



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

NOVEMBER 2024

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages,
a formula sheet and an 11-page answer book.





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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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
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	Company Financial Statements	55	45
2	Cash Flow Statement and Financial Indicators	35	25
3	Interpretation of Financial Information	45	35
4	Corporate Governance	15	15
TOTAL		150	120



QUESTION 1: COMPANY FINANCIAL STATEMENTS (55 marks; 45 minutes)

The information relates to Ivory Park Ltd for the financial year ended 29 February 2024.

REQUIRED:**1.1 Refer to Information B (i) for fixed assets:**

Calculate the following:

1.1.1 Depreciation on equipment on 29 February 2024 (2)

1.1.2 Cost price of vehicles on 29 February 2024 (4)

1.1.3 Depreciation on vehicles on 29 February 2024 (5)

1.1.4 Profit/Loss on vehicle traded in on 1 September 2023 (5)

1.2 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (39)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:**A. Balances/totals, among others, that appeared in the books on:**

	29 Feb. 2024 R	28 Feb. 2023 R
Mortgage loan: Phambili Bank	744 100	987 700
Equipment at cost	852 000	852 000
Accumulated depreciation on equipment	472 500	344 700
Vehicles at cost	?	1 250 000
Accumulated depreciation on vehicles	?	420 000
Trading stock	654 500	
Debtors' control	516 600	
Provision for bad debt	?	29 520
SARS: Income tax (provisional tax payments)	340 000	
Sales	?	
Cost of sales	4 780 900	
Audit fees	79 000	
Service fee income	1 757 700	
Sundry operating expenses	119 900	
Bad debts	24 780	
Packing material	66 550	
Salaries and wages (including contributions)	1 425 600	
Insurance	100 800	
Rent income	158 100	
Interest income	?	
Directors' fees	?	
Interest on loan	149 400	
Dividends on ordinary shares	250 000	



B. Adjustments and additional information:**(i) Fixed assets:****Equipment:**

- No equipment was bought or sold during the year.

Vehicles:

- An old vehicle was traded in on 1 September 2023 for a new vehicle, costing R320 000. The trade-in value received was R153 660. The following extract of the vehicle sold was taken from the Fixed Asset Register:

Cost price: R240 000		Date purchased: 1 July 2021
Rate of depreciation:		20% p.a. on the diminishing-balance method
FINANCIAL YEAR END	DEPRECIATION	ACCUMULATED DEPRECIATION
28 February 2022	R32 000	R32 000
28 February 2023	R41 600	R73 600
1 September 2023	?	?

- Vehicles are depreciated at 20% p.a. on the diminishing-balance method.
 - Depreciation on the old remaining vehicles was R132 720.
- (ii) The company maintains a mark-up of 60% on cost. Note that goods costing R115 000 (included in cost of sales) were sold at a mark-up of 40% on cost to internal employees.
- (iii) Physical stocktaking on 29 February 2024 revealed the following:
- Trading stock, R647 100
 - Packing material used during the financial year, R58 700
- (iv) Provision for bad debts must be adjusted to 5% of the outstanding debtors.
- (v) Monthly insurance premiums were fixed for the past three years and were paid up to 31 May 2024.
- (vi) A tenant is renting an office from Ivory Park Ltd. Rent for this office has been received up until 30 April 2024. Rent was decreased by 8% on 1 December 2023 on the office rented.
- (vii) One employee was omitted from the Salaries Journal of February 2024. His net monthly salary was R19 340 after 35% deductions were made for his pension and personal tax and R2 500 deducted for medical aid. The employer contributes 10% of his gross salary on behalf of employees towards pension.
- (viii) The company had two directors who received a combined annual fee of R1 065 200 after their monthly fees were increased by R5 800 each on 1 August 2023. A third director joined the company on 1 November 2023 and received the same monthly fee as the other directors, excluding the increase of R5 800 per month.
- (ix) Net profit after tax, R992 160, was calculated after taking into account all the adjustments above. Income tax is calculated at 28% of the net profit.



QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS**(35 marks; 25 minutes)**

The information relates to Eybers Ltd for the financial year ended 29 February 2024.

