



ACCOUNTING

SCHOOL-BASED
ASSESSMENT
EXEMPLARS – CAPS

GRADE 12

TEACHER GUIDE



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA



ACCOUNTING

SCHOOL-BASED ASSESSMENT

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1. INTRODUCTION

Assessment is a continuous planned process of identifying, gathering and interpreting information about the performance of learners, using various forms of assessment. It involves four steps: generating and collecting evidence of achievement; evaluating this evidence; recording the findings and using this information to understand and assist in the learner's development to improve the process of learning and teaching. Assessment should be both informal (assessment for learning) and formal (assessment of learning). In both cases regular feedback should be provided to learners to enhance the learning experience.

School-based assessment (SBA) is a purposeful collection of learners' work that tells the story of the learners' efforts, progress or achievement in given area(s). The quality of SBA tasks is integral to learners' preparation for the final examinations. This book serves as a resource of four exemplar SBA tasks for schools and subject teachers of Accounting. SBA marks are formally recorded by you, the teacher, for progression and certification purposes. The SBA component is compulsory for all learners. Learners who cannot comply with the requirements specified according to the policy may not be eligible to enter for the subject in the final examination.

The formal assessment tasks provide you with a systematic way of evaluation on how well learners are progressing. The book includes tests, a project and a case study. Formal assessment tasks form part of a year-long formal programme of assessment. These tasks should not be taken lightly and learners should be encouraged to submit their best possible efforts for final assessment.

Educators are expected ensure that assessment tasks are relevant to and suitable for the learners being taught. Teachers should adapt the tasks to suit the learners' level of understanding and they should be context bound; however, they should also take cognisance of the requirements as set out in the Curriculum and Assessment Policy Statement (CAPS) document.

This publication comprises four tasks that address the demands of the Grade 12 Accounting curriculum.

It is expected that these tasks will serve as a valuable resource to:

- Accounting teachers, in providing examples of the types and standards of school-based assessment tasks that would be appropriate for their learners
- Grade 12 Accounting learners, in providing material that will assist them in preparation for the National Senior Certificate examinations

2. THE AIMS AND OBJECTIVES OF THE PROJECT

- School-based assessment provides a more balanced and trustworthy assessment system, increasing the range and diversity of assessment tasks.
- The exemplar tasks are aimed at reflecting the depth of the curriculum content appropriate for Grade 12.
- They reflect the desired cognitive demands as per Bloom's revised taxonomy: remembering, understanding, applying, analysing, evaluating and creating.
- School-based assessment improves the validity of assessment by including aspects that cannot be assessed in formal examination settings.
- It improves the reliability of assessment because judgements will be based on many observations of the learner over an extended period of time.
- There is a beneficial effect on teaching and learning, not only in relation to the critical analysis and evaluation of Accounting information and creative problem-solving, but also on teaching and assessment practices.

- It empowers teachers to become part of the assessment process and enhances collaboration and sharing of expertise within and across schools.
- It has a professional development function, building up teachers' skills in assessment practices, which can then be transferred to other areas of the curriculum.

The tasks focus on the content of the National Curriculum Statement (NCS) effective in 2013, and contain exposure to certain aspects of new content of the Curriculum and Assessment Policy Statement (CAPS) effective from 2014.

The distinctive characteristics of SBA (and its strengths as one relatively small component of a coherent assessment system) have implications for its design and implementation, in particular the nature of the assessment tasks and the role of the teacher standardisation procedures. These implications are summarised as follows:

- The assessment process should be linked to and be a logical outcome of the normal teaching programme, as teaching, learning and assessment should be complementary parts of the whole educational experience (that is, the SBA component is not a separate one-off activity that can be timetabled or prepared for as if it were a separate element of the curriculum).
- The assessment process should provide a richer picture of what learners can do than that provided by the external examination by taking more samples over a longer period of time and by more closely approximating real-life and low stress conditions (i.e. the SBA component is not a one-off activity done under pseudo-exam conditions by unfamiliar assessors).
- The formative/summative distinction exists in SBA, but is much less rigid and fixed than in a testing culture, i.e. learners should receive constructive feedback and have opportunities to ask questions about specific aspects of their progress after each planned SBA assessment activity, which will both enhance Accounting skills and help learners prepare for the final external examination (i.e. the SBA component is not a purely summative assessment).
- The SBA process, to be effective, has to be highly contextualised, dialogic and sensitive to learners' needs, i.e. the SBA component is not and cannot be treated as identical to an external exam in which texts, tasks and task conditions are totally standardised and all contextual variables controlled; to attempt to do so would be to negate the very rationale for SBA, hence schools and teachers must be granted a certain degree of trust and autonomy in the design, implementation and specific timing of the assessment tasks.
- Teachers should ensure that learners understand the assessment criteria and their relevance for self- and peer assessment. Teachers should also have used these criteria for informal assessment and teaching purposes before they conduct any formal assessments so that they are familiar with the criteria and the assessment process.

The project provides exemplar tasks that are aimed at:

- Reflecting the depth of Accounting curriculum content appropriate for Grade 12
- Reflecting the desired cognitive demands as per Bloom's revised taxonomy: remembering, understanding, applying, analysing, evaluating and creating
- Containing questions and sub-questions that reflect appropriate degrees of challenge: easy, medium and difficult
- Focusing on content of the National Curriculum Statement (NCS) effective in 2013; and contain exposure to certain aspects of new content of the Curriculum and Assessment Policy Statement (CAPS) effective from 2014, i.e. shares of no par value and repurchase (buy-back) of shares – refer to Task B Version (i).

