type: none"><li>• The net profit for the year after taxation amounted to R945 000, Income tax is charged at 30%.</li><li>• A final dividend of 9 cents per share was declared. The repurchased shares do not qualify for final dividends.</li></ul>





## QUESTION 2: MAJORITY SHAREHOLDING AND CORPORATE GOVERNANCE

(19 marks; 27 minutes)

### 2.1 MAJORITY SHAREHOLDING

#### VUKA LTD

Ms Phakathi is a shareholder at Vuka Ltd, she owns 45% of the shares issued. Vuka Ltd has recently placed an advertisement on the number of additional shares that are on sale.

Ms Phakathi wants to invest in additional shares and is requesting you as her financial advisor to assist her in making the appropriate financial decision. The financial year of Vuka Ltd ends in February each year.

Prepare a detailed report that will be discussed with Ms Phakathi and the following must be covered in the report to provide clarity:

2.1.1 Explain the concept “majority shareholder”. (2)

2.1.2 Provide **TWO** benefits of majority shareholders (2)

2.1.3 Provide a break-down of the following calculations:

- The number of shares she must buy to become a majority shareholder. (3)
- An amount that will be paid by Phakathi for additional shares. (2)

#### INFORMATION EXTRACTED FROM THE RECORDS OF VUKA LTD

##### A Issued shares and additional shares

Number of shares issued (01 March 2022)	450 000
60 000 advertised shares (01 July 2022)	R2,50 per share

##### B Extract from the shareholders register:

Number of shares owned by Ms Phakathi before buying the advertised shares	?
Shareholding %	45%

## 2.2 CORPORATE GOVERNANCE

### NEW AGE LTD

A major shareholder of New Age Ltd is not happy with the Remunerations Committee of the company, he feels that the directors did not deserve the salary increase for the financial year ended on 30 June 2022. Assist the shareholder to prepare a report that he will present at the next AGM (Annual General Meeting).

#### REQUIRED

The report should address the following areas:

- 2.2.1 Calculate the percentage increase in directors' fees. (2)
- 2.2.2 Calculate the total dividends for June 2022. (2)
- 2.2.3 Provide **TWO** points to justify the concern of a shareholder (why he is not happy). Quote figures or financial indicators (4)
- 2.2.4 In relation to the financials provided, what would you propose at the AGM. Provide **ONE** point. (2)

#### Extract from the financial records of New Age Ltd:

	30 June 2022	30 June 2021
Directors fees	R3 960 000	R3 300 000
Salaries for employees	R7 000 000	R7 000 000
Net profit after tax	R2 400 000	R3 420 500
Retained income	R4 200 500	R2 200 500
Dividends per share	50 cents	90 cents
Total dividends	?	R720 000
Number of shares in issue	800 000	800 000

#### ADDITIONAL INFORMATION

- The company has employed three directors, they are paid equal annual fee.



**ACCOUNTING**  
**TASK 1: WRITTEN REPORT – ANSWER BOOK**

**Learner :**

**Date :**

CRITERIA			
QUESTION 1	DISTRIBUTION OF MARKS	MARKS	
		TOTAL	LEARNER
<b>1.1 Concepts on Companies</b> <ul style="list-style-type: none"> <li>Advantages of listing a company at the JSE</li> <li>Why should companies comply with IFRS?</li> <li>What are the benefits of repurchasing shares?</li> <li>What are the benefits of retaining profits?</li> </ul>	Allocate marks as indicated in the marking guideline	2	
		4	
		4	
		2	
		<b>12</b>	
<b>1.2 Companies' Ledger Accounts</b> <ul style="list-style-type: none"> <li>Ordinary Share Capital</li> <li>Retained Income</li> <li>SARS Income Tax</li> <li>Ordinary Share Dividends</li> </ul>	Allocate marks as indicated in the marking guideline	6	
		5	
		8	
		5	
		<b>24</b>	
<b>TOTAL MARKS: Q1</b>		<b>36</b>	
<b>QUESTION 2</b>			
<b>2.1 Majority Shareholding</b> <ul style="list-style-type: none"> <li>Concept "Majority shareholder"</li> <li>Benefits of majority shareholders</li> <li>Major shareholding calculations</li> </ul>	Allocate marks as indicated in the marking guideline	2	
		2	
		5	
		<b>9</b>	
<b>2.2 Corporate Governance</b> <ul style="list-style-type: none"> <li>Calculations</li> </ul>	Allocate marks as indicated in the marking guideline	<b>10</b>	
<b>TOTAL MARKS: Q2</b>		<b>19</b>	
<b>TOTAL (36 + 19) ÷ 1.1 = 50</b>		<b>50</b>	

This answer book consists of 6 pages including a rubric.