REQUIRED:

- 2.1 Prepare the Retained Income Note for the year ended 29 February 2024. (8)
- 2.2 Complete the Cash Flow Statement for the year ended 29 February 2024. (17)
- 2.3 Calculate the following financial indicators for the year ended 29 February 2024:
- % operating expenses on sales (3)
 - Stock turnover rate (4)
 - Interim dividend per share (3)

INFORMATION:

- A. Extract from the Statement of Comprehensive Income for the year ended 29 February 2024.

	R
Sales	8 240 600
Cost of sales	5 060 000
Gross operating income	3 020 480
Operating expenses	1 360 950
Operating profit	1 659 530
Income tax	462 000
Net profit after tax	?

- B. Extract from the Statement of Financial Position on:

	29 Feb. 2024 R	28 Feb. 2023 R
Cash and cash equivalents	?	36 000
Trading stock	174 000	193 000
SARS: Income tax	66 650 Dr	44 675 Cr
Ordinary shareholders' equity	?	8 733 720
Ordinary share capital	?	8 160 000
Retained income	?	573 720
Loan: Smiley Bank	5 440 000	?
Shareholders for dividends	?	?
Bank overdraft	0	142 680



C. Share capital:

- On 1 March 2023, there were 1 200 000 shares in issue.
- 400 000 shares were issued at R10 per share on 30 June 2023.
- On 30 November 2023, 34 000 shares were repurchased at R1,90 (per share) above the average share price.

D. Dividends and dividend pay-out rate:

- Dividends paid and declared:

DIVIDENDS				
Final	28 February 2023		Paid	17 cents per share
Interim	1 September 2023		Paid	R416 000
Final	29 February 2024		Declared	?

- Total dividends paid and declared for the year ended 29 February 2024, R744 860.
- The dividends pay-out rate for the year ended 29 February 2024 was 40% after all transactions were correctly recorded.

E. Loan: Smiley Bank

- Monthly instalments of R97 120, including interest, were paid.
- Interest capitalised amounted to R685 440.

F. Net change in cash and cash equivalents, R296 460 inflow.



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QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(45 marks; 35 minutes)****WINSTON LTD**

The information relates to Winston Ltd for the year ended 29 February 2024.

REQUIRED:

NOTE: Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures
- Give a reason or an explanation for the financial indicators quoted

3.1 Profitability:

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well.

(4)**3.2 Dividend pay-out policy:**

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point.

(3)**3.3 Earnings and returns:**

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures.

(4)**3.4 Financing strategies and gearing:**

- **Refer to information C.**

The directors decided to buy new fixed assets in 2024 to enhance the company.

Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures.

(4)

- Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures.

(6)

3.5 Grant Waters' % shareholding, rights issue and shares repurchased:**• Refer to Information B.**

Calculate the number of shares that Grant bought through the rights issue on 31 October 2023. (3)

• Calculate Grant's % shareholding after the rights issue on 29 February 2024. (5)

• Calculate the total amount that Grant spent on the shares he acquired through the rights issue.
NOTE: No shares were repurchased during the financial year. (4)

• Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures). (4)

3.6 Role of the CEO:

• Explain TWO characteristics that shareholders would expect of a good CEO. (4)

• Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures. (4)

INFORMATION:**A. Background information:**

- The chief executive officer (CEO), Shakira Solomon, was appointed on 1 October 2023.
- She was awarded a one-year contract, on probation.
- Grant Waters, the majority shareholder, was instrumental in appointing the CEO on 1 October 2023.

B. Share capital and rights issue:

- 3 000 000 shares were already in issue on 1 March 2023.

• Grant Waters' shareholding:

He is the majority shareholder and owned 1 620 000 of the issued shares on 1 March 2023.

Rights issue:

- On 31 October 2023, each shareholder was offered 10 shares for every 50 shares that they owned at a reduced price. All shareholders exercised this right. **No other shares were issued or repurchased during the financial year.**



C. Extract from the Notes and Statement of Financial Position as at:

	29 Feb. 2024	28 Feb. 2023
Fixed assets purchased	R8 235 000	R4 180 000
Fixed assets sold	710 000	0
Fixed deposit: Caledon Bank	550 000	250 000
Ordinary share capital	31 770 000	28 800 000
Loan: Main Bank	12 913 000	9 400 000