3. ASSESSMENT TASKS AS OUTLINED BY THE NCS AND CAPS

The final Grade 12 mark is calculated from the National Senior Certificate (NSC) examination that learners will write (out of 300 marks) plus school-based assessment (out of 100 marks). The curriculum stipulates the following seven formal tasks that comprise school-based assessment in Accounting:

SCHOOL-BASED ASSESSMENT TASKS: NCS AND CAPS

| Term | Details | Marks | Converted to |
|----------------------|----------------------|-----------|------------------|
| 1 st term | Report | 50 marks | 10 marks |
| | Test | 100 marks | 20 marks |
| 2 nd term | Project | 50 marks | 20 marks |
| | Mid-year examination | 300 marks | 20 marks |
| 3 rd term | Case study | 50 marks | 10 marks |
| | Trial examination | 300 marks | 20 marks |
| | | | 100 marks |

4. SCOPE OF THE PROJECT

| | Task A | Task B Version (i) | Task B Version (ii) | Task C | Task D |
|--|---|---|---|---|--|
| Types of task | Written report | Test | Test | Project | Case study |
| Compliance with NCS or CAPS | NCS and CAPS | CAPS only | NCS only | NCS and CAPS | NCS and CAPS |
| Content covered | Part (a): Report on a listed JSE company Part (b): Internal auditor's report on company internal control | Asset disposal, Income Statement, Balance Sheet and Notes | Asset disposal, Income Statement, Balance Sheet and Notes | Interpretation of published financial statements and audit report | Cash Budget and Debtors Age Analysis |
| Tested in examinations | Part (a): NO Part (b): YES | YES | YES | YES | YES |
| Skills assessed that are similar to skills assessed by examinations | Understanding theory of companies and internal control; Problem-solving | Preparing ledger accounts and financial statements | Preparing ledger accounts and financial statements | Analysis and interpretation of financial information | Analysis and interpretation of financial information; Creative problem-solving |
| Skills assessed that are different to skills assessed by examinations | Research of a listed company | – | – | Dealing with quantity of information in published annual reports | – |

5. QUALITY ASSURANCE PROCESS FOLLOWED (SUBJECT SPECIFIC)

The purpose of this document is to provide both teachers and the learners with a set of benchmarked school-based assessment (SBA) tasks. It contains useful information and guidelines in the form of exemplars.

A team of experts comprising teachers and subject advisors from the provinces was appointed by the DBE to develop and compile assessment tasks. This panel of experts spent a period of four days at the DBE developing tasks based on guidelines and policies. Moderation and quality assurance of the tasks were undertaken by national and provincial examiners and moderators. The assessment tasks were further refined by the national internal moderators to ensure that they are in line with the CAPS document.

6. INCLUSIONS IN THIS PUBLICATION

For each assessment task, this publication includes:

- Question papers, answer sheets and marking guidelines.
- Resource material is also provided for the Project (refer to the Appendix).
- Instructions and notes to learners and teachers are provided in the question papers, answer sheets and marking guidelines on how to administer the assessment tasks, answer questions and apply the marking guideline.

NOTE TO TEACHERS: This task is relevant to Grade 12 learners from 2014 (i.e. relevant to CAPS). This task comprises two parts. You may adapt the material to take the needs of your class group into account. For example, you may require them to do Part A on their own and Part B in class. Or you may require the class to do only Part B as a formal report and undertake Part A as an extension task in class on a weekly basis. If you choose to adapt the material in any way, you should ensure that the task comprises 50 marks as per CAPS.

ACCOUNTING GRADE 12: TASK A
FIRST TERM ASSESSMENT TASK
REPORT ON COMPANIES
QUESTION PAPER
50 marks

THIS TASK CONSISTS OF TWO PARTS:

PART A Report on a public company listed on the JSE. (26)

PART B Internal auditor's report on procedures and internal controls in a public company (24)

50

PART A Report on a public company listed on the JSE**26 marks**

For this task you will need to use the page in the business report in a morning newspaper which lists the public companies that are traded on the Johannesburg Securities Exchange (JSE). You will need access to this resource on a weekly basis for a period of 5 weeks.

A rich aunt has earmarked R200 000 of her funds for investment purposes. She wants to buy shares of a public company listed on the JSE. She requires your advice. Choose a company that is well-known to you from the share page to complete the following report.

NOTE TO TEACHERS: Each learner must choose a different company.

REQUIRED

Prepare a one-page report on the company you have chosen.

PREPARATION AND RESEARCH FOR YOUR REPORT

- On the starting date of this task, calculate the maximum number of shares that your aunt can buy for R200 000 in the company that you have chosen. Ensure that she buys shares in lots of 100, that is, 100, 200, 300, etc. Also calculate how much cash she will have left on this date after the purchase of shares. She will place this in a savings account (ignore interest).
- For a period of five weeks, make a note of the share price on the same day each week. Calculate the value of her investment portfolio each week, that is, the value of the shares and the cash.
- Find out other interesting information about the company you have chosen, e.g. products sold or services provided, community service or sponsorship activities of the company, the size of the company, where it is situated, details of the directors or the CEO, the amount earned by the CEO, or any other news about the company or its history.

THE REPORT MUST INCLUDE THE FOLLOWING:

- Draw up a table and plot a graph of the company's share price.
- Draw up a table and plot a graph of the value of your aunt's investment portfolio in respect of the investment in the shares and the cash that she has on hand. Do not consider the interest she will earn on her savings account.
- Further interesting information on the company.
- Recommendation on further investment in this company, with reasons. (Should you aunt consider buying more shares in this company, or should she consider an alternative investment?)

PART B Internal auditor's report on a public company**24 marks**

You have been appointed as the internal auditor of Exotic Clothing Ltd, a new public company which is about to be established. All stock will be bought on credit. They will sell for cash and they will allow customers to buy on credit. It is expected that there will be approximately 1 000 shareholders. The CEO has asked you to prepare a report on certain procedures that should be put in place in the company.

The company currently has four employees in the Accounting department. The CEO is thinking of appointing Tom to manage fixed assets, Maisy to control trading stock, Bheki to control debtors (accounts receivable) and Shamila to control cash resources.

Your report should include:

1. Procedures to establish the company.
2. The records that should be kept on each shareholder, together with the reasons why these are necessary.
3. The procedures that should be put in place to ensure that good internal control is exercised over:
 - Fixed assets
 - Trading stock
 - Accounts receivable (debtors)
 - Cash collected

**TOTAL
50 marks**

ACCOUNTING GRADE 12: TASK A

FIRST TERM ASSESSMENT TASK:

REPORT ON COMPANIES

ANSWER BOOK

THIS TASK CONSISTS OF TWO PARTS:

PART A Report on a public company listed on the JSE.