## QUESTION 1: CONCEPTS AND COMPANY'S LEDGER ACCOUNTS

### 1.1 CONCEPTS

1.1.1	Mention <b>ONE</b> advantage of listing a company at the JSE	
		<div></div> <div>2</div>
1.1.2	Explain <b>TWO</b> reasons why companies should comply with IFRS when completing the financial statements	
		<div></div> <div>4</div>
1.1.3	How does the repurchase of shares benefit the company? Provide <b>TWO</b> points.	
		<div></div> <div>4</div>
1.1.4	In <b>ONE</b> point, explain how retaining of profit benefits a company.	
		<div></div> <div>2</div>



## 1.2 COMPANY'S LEDGER ACCOUNTS

### GENERAL LEDGER OF MLUNGISI LIMITED

1.2.1		Ordinary Share Capital							

6

1.2.2		Retained income							

5

1.2.3		SARS (Income Tax)							

8



1.2.4		Ordinary Share Dividends							

5


TOTAL MARKS
36



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## QUESTION 2: MAJORITY SHAREHOLDING AND CORPORATE GOVERNANCE

### 2.1 MAJORITY SHAREHOLDING

2.1.1	Explain the concept “majority shareholder”.	
		<div></div> <div>2</div>
2.1.2	Provide <b>TWO</b> benefits of majority shareholders.	
		<div></div> <div>2</div>
2.1.3	Provide a break-down of the following calculations:	
	<p>A number of shares she must buy to become a majority shareholder?</p> <p>An amount that will be paid by Phakathi for additional shares</p>	<div></div> <div>5</div>

## 2.2 CORPORATE GOVERNANCE

2.2.1	Calculate the percentage increase in directors' fees.	
		<div></div> <div>2</div>
2.2.2	Calculate total dividends per share.	
		<div></div> <div>2</div>
2.2.3	Provide <b>TWO</b> points to justify the concern of the shareholder (why he is not happy). Quote figures or financial indicators	
		<div></div> <div>4</div>
2.2.4	In relation to the financials provided, what should be proposed at the AGM? Provide <b>ONE</b> point.	
		<div></div> <div>2</div>

TOTAL MARKS
19

ACCOUNTING		
TASK 1: WRITTEN REPORT – MARKING GUIDELINES		
CRITERIA		
QUESTION 1	DISTRIBUTION OF MARKS	MARKS
		TOTAL
<b>1.1 Concepts on Companies</b> <ul style="list-style-type: none"> <li>Advantages of listing a company at the JSE</li> <li>Why should companies comply with IFRS?</li> <li>What are the benefits of repurchasing shares?</li> <li>What are the benefits of retaining profits?</li> </ul>	Allocate marks as indicated in the marking guideline	2
		4
		4
		2
		<b>12</b>
<b>1.2 Companies' Ledger Accounts</b> <ul style="list-style-type: none"> <li>Ordinary Share Capital</li> <li>Retained Income</li> <li>SARS Income Tax</li> <li>Ordinary Share Dividends</li> </ul>	Allocate marks as indicated in the marking guideline	6
		5
		8
		5
		<b>24</b>
<b>TOTAL MARKS: Q1</b>		<b>36</b>
<b>QUESTION 2</b>		
<b>2.1 Majority Shareholding</b> <ul style="list-style-type: none"> <li>Concept "Majority shareholder"</li> <li>Benefits of majority shareholders</li> <li>Major shareholding calculations</li> </ul>	Allocate marks as indicated in the marking guideline	2
		2
		5
		<b>9</b>
<b>2.2 Corporate Governance</b> <ul style="list-style-type: none"> <li>Calculations</li> </ul>	Allocate marks as indicated in the marking guideline	<b>10</b>
<b>TOTAL MARKS: Q2</b>		<b>19</b>
<b>TOTAL (36 + 19) ÷ 1.1 = 50</b>		<b>50</b>

This marking guideline consists of 7 pages.