D. Financial indicators, market prices of shares, interest rates and other financial data:

	29 Feb. 2024	28 Feb. 2023
Mark-up percentage	45%	40%
% operating expenses on sales	14%	19%
% operating profit on sales	18%	12%
% net profit before tax on sales	19%	11%
Solvency ratio	3,8 : 1	2,8 : 1
Current ratio	2,5 : 1	1,6 : 1
Acid-test ratio	1,9 : 1	1,2 : 1
Net asset value per share	564 cents	460 cents
Dividends per share	67 cents	89 cents
Earnings per share	112 cents	104 cents
Dividend pay-out rate	60%	86%
Return on average shareholder's equity	20%	11%
Debt-equity ratio	0,2 : 1	0,5 : 1
% return on average capital employed	24%	15%
Market value per share	950 cents	820 cents
% growth (drop) in net asset value per share	+15,9%	- 8,9%
Interest rate on loans	12%	12%
Interest rate on fixed deposits	7,5%	6,5%



QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 15 minutes)**

You are provided with an extract of the independent external audit report of Valiant Ltd, presented to the shareholders at the Annual General Meeting.

REQUIRED:

NOTE: In your answers, do NOT repeat your responses in the different questions.

- 4.1 Explain the role of an independent external auditor. Provide ONE point. (2)
- 4.2 Choose the correct word from those in brackets. Write the answer in the ANSWER BOOK and explain your choice. (2)
- Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.
- 4.3 What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points. (4)
- 4.4 What are the implications of this audit report for the following: (4)
- Directors
 - Shareholders
- State ONE point in each case.
- 4.5 State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report. (3)

INFORMATION:

Extract from the independent external auditor's report on the financial statements of Valiant Ltd:

Audit Opinion:

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 29 February 2024 ...

Basis for Audit Opinion:

... and the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.



GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
NOTE: 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. 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.	





STICKER

CENTRE NUMBER

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EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE

ACCOUNTING P1

GRADE 12

NOVEMBER 2024

SPECIAL ANSWER BOOK

stanmorephysics.com

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 11 pages.



QUESTION 1**1.1 Calculate:****1.1.1 Depreciation on equipment on 29 February 2024**

WORKINGS	ANSWER
	

2

1.1.2 Cost price of vehicles on 29 February 2024

WORKINGS	ANSWER
Stanmorephysics.com	

4

1.1.3 Depreciation on vehicles on 29 February 2024

WORKINGS	ANSWER
Depreciation on new vehicle	
Depreciation on vehicle traded in	
Depreciation on remaining vehicles	132 720

5

1.1.4 Profit/Loss on vehicle traded in on 1 September 2023

WORKINGS	ANSWER

5

NOTE: The relevant amounts, calculated above, must be transferred to QUESTION 1.2, the Statement of Comprehensive Income.



1.2 Statement of Comprehensive Income for the year ended 29 February 2024

Sales	
Cost of sales	(4 780 900)
Gross profit	
Other income	
Service fee income	1 757 700
Gross operating income	
Operating expenses	
Audit fees	79 000
Sundry operating expenses	119 900
Bad debts	24 780
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	(149 400)
Net profit before tax	
Income tax	
Net profit after tax	992 160

39

TOTAL MARKS

55



QUESTION 2

EYBERS LTD

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 29 FEBRUARY 2024

Balance at the beginning of the year	573 720	
Ordinary share dividends	(744 860)	
Balance at the end of the year		8

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations		
Interest paid		
CASH FLOW FROM INVESTING ACTIVITIES		
CASH FLOW FROM FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	296 460	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		17



% operating

% operating expenses on sales		
WORKINGS	ANSWER	
		3
Stock turnover rate		
WORKINGS	ANSWER	
		4
Interim dividend per share		
WORKINGS	ANSWER	
		3

TOTAL MARKS
35

QUESTION 3**3.1 Profitability:**

Quote **TWO** financial indicators with figures and trends to indicate that the company is managing its expenses well.

4

3.2 Dividends pay-out policy:

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide **ONE** point.

3

3.3 Earnings and returns:

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote **TWO** financial indicators with figures.

4



3.4 Financing strategies and gearing:

Refer to Information C.

The directors decided to buy new fixed assets in 2024 to enhance the company. Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures.

4

Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures.

6



3.5 Grant Waters' % shareholding, rights issue and shares repurchased:

Calculate:

Refer to Information B.

The number of shares that Grant bought through the rights issue on 31 October 2023

WORKINGS

ANSWER

3

Grant's % shareholding after the rights issue on 29 February 2024

WORKINGS

ANSWER

5

The total amount that Grant spent on the shares he acquired through the rights issue

NOTE: No shares were repurchased during the financial year.