PART B Internal auditor's report on procedures and internal controls in a public company.

| | |
|------------------------|--|
| Name of learner | |
| School | |
| Class | |

| | MAXIMUM | MARKS ACHIEVED |
|---------------|----------------|---------------------------|
| Part A | 26 | |
| Part B | 24 | |
| TOTAL | 50 | |

PART A: REPORT ON INVESTMENT PORTFOLIO OF _____
(name of aunt)

1.

| | |
|---|-----------------|
| Name of company: | |
| Category on the share page | |
| Starting date of the investment in shares | |
| Share price on this date | |
| Number of shares purchased (in lots of 100) | |
| Total value of shares purchased | |
| Cash on hand | |
| Total value of investment portfolio | R200 000 |
| | |

| |
|----------|
| |
| 4 |

2.

| | Share price | Number of shares bought | Total value of shares | Cash on hand | Total value of investment |
|---------------|-------------|-------------------------|-----------------------|--------------|---------------------------|
| Week 1 | | | | | |
| Week 2 | | | | | |
| Week 3 | | | | | |
| Week 4 | | | | | |
| Week 5 | | | | | |

| |
|----------|
| |
| 5 |

3. **Graph of share price each week:**

| |
|----------|
| |
| 4 |

4. **Graph of value of investment portfolio each week:**

| |
|----------|
| |
| 4 |

5. **Further information on the company:**

| |
|---|
| |
| 5 |

6. **Recommendation on further investment in this company, with reasons:**

| |
|---|
| |
| 4 |

| |
|----|
| |
| 26 |

PART B

Internal auditor's report on procedures to be implemented for Exotic Clothing Ltd.

1. **Procedures to establish the company:**

| |
|---|
| |
| 4 |

2. **Records that should be kept on each shareholder, together with reasons:**

| |
|---|
| |
| 4 |

3. **Internal control procedures for fixed assets:**

| |
|---|
| |
| 4 |

4. Internal control procedures for trading stock:

| |
|---|
| |
| 4 |

5. Internal control procedures for accounts receivable (debtors):

| |
|---|
| |
| 4 |

6. Internal control procedures for cash collected:

| |
|---|
| |
| 4 |

| |
|----|
| |
| 24 |

Signed: _____ (Internal Auditor) Date: _____

IMPORTANT NOTE TO TEACHERS: The test includes entries relating to the new CAPS curriculum to be implemented in 2014, with regard to shares of no par value and the repurchase of shares. The test was adapted from a previous Grade 12 paper (QUESTION 4 of the 2009 NSC backup paper).

ACCOUNTING GRADE 12: TASK B
2014 CAPS VERSION

FIRST TERM TEST
FINANCIAL STATEMENTS OF A COMPANY

QUESTION PAPER

100 marks; 60 minutes

QP Task B

FINANCIAL STATEMENTS OF A COMPANY**(100 marks; 60 minutes)**

You are provided with figures from the Pre-Adjustment Trial Balance of **Simphiwe Limited**. They buy and sell uniforms and also repair uniforms for their customers, for which they charge a fee. These fees are credited to the Fee Income Account in the General Ledger.

By the end of the previous financial year, 30 September 2011, the company had issued 400 000 ordinary shares. These shares were all issued at different times and at different issue prices. Many of the existing shareholders had also bought shares on the JSE at prices negotiated with the sellers of those shares. The company also issued 100 000 new shares on 1 March 2013.

REQUIRED

1. Refer to Information 10 below.
 Calculate the profit or loss on the disposal of the computer. Show workings. You may prepare an Asset Disposal Account to identify the figure. (8)
2. Income Statement for the year ended 30 September 2012. (64)
3. The following notes to the financial statements:
 - 3.1 Ordinary share capital (13)
 - 3.2 Retained income (15)

INFORMATION**SIMPHIWE LTD****PRE-ADJUSTMENT TRIAL BALANCE ON 30 SEPTEMBER 2012**

| | DEBIT | CREDIT |
|--|--------------|---------------|
| Balance Sheet Accounts Section | R | R |
| Ordinary share capital (500 000 shares) | | 4 410 000 |
| Retained income (1 October 2011) | | 812 650 |
| Loan from Stay Bank | | 270 000 |
| Land and buildings at cost | 4 884 000 | |
| Vehicles at cost | 660 000 | |
| Equipment at cost | 570 000 | |
| Accumulated depreciation on vehicles (1 Oct 2011) | | 123 000 |
| Accumulated depreciation on equipment (1 Oct 2011) | | 111 000 |
| Debtors' control | 109 800 | |
| Creditors' control | | 53 880 |
| Trading stock | 1 398 600 | |
| Bank | 940 500 | |
| Petty cash | 6 600 | |
| SARS – Income tax | 390 500 | |
| Provision for bad debts | | 4 320 |

| Nominal Accounts Section | R | R |
|--|-----------|-----------|
| Sales | | 8 160 000 |
| Cost of sales | 3 930 000 | |
| Debtors' allowances | 18 600 | |
| Salaries and wages | 486 000 | |
| Discount allowed | 2 710 | |
| Fee income | | 314 250 |
| Rent income | | 168 000 |
| Insurance | 33 000 | |
| Sundry expenses | 117 750 | |
| Directors' fees | 870 000 | |
| Audit fees | 161 100 | |
| Consumable stores | 75 600 | |
| Interest income | | 7 500 |
| Dividends on ordinary shares (interim) | 264 000 | |

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. Prepaid expenses in respect of sundry expenses at the year-end, R9 600, have not been taken into account.
2. On 30 September 2012, R1 700 was received from A Ethic, whose account had previously been written off as irrecoverable. The amount was entered in the Debtors' Control column in the Cash Journal.
3. The provision for bad debts must be adjusted to R5 410.
4. There were two directors at the beginning of the accounting period. Directors' fees have been paid for the first half of the accounting period. On 1 April 2012, a third director was appointed. All three directors earn the same monthly fee. Provide for the outstanding fees owed to the directors.
5. Rent has been received for 14 months.
6. The following credit note was left out of the Debtors' Allowances Journal for September in error. The mark-up on goods sold was 50% on cost.

| SIMPHIWE LTD | | CREDIT NOTE 4533 | |
|------------------------------|---|-------------------|--------------|
| | | 28 Sept 2012 | |
| Credit: Supaclean Ltd | | | |
| PO Box 340, Westmead, 3610 | | Unit price | Total |
| 48 | Uniforms returned | R600 | R28 800 |
| | Reduction on fee charged for repair of uniforms | | R 2 250 |
| | | | R31 050 |

7. The loan statement from Stay Bank showed the following:

| | |
|--|----------|
| Balance at beginning of financial year | R450 000 |
| Repayments during the year | R234 000 |
| Interest capitalised | R ? |
| Balance at end of financial year | R270 000 |

8. A physical stock count on 30 September 2012 showed the following on hand:
 - Consumable stores on hand, R3 600
 - Stock of uniforms on hand, R1 440 000
9. The depreciation rate on vehicles is 20% p.a. on the diminishing-balance method. A new vehicle was bought on 1 May 2012 for R165 000 and properly recorded.