## QUESTION 1: CONCEPTS AND COMPANY'S LEDGER ACCOUNTS

### 1.1 CONCEPTS

1.1.1	Mention <b>ONE</b> advantage of listing a company at the JSE	
	<p><b>Any one valid point ✓✓ one mark for partial response</b></p> <ul style="list-style-type: none"> <li>• The company is marketed to the potential investors</li> <li>• The reputation of the company and its profile will be enhanced.</li> <li>• Trade your shares safely and efficiently</li> <li>• Investors can grow their investment through the fluctuation of prices of shares and through dividends.</li> <li>• JSE ensures compliance with Companies Act and other regulations e.g. BBBEE scores.</li> <li>• The public can participate in the purchase of shares /It is easy access potential investors</li> <li>• JSE listed companies get independent evaluation of the organization by the market.</li> </ul>	<div></div> <div>2</div>
1.1.2	Explain <b>TWO</b> reasons why companies should comply with IFRS when completing the financial statements	
	<p><b>Any two valid points ✓✓ ✓✓ one mark for each partial response</b></p> <ul style="list-style-type: none"> <li>• Companies may operate on a global market ,they can engage in local or international trade</li> <li>• Investors and other market participants can make informed economic decisions.</li> <li>• IFRS Accounting Standards strengthen accountability by reducing the information gap between the providers of capital and the management of the company</li> <li>• Ensures uniformity in accounting practice that make financial records to be comparable globally</li> <li>• Compliance with national and international laws and standards</li> <li>• Readers of financial statements from this country or other countries can understand how financial statements are prepared or presented</li> </ul>	<div></div> <div>4</div>
1.1.3	How does the repurchase of shares benefit the company? Provide <b>TWO</b> points.	
	<p><b>Any two valid points ✓✓ ✓✓ one mark for each partial response</b></p> <ul style="list-style-type: none"> <li>• The earnings per share will increase, there will be fewer shares in circulation</li> <li>• Reduce dividends payable to shareholders</li> <li>• Benefit the shareholders by increasing the value of shares, and attract more investors.</li> <li>• A buyback benefits shareholders by increasing the percentage of ownership held by each investor by reducing the total number of shares in circulation.</li> </ul>	<div></div> <div>4</div>

1.1.4	In <b>ONE</b> point, explain how retaining of profit benefits a company.	
	<p><b>Any one valid point ✓✓ one mark for partial response</b></p> <ul style="list-style-type: none"> <li>The equity position of the business is increased and that attracts investment by shareholders.</li> <li>A growth-focused company may not pay dividends at all or pay very small amounts because it may prefer to use retained earnings to finance expansion activities.</li> <li>Companies may choose to use their retained earnings for increasing production capacity, hiring more sales representatives, launching a new product, or share buybacks, among others.</li> <li>Retained earnings can be re-invested in the business or be distributed to shareholders</li> </ul>	<div style="border: 1px solid black; width: 40px; height: 40px; margin: 0 auto; text-align: center; line-height: 40px;">2</div>

## 1.2 COMPANY'S LEDGER ACCOUNTS

### GENERAL LEDGER OF MLUNGISI LIMITED

1.2.1 Ordinary Share Capital									
Jun 2022	30	Bank (50 000X3.2)	CPJ	160 000 #✓✓	Jul 2021	1	Balance	b/d	4 500 000 ✓
					Nov 2021	1	Bank (300 000X4.20)	CPJ	1 260 000 #✓✓
		Balance	c/d	5 600 000					
				5 760 000					5 760 000
					2022 Jul	1	Balance	b/d	5 600 000✓

**AVERAGE**  $[4\,500\,000 + 1\,260\,000] \div [1\,500\,000 + 300\,000] = 3.20$

#Learners must show calculations to be awarded one part mark

How to work out the retained income

Appropriation Account							
Jun 2022	30	Income Tax	405 000	Jun 2022	30	Profit and loss 945 000 x 100/70	1 350 000
		Ordinary share dividends	367 500			Retained Income	650 000
		<b>Retained Income</b>	<b>1 227 500</b>				
			2 000 000				2 000 000



1.2.2 Retained income									
Jun 2022	30	Bank (50 000 X 1.4)	CPJ	70 000 ✓✓	Jul 2021	1	Balance	b/d	650 000 ✓
		Balance	c/d	1 157 500	Jun 2022	30	Appropriation Account	GJ	577 500 ✓
				1 227 500					1 227 500
					2022 Jul	1	Balance	b/d	1 157 500 ✓ #

5

Mark only ONE option between method (i or ii or iii) see 2021 exam guidelines page 21 – 23

### ALTERNATIVE

1.2.2 Retained income									
Jun 2022	30	Bank (50 000 X 1.4)	CPJ	70 000 ✓✓	Jul 2021	1	Balance	b/d	650 000 ✓
		Appropriation Account		580 000	2022 Jun	30	Appropriation Account	GJ	1 157 500 ✓
		balance	c/d	1 157 500					
				1 807 500					1 807 500
					2022 Jul	1	Balance	b/d	1 157 500 ✓ #

5

### ALTERNATIVE

1.2.2 Retained income									
Jun 2022	30	Bank (50 000 X 1.4)	CPJ	70 000 ✓✓	Jul 2021	1	Balance	b/d	650 000 ✓
		Appropriation Account		650 000	Jun 2022	30	Appropriation Account	GJ	1 227 500 ✓
		balance	c/d	1 157 500					
				1 877 500					1 877 500
					Jul 2022	1	Balance	b/d	1 157 500 ✓ #