WORKINGS

ANSWER

4

Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures).

4



3.6 Role of the CEO:

Explain TWO characteristics that shareholders would expect of a good CEO.



4

Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures.

4

TOTAL MARKS
45



QUESTION 4

4.1 Explain the role of an independent external auditor. Provide ONE point.

2

4.2 Choose the correct word from those in brackets. Write the answer and explain your choice.

Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.

AUDIT REPORT

EXPLANATION

Stanmorephysics.com

2

4.3 What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points.

4



4.4

What are the implications of this audit report for the following:

- Directors
- Shareholders

State ONE point in each case.

	IMPLICATIONS
Directors	
Shareholders	

4

4.5

State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.

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3

TOTAL MARKS

15

TOTAL: 150





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Department:
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REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

NOVEMBER 2024

MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced 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. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark 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. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
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, marker must inspect reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) 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. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.
15. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.

These marking guidelines consist of 12 pages.

QUESTION 1

Calculate:

1.1.1 Depreciation on equipment on 29 February 2024

WORKINGS	ANSWER
472 500 – 344 700	127 800 ✓✓

2

1.1.2 Cost price of vehicles on 29 February 2024

WORKINGS		ANSWER								
1 250 000 ✓ – 240 000 ✓ + 320 000 ✓ OR Vehicles <table><tr><td>1 250 000</td><td>one mark</td><td>240 000</td><td>one mark</td></tr><tr><td>320 000</td><td>one mark</td><td>1 330 000</td><td>one m. mark</td></tr></table>		1 250 000	one mark	240 000	one mark	320 000	one mark	1 330 000	one m. mark	1 330 000 ☒ one part correct
1 250 000	one mark	240 000	one mark							
320 000	one mark	1 330 000	one m. mark							
If a working is shown as a final answer, award working mark only										

If a working is shown as a final answer, award working mark only

4

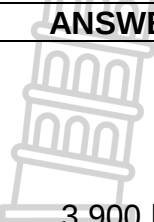
1.1.3 Depreciation on vehicles on 29 February 2024.

WORKINGS	ANSWER
Depreciation on new vehicle $320\,000 \times [20/100 \times 6/12]$	32 000 ✓✓*
Depreciation on vehicle traded in $[240\,000 - 73\,600]$ $166\,400 \times [20/100 \times 6/12]$	16 640 ✓✓*
Depreciation on remaining vehicles	132 720
should include R132 720	181 360 ✓*

* one part correct

5

1.1.4 Profit/Loss on vehicle traded in on 1 September 2023

WORKINGS	ANSWER										
one mark one m. mark (73 600 + 16 640) see 1.1.3 240 000 ✓ – 90 240 ✓☒ – 153 660 ✓ 149 760 three marks OR Asset disposal <table><tr><td>240 000</td><td>one mark</td><td>90 240</td><td>one mark</td><td>one m. mark</td></tr><tr><td>3 900</td><td>one m. mark</td><td>153 660</td><td>one mark</td><td></td></tr></table>	240 000	one mark	90 240	one mark	one m. mark	3 900	one m. mark	153 660	one mark		 3 900 ☒ one part correct
240 000	one mark	90 240	one mark	one m. mark							
3 900	one m. mark	153 660	one mark								
If a working is shown as a final answer, award working mark/s only											

If a working is shown as a final answer, award working mark/s only

5

NOTE: The relevant amounts, calculated above, must be transferred to QUESTION 1.2, the Statement of Comprehensive Income.