10. Depreciation on equipment is calculated at 10% p.a. on cost price. Note that an item of equipment was taken over by one of the directors, Ivor Steele, on 30 June 2012 for personal use for R2 400 cash. The relevant page from the Fixed Assets Register is provided below. No entries have been made in respect of the disposal of this asset.

| FIXED ASSETS REGISTER | | Page 12 | |
|---|-------------------------------------|---------------------------|--------------------------|
| Item: VYE Computer | | Ledger Account: Equipment | |
| Date Purchased: 1 April 2006 | | Cost Price: R66 000 | |
| Depreciation Policy: 10% p.a. on cost price | | | |
| Date | Depreciation calculations | Current depreciation | Accumulated depreciation |
| 30 Sep 2009 | $R66\ 000 \times 10\% \times 6/12$ | R3 300 | R3 300 |
| 30 Sep 2010 | $R66\ 000 \times 10\% \times 12/12$ | R6 600 | R9 900 |
| 30 Sep 2011 | $R66\ 000 \times 10\% \times 12/12$ | R6 600 | R16 500 |
| 30 June 2012 | ? | R ? | R ? |

11. Income tax is levied at 30% of net income before tax.
12. Details of authorised and issued share capital:
- Authorised: 600 000 ordinary shares of no par value
 - Issued up to 30 September 2011: 400 000 ordinary shares
 - New issue on 1 April 2012: 100 000 shares at an issue price of R9,50 each. These shares did not qualify for interim dividends.
13. Dividends:
- Interim dividends paid on 31 March 2012, 66 cents per share
 - Final dividends declared on 30 September 2012, 82 cents per share
14. Repurchase of shares: The directors approved the repurchase of 70 000 shares from several shareholders at a repurchase price of R11,20 per share. A direct transfer of funds was made from the bank account to the shareholders on 30 September 2012, but has not been recorded yet. The shares repurchased qualify for final dividends during the current financial period.

**ACCOUNTING GRADE 12: TASK B(i)
2014 CAPS VERSION**

FIRST TERM TEST

FINANCIAL STATEMENTS OF A COMPANY

ANSWER BOOK

| | |
|------------------------|--|
| Name of learner | |
| School | |
| Class | |

| | MAXIMUM | MARKS ACHIEVED |
|-----------------|----------------|---------------------------|
| Part 1 | 8 | |
| Part 2 | 64 | |
| Part 3.1 | 13 | |
| Part 3.2 | 15 | |
| TOTAL | 100 | |

1. Calculate the profit or loss on the disposal of the computer.

WORKINGS:

ANSWER:

| |
|---|
| |
| 8 |

NOTE TO TEACHERS: This task is relevant to Grade 12 learners from 2014 (i.e. relevant to CAPS). You may adapt the material to cater for more than 50 marks, but you should ensure that the final mark is converted to 50 marks as per CAPS. Teachers may allow learners to refer to textbooks in completing this task.

ALSO REFER TO THE SOURCE MATERIAL FOR THIS TASK

(PAGES 30–36)

ACCOUNTING GRADE 12: TASK C

**SECOND TERM PROJECT
PUBLISHED FINANCIAL STATEMENTS OF A COMPANY**

**QUESTION PAPER AND ANSWER BOOK
(COMBINED)**

50 marks; 90 minutes

| | |
|------------------------|--|
| Name of learner | |
| School | |
| Class | |

| |
|---------------------------|
| MARKS ACHIEVED |
| |
| 50 |

FAMOUS BRANDS LIMITED

REQUIRED

Study the information provided. Answer the questions which follow. As this task is intended as a project, you may use your textbook as a resource.

You are also provided with the following financial indicators for the 2011 financial year:

Current ratio = 1,4 : 1

Acid-test ratio = 1,1 : 1

Dividend pay-out rate = 64%

Debt-equity ratio = 0,2 : 1

Net asset value per share = R7,44

% return on shareholders' equity = 33,9%

EPS = 242 cents

DPS = 155 cents

1. General information

- 1.1 Refer to Page 1 of the source material for the icons of the well-known brands that comprise Famous Brands Ltd. Name FOUR of these brands and describe the product or service in which each brand specialises.

| | Brand | Description of speciality product or service |
|----|-------|--|
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |

| |
|---|
| |
| 2 |

- 1.2 Give the names of the persons who fill the following positions: Chairman of the Board of Directors, Chief Executive Officer, Group Financial Director and Company Secretary. Briefly explain the work done by each of them.

| Position | Name | Work done |
|--------------------------|------|-----------|
| Chairman | | |
| CEO | | |
| Group financial director | | |
| Company secretary | | |

| |
|---|
| |
| 3 |

- 1.3 Who are the independent auditors of Famous Brands Limited, and how much were they paid for their services? Their report is not provided in this summary, but there is a reference to it in Note 3. Briefly explain what this audit report would contain.

| | |
|-------------------------|--|
| Independent auditors | |
| Audit fees paid | |
| Details of audit report | |

| |
|---|
| |
| 3 |

1.4 How many directors does the company have, how many of them are executive directors and how many of them are non-executive directors? Briefly explain the difference in the roles of these two types of director.

| | | | |
|---------------------|---------|-------------|-----------------|
| Number of directors | Total = | Executive = | Non-executive = |
| Difference in roles | | | |

| |
|---|
| |
| 3 |

2. Why did the directors decide to show the graphs of the Earnings per Share and Total Revenue at the top of the page? Briefly explain what these graphs reflect about the company for the past five years.

| |
|---|
| |
| 2 |

3. Refer to the commentary by the directors, particularly the Overview and the Financial results. What did the directors say about the changing habits of their customers, and how did the directors respond to these changes?

Briefly explain the major challenges that the company has faced in the current financial year.