5

1.2.3 SARS (Income Tax)									
Jul 2021	1	Balance	b/d	8 000✓	2022 Jun	30	Income Tax	GJ	405 000✓✓
Aug 2021	31	Bank (360 000 X 55%)	CPJ	198 000 ✓✓					
Feb 2022	28	Bank (360 000 X 45%)	CPJ	162 000 ✓✓					
		Balance	c/d	37 000					
				405 000					405 000
					2022 Jul	1	Balance	b/d	✓# 37000

8

Income tax:  $945\,000 \times \frac{30}{70} = 405\,000$

1.2.4 Ordinary Share Dividends									
Oct 2021	1	Bank	CPJ	210 000 ✓✓	June 2022	30	Appropriation Account	GJ	367 500✓
		(1 500 000 X 0.14)							
June 2022	30	Shareholders for Dividends (1750 000X0.09)	GJ	157 500 ✓✓					
				367 500					367 500

5

Number of shares :  $1\,500\,000 + 300\,000 - 50\,000 = 1\,750\,000$

TOTAL MARKS
36



## QUESTION 2: MAJORITY SHAREHOLDING AND CORPORATE GOVERNANCE

### 2.1 MAJORITY SHAREHOLDING

2.1.1	<b>Explain the concept “majority shareholder”.</b>	
	<p><b>Allocate one mark for valid response ✓✓ One mark for partial answer</b></p> <ul style="list-style-type: none"> <li>A majority shareholder is any individual or company that owns more than 50% of a company's shares</li> <li>They have controlling interest, among other things, means that the majority shareholder has significant voting power when it comes to company decisions.</li> <li>With their share majority, they can essentially outvote all other shareholders combined.</li> </ul>	<div></div> <div>2</div>
2.1.2	<b>Provide TWO benefits of majority shareholders.</b>	
	<p><b>Any two valid points ✓✓ ✓✓ one mark for each partial response</b></p> <ul style="list-style-type: none"> <li>Majority shareholders have the benefit of voting and election privileges/ it means that they have a say in the directions the company decides to take.</li> <li>Majority shareholders are consistently updated about how the company is performing, and if they are unhappy, they can request an election for new board members</li> </ul>	<div></div> <div>2</div>
2.1.3	<b>Provide a break-down of the following calculations:</b>	
	<p><b>The number of shares she must buy to become a majority shareholder</b></p> $45/100 \times 450\,000 = 202\,500 \text{ (Phakathi's shares on 1 March 2021)}$ $450\,000 + 60\,000 = 510\,000 \checkmark$ $510\,000 \times 51/100 = 260\,000 \checkmark$ $260\,000 - 202\,500 = 57\,600 \checkmark$	<div></div> <div>3</div>
	<b>An amount that will be paid by Phakathi for additional shares</b>	
	$57\,600 \times 2,50 \checkmark = 144\,000 \checkmark$	<div></div> <div>2</div>

2.2.1	Calculate the percentage increase in directors' fees.	
	$\frac{3\,960\,000 - 3\,300\,000}{3\,300\,000} \times 100 = 20\% \checkmark \square$ <p>one part correct excluding 100 ,award a mark if 660 000 is a numerator or 3 300 000 is a denominator</p>	<div></div> <div>2</div>
2.2.2	Calculate the total dividends for June 2022.	
	$800\,000 \times 0.50 = R400\,000 \checkmark \square$ <p>one part correct</p>	<div></div> <div>2</div>
2.2.3	Provide TWO points to justify the concern of the shareholder (why he is not happy). Quote figures or financial indicators	
	<p>comment – one mark each <math>\checkmark \checkmark</math> , <u>trend and figure</u> one mark each <math>\checkmark \checkmark</math></p> <ul style="list-style-type: none"> <li>The Remunerations committee has failed to protect the interest of shareholders, <u>increased the salaries of directors by 20% whilst employees did not receive any increment.</u> Check learners calculation 2.2.1</li> <li>The profit generated by the company dropped by R1 020 500 or by 28.9%</li> <li>The shareholders were only paid a dividend of 50 cents, it dropped by 40 cents or 44.4% compared to the previous year.</li> </ul>	<div></div> <div>4</div>
2.2.4	In relation to the financials provided, what should be proposed at the AGM? Provide ONE point.	
	<p>Any one valid point <math>\checkmark \checkmark</math> one mark for partial response</p> <ul style="list-style-type: none"> <li>The major shareholder can propose the election of new members of remunerations committee.</li> <li>He can propose that shareholders should also be paid dividends from retained earnings in future just to keep them happy or to avoid disinvestment.</li> </ul>	<div></div> <div>2</div>

TOTAL MARKS
19