1.2 Statement of Comprehensive Income for the year ended 29 February 2024

Sales	[4 780 900 x 1,6] 7 649 440 ✓✓	[115 000 x 0,2] 23 000 ✓✓		7 626 440	✓*
OR	[4 665 900 x 1,6] 7 465 440 two marks	[115 000 x 1,4] 161 000 two marks		Both figures must be added / subtracted	
Cost of sales				(4 780 900)	
Gross profit		Sales – CofS	6	2 845 540	✓
Other income		operation		1 902 000	✓
Service fee income				1 757 700	
Profit on sale of asset **		see 1.1.4		3 900	✓
Rent income	[10 695 x 2] 158 100 ✓	one mark two marks 21 390 ✓✓	OR 104 625 + 32 085	136 710	✓*
Provision for bad debts adjustment #				3 690	✓✓
Gross operating income		GP + OI	9	4 747 540	✓
Operating expenses		operation		(3 371 340)	✓
Audit fees				79 000	
Sundry operating expenses				119 900	
Bad debts				24 780	
Packing material				58 700	✓
Trading stock deficit \$				7 400	✓✓
Insurance	[100 800 x 3/15] 100 800 ✓	OR [6 720 x 3] 20 160 ✓✓	OR 100 800 x 12/15	80 640	✓*
Salaries and Wages	[21 840 + 11 760] 1 425 600 ✓	[GS x 10%] 33 600 ✓✓	+ 3 360 ✓	1 462 560	✓*
Directors fees	[41 000 x 4] 1 065 200 ✓		+ 164 000 ✓✓	1 229 200	✓*
Depreciation @	[127 800 + 181 360] see 1.1.1	see 1.1.3	18	309 160	✓
Operating profit		GOI – OE		1 376 200	✓
Interest income		balancing figure (accept a -ve figure)		151 200	✓
Profit before interest expense		NPBT + Int. expense		1 527 400	✓
Interest expense				(149 400)	
Net profit before tax		NPAT + IT		1 378 000	✓
Income tax		NPAT x 28/72		(385 840)	✓✓
Net profit after tax				992 160	

-1 foreign items (max -2) i.e SFP items; -1 presentation (max -1).

** If calculated as loss in 1.1.4 award method mark under operating expenses.

Prov. for bd adjust should be shown as an income.

\$ Trading stock deficit should be shown as an expense.

@ Both figures should be added to award a method mark.

When awarding method marks, refer to Principle 10; follow the candidate's operation.

*one part correct

TOTAL MARKS

55

QUESTION 2

EYBERS LTD

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 29 FEBRUARY 2024

Balance at the beginning of the year	573 720	
Net profit after tax (744 860 ✓ ÷ 40% ✓) OR 744 860 x 100/40	1 862 150	✓*
Repurchase of shares ignore brackets	(64 600)	✓✓
Ordinary share dividends	(744 860)	
Interim dividend	416 000	✓
Final dividend OSD – Int Div.	328 860	✓
Balance at the end of the year Check operation; shares repurchased and OSD must be subtracted	1 626 410	✓*

8

-1P if no details (max -1)

*one part correct

OR

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 29 FEBRUARY 2024

Balance at the beginning of the year	573 720	
Net profit after tax (1 458 167 ✓ x 1,175 ✓)	1 713 346	✓*
Repurchase of shares ignore brackets	(64 600)	✓✓
Ordinary share dividends	(744 860)	
Interim dividend	416 000	✓
Final dividend OSD – Int Div.	328 860	✓
Balance at the end of the year Check operation; shares repurchased and OSD must be subtracted	1 477 606	✓*

8

-1P if no details (max -1)

*one part correct

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
# Taxation paid 44 675 ✓ + 462 000 ✓ + 66 650 ✓ OR - 44 675 - 462 000 - 66 650	(573 325) ✓*
# Dividends paid (1 200 000 × 17/100) [744 860 – 328 860] 204 000 ✓✓ + 416 000 ✓ 8	(620 000) ✓*
CASH FLOW FROM INVESTING ACTIVITIES	
CASH FLOW FROM FINANCING ACTIVITIES	
New shares issued	4 000 000 ✓
Shares repurchased (34 000 × 7,60) (34 000 × 1,90) 258 400 ✓ + 64 600 ✓ see 2.1	(323 000) ✓* Both figures added
Loan repaid 6	(480 000) ✓✓ If no bracket, award one mark
NET CHANGE IN CASH AND CASH EQUIVALENTS	296 460
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	(106 680) ✓✓ If no bracket, award one mark
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 3	189 780 ✓ operation

17

* one part correct, reflected as an outflow (brackets).

-1 poor presentation (max -1)

Be alert to alternative workings such as ledger account or use of brackets or signs reversed.

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

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

If a workings amount is shown as a final figure, award the mark/s allocated, ignore the brackets.

If correct figure is shown without brackets or workings, award all working marks only; not final mark.