The Operational Review states that the company was involved in three main areas: Franchising, Manufacturing and Logistics. Explain what is meant by each of these activities, with specific reference to the work that the company does.

| | |
|---------------|--|
| Franchising | |
| Manufacturing | |
| Logistics | |

The company does not operate only in South Africa. Provide evidence from the information to prove this point.

| |
|---|
| |
| 6 |

4. Identify the following figures from the financial statements. Also state where you found each figure, i.e. in the Income Statement (IS), Balance Sheet (BS) or Cash Flow Statement (CFS).

| | Where found IS, BS or CFS | Amount in rand |
|---------------------------------|------------------------------|-------------------|
| Gross profit | | |
| Operating profit | | |
| Net profit before tax | | |
| Taxation expense | | |
| Taxation paid | | |
| Amount owed to SARS at year-end | | |
| Dividends paid | | |
| Expansion of fixed assets | | |
| Replacement of fixed assets | | |
| Fixed assets at year-end | | |
| Repayment of loans | | |
| Current portion of loans | | |
| Long-term portion of loans | | |
| Stock on hand | | |

| |
|---|
| |
| 4 |

5. Refer to Page 1 of the source material for the highlighted indicators. Provide workings for the following calculations:

% increase in revenue

% increase in operating profit

% increase in headline earnings per share (use basic HEPS)

% increase in dividends per share

| |
|---|
| |
| 4 |

6. Calculate the following financial indicators for 2012. Refer to the end of the Income Statement for the number of shares.

| | Workings | Answer |
|---|----------|--------|
| Current ratio | | |
| Acid-test ratio | | |
| Headline earnings per share (use weighted average number of shares) | | |
| % return on average equity | | |
| Net asset value per share (use number of issued shares) | | |
| Debt-equity ratio | | |
| % return on average capital employed | | |

| |
|---|
| |
| 4 |

7. **Comment on the liquidity position of the company. Quote TWO financial indicators to support your opinion.**

| |
|---|
| |
| 3 |

8. **Comment on whether the company tends to retain or distribute its profits. Provide evidence to support your opinion. Briefly explain how this could affect the share price on the JSE**

| |
|---|
| |
| 3 |

9. **Comment on the gearing of the company. Should the company repay loans or take out more loans? Provide evidence to support your opinion.**

| |
|---|
| |
| 3 |

10. **The share price of the company on the JSE in February 2012 was R53,00. The price increased to R79,00 in February 2013. Comment on whether or not you feel the company's shares are fairly valued. Provide evidence to support your opinion.**

| |
|---|
| |
| 3 |

11. **Should the shareholders be satisfied with the percentage return, earnings and dividends for the 2012 financial year? Explain. Provide evidence to support your opinion.**

| |
|---|
| |
| 4 |

12. **What do the directors say about the prospects for the future? Would this influence you in buying shares in Famous Brands Limited?**

| |
|---|
| |
| 3 |

TOTAL: 50 marks

**SOURCE MATERIAL FOR TASK C
SECOND TERM PROJECT**

**Refer to the attached extract from the published annual report of FA-
MOUS BRANDS LIMITED.**

**6 pages to follow
(p. 31–36)**

famous | brands LIMITED


 **R2 156m**
Revenue up 15%
to R2 156 million

 **200c**
Dividends per share up 29%
to 200 cents

 **R413m**
Operating profit up 15%
to R413 million

 **R452m**
Cash generated before
changes in working capital
up 15% to R452 million

 **278c**
Headline earnings per share
up 15% to 278 cents

 **10%**
Net borrowings to equity
improved to 10%

STEERS

WIMPY

O'Hagan's

tashas

DEBONAIRS PIZZA
everybody 100%

BLACKSTEER
the home of shiso

braziliancafé
good to go

SAVOY

LONGHORN

Juicy Lucy

VOVO
tELO

house of coffees

KEG
RESTAURANTS
& PUBS

MUGG & BEAN

BALTIMORE

TRUFruit

fish
SAUCE

milky
Full of Flavour

BEAVERS GUILD

PIR MANDO
Home Spiced Chicken

AQUA
MINT

Directors and administration:

Non-executive:

P Halamandaris (*Chairman*), JL Halamandres, P Halamandaris (*Jnr*), HR Levin, CH Boulle, BL Sibiyi

Executive:

KA Hedderwick (*Chief Executive Officer*), T Halamandaris (*Executive Deputy Chairman*), SJ Aldridge (*Group Financial Director*)

Registered office:

478 James Crescent, Halfway House 1685, PO Box 2884, Halfway House 1685

Email:

investorrelations@famousbrands.co.za

Transfer secretaries:

Link Market Services (Pty) Ltd, (Registration number 2000/007239/07), Rennie House, 19 Ameshoff Street, Braamfontein 2001, PO Box 4844, Johannesburg 2000

Sponsor:

The Standard Bank of South Africa Limited
(Registration number 1969/017128/06), 3 Simmonds Street, Johannesburg 2001

Declaration of ordinary dividend

Notice is hereby given that a final dividend No. 35 of 120 cents (2011: 85 cents) per ordinary share payable out of income has been declared in respect of the 2012 financial year. This will bring the total cash dividends to 200 cents per share for the 2012 financial year, an increase of 29% when compared to total dividends of 155 cents in 2011.

The salient dates for the payment of the final dividend are detailed below:

| | |
|-------------------------------------|----------------------|
| Last day to trade cum-dividend | Friday, 6 July 2012 |
| Shares commence trading ex-dividend | Monday, 9 July 2012 |
| Record date | Friday, 13 July 2012 |
| Payment of dividend | Monday, 16 July 2012 |

Share certificates may not be dematerialised or rematerialised between Monday, 9 July 2012 and Friday, 13 July 2012 both dates inclusive.

In terms of the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

- The local dividend tax rate is 15% before utilisation of Secondary Tax on Companies (STC) credits.
- STC credits available amount to 1,13543 cents per share.
- There are no further STC credits to carry forward. The net local dividend amount is 102,17031 cents per share for shareholders liable to pay the new Dividends Tax and 120 cents per share for shareholders exempt from paying the new Dividends Tax as at declaration date.
- The issued share capital of Famous Brands as at declaration date is 96 192 435 ordinary shares; and
- Famous Brands' tax reference number is 9208085846.

By order of the board

J G Pyle

Company Secretary

Midrand

18 May 2012



Commentary

Overview

Despite talk of early signs of economic recovery in the country, the period under review remained challenging for retailers. Pessimistic consumer sentiment prevailed in an environment featuring continued high levels of unemployment and indebtedness, limited real wage increases, and consumer spend pressured by rising power and fuel costs and widespread food inflation.

In this broad economic context, the food services sector experienced a range of discernible new trends, most apparent of which was unprecedented fragmentation, reflected by aggressive price cutting and promotional activities; divergence by established brands from traditional core menu offerings; entry into unrelated categories; and portion size re-engineering. Additional pressure was exerted by traditional retailers attempting to gain market share from conventional convenience-centred food services operators. Significantly, whilst the number of consumers increased across the food services category, the frequency of visits declined by 10% to their lowest level in twelve years, and in line with 2005.

Notwithstanding these testing conditions, Famous Brands has delivered credible results for the year ended 29 February 2012, achieved through intensified focus and improvements in the front and back ends of the business.

Financial results

Following a phase of intense acquisitive growth in the past two years, the Group undertook to focus on consolidating and integrating its new businesses, a programme which has been concluded and is reflected in the improvements in revenue and profitability of the Franchising and Supply Chain divisions.

Group revenue and operating profit grew by 15% to R2,16 billion (2011: R1,88 billion) and R413 million (2011: R358 million) respectively. The operating margin remained steady at the record level of 19,1% achieved in the prior comparative period.

Net interest paid decreased 29% to R11 million (2011: R15 million) due to reduced net borrowings arising from sustained strong cash flows and the prevailing low interest rate environment.

The Group's tax rate increased to 33,3% (2011: 32,8%) in the reporting period due mainly to the impact of the increased capital gains tax rate on deferred tax balances. This was significantly offset by prior year tax adjustments.

Headline earnings per share and earnings per share both increased by 15% to 278 cents per share.

Cash generated from operations before changes in working capital increased by 15% to R452 million (2011: R392 million). After changes in working capital, cash generated from operations amounted to a healthy R399 million (2011: R397 million). Tax payments of R132 million were 6% up on the prior year. Capital expenditure of R88 million was incurred and comprised mainly R31 million for the acquisition of the Milky Lane and Juicy Lucy trademarks on 1 March 2011 as well as Supply Chain expansion activities. These included R18 million for the chicken fillet plant in the Manufacturing Division and R6 million for a new Logistics depot in Nelspruit which commenced deliveries in April 2012. After payment of R159 million (2011: R128 million) in dividends, cash flows were sufficient to pay down net borrowings by R19 million (2011: R58 million). The low level of borrowings, net of cash and bank balances, of R82 million (2011: R101 million) represents a mere 10% of equity, (2011: 14%), affording ample scope to grow the business organically or by acquisition.

Operational reviews

FRANCHISING DIVISION – LOCAL

The Local Franchising division, which comprises operations in South Africa and 15 African countries, reported a satisfactory performance in an extremely competitive environment. In South Africa system-wide sales across the brand portfolio increased by 8%, while like-on-like sales grew 5%; the Group's African market improved system-wide and like-on-like sales by 21% and 7% respectively. Combined revenue for the South African and African operations increased 14% to R440 million (2011: R386 million), whilst operating profit in this division rose 13% to R265 million (2011: R235 million). The operating profit margin was 60,2% compared with 60,9% in the prior year, slightly lower, effectively a function of investing in newly acquired and developing brands in advance of royalty collections.

The Group surpassed its 2 000 restaurant milestone, opening a total of 146 new restaurants during the year (2011: 111), 113 of them in South Africa and the balance of 33 in Africa; the latter achievement is a reflection of Famous Brands' success in gaining traction in the region. In addition, 99 restaurants were revamped (2011: 81), 92 of them in South Africa and the balance in Africa.

Once again the Group's brands were acknowledged by loyal consumers via the annual consumer survey, Leisure Options, achieving a clean sweep of awards across all major categories in which the Group's brands compete.

FRANCHISING DIVISION – INTERNATIONAL

The results delivered by the International Franchise division, comprising Wimpy United Kingdom, are a reflection of the dire trading conditions experienced in that country. Revenue in Sterling declined 19%, and in Rand terms by 13% to R82 million (2011: R95 million). Operating profit decreased 30% to R8 million (2011: R11 million). This division makes a nominal contribution to Group revenue and operating profit, namely 3,8% and 1,8% respectively.

SUPPLY CHAIN

The Supply Chain division, comprising the Group's Manufacturing and Logistics operations delivered another gratifying performance. Consolidated revenue grew by 17% whilst operating profit rose 21%. Increased volumes and tight management of costs ensured that the operating margin improved to 8,7% from 8,4% notwithstanding the Group's deliberate strategy in the first half of the year to absorb margin pressure created by rampant beef price increases.

• Manufacturing

This division increased revenue by 13% to R747 million (2011: R664 million). Operating profit rose 13% to R88 million (2011: R78 million), resulting in a margin of 11,7% (2011: 11,7%).

The following projects were concluded during the period and contributed to this business unit's strong performance:

- Full commissioning of a chicken fillet plant which commenced supplying product to the franchise network with effect from November 2011;
- Take-on of the soft serve component for Milky Lane.

• Logistics

This division reported a 20% increase in revenue to R1,52 billion (2011: R1,26 billion). Operating profit rose 37% to R53 million (2011: R38 million), producing a record margin of 3,5% (2011: 3,1%).

This stellar result was derived from attaining critical mass in line items handled, which increased by 43% during the period, and productivity improvements in the Owner Driver programme.

Corporate action

The Group extended its Theatre of Foods portfolio with the creation of a new business, Creative Coffee Franchise Systems (Pty) Ltd (Creative Coffees). With effect from 1 May 2011, the trademarks and franchise agreements of the House of Coffees and Juicy Lucy brands were moved into Creative Coffees and merged with the business of Kairuz Holdings (Pty) Ltd, a company specialising in servicing the retail and food offerings in the private hospital industry. Famous Brands retains a 61% controlling shareholding in the new company.

Directorate

Shareholders are advised that Christopher Hardy Boule was appointed as an alternate non-executive director to Hymie Reuvin Levin, with effect from 1 December 2011. He will also serve as Chairman of the social and ethics committee and as a member of the audit committee.

Dividend

In respect of the new Dividends Tax, shareholders are advised that the final dividend has been increased to 120 cents (2011: 85 cents) and thus ensures that shareholders are in an improved cash position notwithstanding the introduction of this tax. The dividend cover for the financial year has been reduced to 1,4 times, which is considered sustainable given Famous Brands' strong cash generating ability. In considering future dividend declarations, the board will be guided by the Group's cash requirements according to future cash flow forecasts.

Prospects

Consumer disposable income will remain pressured by escalating electricity tariffs, fuel costs and general food inflation. The bulk of consumers in payment arrears are middle-class earners, the traditional target market for food services operators. To entice them to resume previous levels of spending will demand intensified innovation, particularly should interest rates increase and economic uncertainty persist.

Despite the negative effect which these factors will have on the industry, the Group's all-encompassing business model, exceptional personnel and best-in-class leisure brands position Famous Brands for continued growth.

In this regard, the Group will undertake a range of initiatives in the period ahead aimed at unlocking further value for shareholders. This will include centralising the Group's procurement function enabling Famous Brands to become an even lower cost producer; extending the Group's presence in market segments where it currently has no representation, including identifying new joint venture partnerships; and continuing to explore opportunities to leverage the synergies afforded by Famous Brands' supply chain.