2.3 Calculate the following for the year ended 29 February 2024:

% operating expense on sales	
WORKINGS	ANSWER
$\frac{1\,360\,950 \checkmark}{8\,240\,600 \checkmark} \times \frac{100^*}{1}$	16,5% ☒ one part correct calculated as a % % sign not necessary Accept 17% Do not accept 0,165/0,17
Stock turnover rate	
WORKINGS	ANSWER
$\frac{5\,060\,000 \checkmark}{\frac{1}{2}(174\,000 \checkmark + 193\,000 \checkmark)}$ 183 500 two marks	27,6 times ☒ one part correct if average stock (x ½) is used Accept 28 times
Interim dividend per share	
WORKINGS	ANSWER
$\frac{416\,000 \checkmark}{1\,600\,000 \checkmark} \times \frac{100^*}{1}$ [1 200 000 + 400 000] one mark	26 cents ☒ one part correct must be in cents; assume it is cents if not specified. Accept R0,26

- For EACH calculation, the 'x 100' does not constitute 'one part correct'.
- Numerator and denominator must be marked as such.
- Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R1 360 950.

TOTAL MARKS

35

QUESTION 3**3.1 Profitability:**

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well.

Financial indicators ✓ ✓ figures and trends ✓ ✓

- % operating expenses on sales has decreased / improved (from 19%) to 14% / by 5%-points / by 26,3%.
- % operating profit on sales has increased / improved (from 12%) to 18% / by 6%-points / by 50%.
- % net profit before tax on sales has increased / improved (from 11%) to 19% / by 8%-points / by 72,7%.

Do not accept mark-up %

4

3.2 Dividends pay-out policy:

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point.

Figures and trend ✓

- It decreased (from 86%) to 60% / by 26 %-points / by 30,2%.

Explanation ✓✓

part mark for unclear/incomplete answers

Funds have been retained for future expansion purposes / shareholder will benefit in the future as funds have been set aside / protect the cash flow of the business.

3

3.3 Earnings and returns:

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures.

Earnings per share (EPS)

- increased (from 104 cents) to 112 cents / by 8 cents / by 7,7 %. ✓
- Shareholders should be happy as it shows an increase in the profitability of the company. ✓

Return on average shareholders' equity (ROSHE)

- increased (from 11%) to 20% / by 9%-points / by 81,8%. ✓
- shareholders should be satisfied because ROSHE (20%) is greater than the interest rate on fixed deposit (7,5%). ✓

4

3.4 Financing strategies and gearing:

Refer to information C.

The directors decided to buy new fixed assets in 2024 to enhance the company. Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures.

Source ✓ ✓ figures ✓ ✓

- Shares issued (sold), R2 970 000 (from 28 800 000) to 31 770 000 / by 10,3%
- Increase in loan, R3 513 000 (from 9 400 000) to 12 913 000 / by 37,4%

Do not accept: sale of fixed assets / cash and cash equivalents

4

Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures.

Debt/equity ratio ✓

- decreased / improved (from 0,5 : 1) to 0,2 : 1 / by 0,3 : 1. ✓
- Company still has a low financial risk. ✓

Return on average capital employed (ROTCE) ✓

- increased (from 15%) to 24% / by 9%-points / by 60%. ✓
- Company has positive gearing / ROTCE (24%) is greater than interest rate on loan (12%). ✓

6



3.5 Grant Waters' % shareholding, rights issue and shares repurchased:
Calculate:

The number of shares that Grant bought through the rights issue on 31 October 2023.

WORKINGS	ANSWER
$\frac{1\ 620\ 000 \checkmark}{50 \checkmark} \times 10$ 32 400 two marks Check numerator / denominator	324 000 shares ☒ If x 10

3

Grant's % shareholding after the rights issue on 29 February 2024.

WORKINGS	ANSWER
see above $\frac{(1\ 620\ 000 \checkmark + 324\ 000 \checkmark)}{3\ 600\ 000 \checkmark \checkmark} \times \frac{100}{1}$ [3 000 000 + 600 000] OR one mark one m. mark $\frac{(1\ 380\ 000 + 276\ 000)}{3\ 600\ 000} \times \frac{100}{1} = 46\%$ two marks 100% - 46%	54% ☒ one part correct

5

The total amount that Grant spent on the shares he acquired through the rights issue.

NOTE: No shares were repurchased during the financial year.