On behalf of the board

P Halamandaris
Non-executive Chairman

K A Hedderwick
Chief Executive Officer

NOTES:

1. Basis of preparation

These condensed annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and its successor, the South African Companies Act No. 71 of 2008 and the Listings Requirements of the JSE Limited. These condensed results were prepared under the supervision of Mr SJ Aldridge CA(SA), in his capacity as Group Financial Director.

2. Accounting policies


The accounting policies applied by the Group are consistent with those applied in the comparative financial periods, except for the adoption of improved, revised or new standards and interpretations. The aggregate effect of these changes in respect of the year ended 28 February 2011 is R nil.

3. Auditors


These financial statements have been audited by RSM Betty & Dickson (Johannesburg) and their unqualified audit opinion is available for inspection at the company's registered office.

| | 29 February 2012 R000 | 28 February 2011 R000 |
|---|-----------------------------|-----------------------------|
| 4. Operating profit | | |
| The following have been accounted for in operating profit: | | |
| – Amortisation of intangible assets | 1 795 | 1 631 |
| – Auditors' remuneration | 3 053 | 3 462 |
| – Depreciation of property, plant and equipment | 27 241 | 24 402 |
| – Foreign exchange losses | 298 | 245 |
| – Operating lease charges on immovable property net of recoveries from sub-leases | 42 508 | 27 145 |
| – Operating lease charges on movable property | 2 102 | 1 930 |
| – (Profit)/loss on sale of property, plant, equipment and restaurants | (1 203) | 337 |
| – Transfer of share-based payment reserve | 9 378 | 7 339 |
| 5. Capital commitments | | |
| Capital expenditure approved not contracted | 35 328 | 43 968 |


Condensed consolidated statement of cash flow

| | 29 February 2012 R000 | 28 February 2011 R000 |
|---|-----------------------------|-----------------------------|
|  | | |
| Cash generated before changes in working capital | 451 636 | 392 133 |
| (Increase)/decrease in inventories | (44 430) | 4 592 |
| Increase in receivables | (15 690) | (23 039) |
| Increase in payables | 7 194 | 23 243 |
| Cash generated by operations | 398 710 | 396 929 |
| Net interest paid | (10 652) | (14 934) |
| Taxation paid | (131 719) | (123 895) |
| Net cash flow from operating activities | 256 339 | 258 100 |
| Dividends paid | (159 165) | (127 817) |
| Net cash retained from operating activities | 97 174 | 130 283 |
| Acquisition of businesses including intangibles | (30 896) | (43 800) |
| Expansion capital expenditure: | | |
| Property, plant and equipment | (45 793) | (15 794) |
| Intangible assets | (1 030) | (3 893) |
| Replacement capital expenditure on property, plant and equipment | (9 776) | (25 546) |
| Proceeds from disposal of property, plant and equipment | 3 263 | 1 818 |
| Cash flow from investing activities | (84 232) | (87 215) |
| Movement in share capital and reserves | 5 657 | 15 245 |
| Decrease in interest-bearing borrowings | (65 634) | (67 399) |
| Cash flow from financing activities | (59 977) | (52 154) |
| Change in cash and cash equivalents | (47 035) | (9 086) |
| Foreign currency effect | 1 218 | 963 |
| Cash and cash equivalents at beginning of year | 86 397 | 94 520 |
| Cash and cash equivalents at end of year | 40 580 | 86 397 |


Condensed consolidated statement of comprehensive income

|  | 29 February 2012 R000 | 28 February 2011 R000 | % change |
|---|-----------------------------|-----------------------------|-------------|
| Revenue | 2 155 615 | 1 878 036 | 15 |
| Gross profit | 922 967 | 813 152 | 14 |
| Selling and administrative expenses | (510 311) | (454 699) | |
| Operating profit | 412 656 | 358 453 | 15 |
| Net interest paid | (10 652) | (14 934) | |
| Profit before taxation | 402 004 | 343 519 | 17 |
| Taxation | (133 950) | (112 520) | |
| Profit for the year | 268 054 | 230 999 | 16 |
| Foreign currency translation differences | 7 837 | (5 182) | |
| Total comprehensive income for the year | 275 891 | 225 817 | |
| Profit attributable to: | | | |
| Equity holders of Famous Brands Limited | 266 811 | 230 260 | 16 |
| Non-controlling interests | 1 243 | 739 | |
| Total comprehensive income attributable to: | | | |
| Equity holders of Famous Brands Limited | 274 648 | 225 078 | |
| Non-controlling interests | 1 243 | 739 | |
| Reconciliation to headline earnings for the year | | | |
| Earnings attributable to equity holders of Famous Brands Limited | 266 811 | 230 260 | 16 |
| Loss on sale of company-owned restaurants | 455 | 406 | |
| Loss/(profit) on disposal of property, plant and equipment | 172 | (164) | |
| Headline earnings for the year | 267 438 | 230 502 | 16 |
| Earnings per share – cents | | | |
| – basic | 278 | 242 | 15 |
| – diluted | 272 | 237 | 15 |
| Headline earnings per share – cents | | | |
| – basic | 278 | 242 | 15 |
| – diluted | 272 | 237 | 15 |
| Dividends to shareholders – cents | | | |
| – interim: dividend declared | 80 | 70 | 14 |
| – final: dividend declared | 120 | 85 | 41 |
| Total dividends for the year | 200 | 155 | 29 |
| Ordinary shares | | | |
| – in issue | 96 192 435 | 95 817 435 | |
| – weighted average | 96 102 435 | 95 245 418 | |
| – diluted weighted average | 99 937 435 | 98 905 257 | |


Condensed consolidated segmental information – business unit and geographical

|  | 29 February 2012 R000 | 28 February 2011 R000 | % change |
|---|-----------------------------|-----------------------------|-------------|
| Revenue | | | |
| Franchising | 439 946 | 386 015 | 14 |
| Supply chain | 1 613 907 | 1 382 778 | 17 |
| Manufacturing | 747 244 | 663 812 | |
| Logistics | 1 516 375 | 1 262 325 | |
| Eliminations | (649 712) | (543 359) | |
| Corporate | 19 829 | 14 577 | |
| South Africa | 2 073 682 | 1 783 370 | 16 |
| Franchising (UK) | 81 933 | 94 666 | (13) |
| Total | 2 155 615 | 1 878 036 | 15 |
| Operating profit | | | |
| Franchising | 264 685 | 234 971 | 13 |
| Supply chain | 140 508 | 116 233 | 21 |
| Manufacturing | 87 784 | 77 788 | |
| Logistics | 52 724 | 38 445 | |
| Corporate | (40) | (3 489) | |
| South Africa | 405 153 | 347 715 | 17 |
| Franchising (UK) | 7 503 | 10 738 | (30) |
| Total | 412 656 | 358 453 | 15 |