WORKINGS	ANSWER
see 3,4 $324\ 000 \checkmark \times R4,95 \checkmark$ see above OR see 3,4 $2\ 970\ 000 - 1\ 366\ 200$ one m. mark one mark one m. mark Note: award method mark if calculations are provided for R4,95.	R1 603 800 ☒ one part correct

4

Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures).

Any TWO valid points ☒ ☒ Figures ☒ ☒ part mark for unclear/incomplete answers.

- The repurchase price of (R12 / 1 200 cents) exceeds the market value per share of 950 cents / by 250 cents.
- The repurchase price of (R12 / 1 200 cents) exceeds the NAV per share of 564 cents / by 636 cents.
- He is taking advantage of his status as the majority shareholder.
54% (see above) / This constitutes self-enrichment due to his position as the majority shareholder by 54% (see above).

4

3.6 Role of the CEO:

Explain TWO characteristics that shareholders would expect of a good CEO.

Any TWO valid explanations ✓✓ ✓✓

- Ability to set and communicate a clear vision of the company / have strong communication skills to effectively convey important information.
- Maintain transparency with all stakeholders.
- Ability to deliver consistent financial performance / understand financial management.
- Ability to attract, develop and retain top talent.
- Committed to ethical business practice with high standard of integrity.
- Adapt quickly to change / respond to unexpected challenges.
- Ability to identify and address the needs of various stakeholders / Make well informed decisions to manage risk and drive positive outcomes.
- Creative in identifying new opportunities / allocate resources effectively to remain competitive in the market.

4

Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures.

Financial indicators (with figures and trend) ✓ ✓ Explanation ✓ ✓

- Solvency ratio increased / improved (from 2,8 : 1) to 3,8 : 1, the business has a stronger financial position.
- Current ratio increased / improved (from 1,6 : 1) to 2,5:1 and the business ability to pay its short-term debts has strengthened.
- Acid test ratio increased / improved (from 1,2 : 1) to 1,9 : 1 and the business has enough cash to cover its short-term debts.

Do not accept mark-up %

4

TOTAL MARKS
45

QUESTION 4

4.1 Explain the role of an independent external auditor. Provide ONE point.

Any suitable relevant response ✓✓

- Provides an unbiased audit report on the financial statements of the company.
- Presents an opinion on the fair presentation of the financial statements.
- protects the interest of the shareholders/public.

2

4.2 Choose the correct word from those in brackets. Write the answer and explain your choice.

Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.

AUDIT REPORT	EXPLANATION
Unqualified ✓	Any suitable relevant response ✓ • No errors / problems / irregularities were discovered. • Opinion indicates that the financial statement fairly present the financial situation of the company.

2

4.3 What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points.

Any suitable relevant response ✓✓ ✓✓

- confirm the physical existence of items listed on the fixed assets register.
- check if calculations of depreciation are correct / check the correct depreciation rate was used.
- Check the invoice/receipt against the cost price written on the fixed asset register if they are the same.
- Check if correct procedure followed in procurement of new fixed assets/ check if correct procedures were followed in disposing of fixed assets.
- Check the registration certificate / title deed to confirm ownership.

Response for one mark:

- Check the fixed asset register.
- Check the logbook.
- Verify source documents.

4

4.4

What are the implications of this audit report for the following:	
• Directors • Shareholders	
State ONE point in each case.	
	IMPLICATIONS
Directors	Any suitable relevant response ✓✓ • Will be reappointed by the shareholders. • Improves their credentials / reputation.
Shareholders	Any suitable relevant response ✓✓ • Satisfied that their investment is safe. • It will encourage further investment in the company.

4

Note: 1. Check the type of audit report identified in 4.2 and mark 4.4 accordingly.
2. Disregard the audit report chosen in 4.2, if the candidate's answer in 4.4 matches the MG above.

4.5

State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.
Any suitable relevant response ✓ ✓ ✓ Accept one-word answers Possible consequences for auditor as employee: • deregistered / struck off the roll by IRBA (Accounting body) / loss of professional license / revocation of his certificate. • Disciplinary hearing / suspended (during investigation) / fired by his employer / fined / imprisonment (arrested) • sued by shareholders (company) for negligence (financial loss) / Bad reputation to his name. Possible consequences for company (auditor's employer): • Lose clients / removed as auditors by clients / loss of employment to staff as number of client base decreases / Acquiring contracts will be challenging in the future / Bad image of the company.

3

TOTAL MARKS
15

TOTAL: 150