Condensed consolidated statement of changes in equity

| | 29 February 2012 R 000 | 28 February 2011 R000 |
|---|------------------------------|-----------------------------|
|  | | |
| Balance at beginning of year | 708 594 | 583 926 |
| Group comprehensive income for the year | 274 648 | 225 078 |
| Group dividends to shareholders | (158 565) | (127 629) |
| Equity settled share-based payments | 9 378 | 7 339 |
| Movement in share capital and reserves | 5 657 | 15 245 |
| Increase in non-controlling interests | 658 | 4 635 |
| Total equity | 840 370 | 708 594 |

Condensed consolidated statement of financial position

| | 29 February 2012 R000 | 28 February 2011 R000 |
|--|-----------------------------|-----------------------------|
|  | | |
| ASSETS | | |
| Non-current assets | 859 304 | 793 323 |
| Property, plant and equipment | 155 739 | 130 847 |
| Intangible assets | 694 977 | 659 668 |
| Deferred taxation | 8 588 | 2 808 |
| Current assets | 361 865 | 345 989 |
| Inventories | 119 987 | 75 552 |
| Taxation | 1 386 | 1 468 |
| Trade and other receivables | 199 912 | 182 572 |
| Cash and cash equivalents | 40 580 | 86 397 |
| Total assets | 1 221 169 | 1 139 312 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of Famous Brands Limited | 834 792 | 703 674 |
| Non-controlling interests | 5 578 | 4 920 |
| Total equity | 840 370 | 708 594 |
| Non-current liabilities | 106 624 | 177 032 |
| Interest-bearing borrowings | 52 216 | 122 011 |
| Deferred taxation and lease liabilities | 54 408 | 55 021 |
| Current liabilities | 274 175 | 253 686 |
| Trade and other payables | 191 523 | 180 631 |
| Short-term portion of interest-bearing borrowings | 69 936 | 65 775 |
| Taxation | 12 716 | 7 280 |
| Total liabilities | 380 799 | 430 718 |
| Total equity and liabilities | 1 221 169 | 1 139 312 |

NOTE TO TEACHERS: This task is relevant to Grade 12 learners from 2014 (i.e. relevant to CAPS). Teachers may choose to increase the marks on specific items and mark the case study out of 75 or 100 marks, as long as the final weighting is as per CAPS.

ACCOUNTING GRADE 12: TASK D

THIRD TERM ASSESSMENT TASK CASE STUDY: CASH BUDGET AND DEBTORS

QUESTION PAPER

50 marks; 60 minutes

Preamble

Nikke Stores is a retail business that sells sporting goods. The business was originally owned by Bennie Becker. The financial year ends on 31 December each year. As Bennie's wife, Mary, had studied Accounting at school, he asked her to prepare a Cash Budget for the business and to enter the actual figures each month.

In February 2013, you are provided with this Cash Budget, which also reflects actual figures.

The business had a bank overdraft of R325 400 on 1 December 2012.

In order to solve the overdraft problem, Bennie Becker decided to admit Mark Mtini as a new business partner on 28 December 2012. This was not anticipated when Mary drew up the Cash Budget at the beginning of December. The partnership agreement stated that Mtini's capital contribution comprised a transfer of cash, R250 000, and a new delivery vehicle valued at R180 000.

REQUIRED

1. Bennie Bekker feels that his wife made two mistakes in compiling the budget. He says that she incorrectly left out the following:
 - The monthly depreciation of R4 800 per month
 - The new delivery vehicle, valued at R240 000, provided as capital by Mtini

What would you say to Bennie regarding the mistakes he thinks his wife made? (2)
2. Complete the Debtors' Collection Schedule for December 2012 and January 2013. (4)
3. Calculate the following for January 2013:
 - Percentage increase in the budgeted salaries and wages (2)
 - Percentage decrease in the amount budgeted for commission income (2)
4. The R9 000 per month is the monthly repayment on the purchase of the existing vehicle. This was bought several months ago for R196 000. At the time of purchase, a deposit of R46 000 was paid. Instalments are paid over 24 months. Calculate the total finance charges incurred in the purchase of this vehicle. (2)

5. Bennie's son, Bart, used the business vehicle to attend his Matric farewell party and was involved in an accident. The insurance company refused to repair the vehicle as Bart was not listed as a designated driver and the vehicle was not being used for business purposes. Bennie authorised payment for the repairs to the damaged vehicle and charged this to Vehicle Expenses. The business has over-budgeted on normal vehicle expenses and spends 75% of the budgeted amount.
- What effect did the damage caused by Bart have on the budget? (2)
 - Mtini has become aware of this. What is he likely to say to Bennie? State TWO points. (2)
- Refer to the Rent in the Cash Budget. A rent increase of 10% takes effect on 1 January 2013. The actual rent received in December was as per the budget.
- 6.
- Calculate the rent income for December 2012. (2)
 - Provide a suitable explanation for the actual amount of rent collected in January 2013 being different from the budgeted amount. (1)
7. Payments to creditors:
- Calculate the budgeted amount to be paid to creditors in January 2013. (2)
 - Mtini feels that the business need not buy any goods for cash, and that all goods should be bought on credit. In your opinion, will this improve the business Cash Budget? Explain. (2)
8. Bennie Bekker decided to repay the existing loan from Alpha Lenders in full on 31 December 2012 as the interest rate was very high. The interest of 15% p.a. on this loan was not capitalised. He then decided to take out a new loan with Minty Bank on 1 January 2013. Interest is capitalised on this loan and according to the agreement a monthly amount of R4 000 is to be paid to Minty Bank on the 25th day of each month.
- Explain the difference between interest capitalised and interest not capitalised. (1)
 - Calculate the amount of the loan to be repaid on 31 December 2012. (2)
9. Use the Cash Budget to identify the missing figures, totals and balances designated A–D. You are NOT required to identify the other missing figures. (4)
10. Mtini is worried that the business is not controlling the debtors properly. He asks you for a short report. Include the following in your report:
- Calculation of average debtors' collection period (in days) (2)
 - The percentage of debtors who are complying with the credit terms (as indicated in the Debtors Age Analysis) (2)
 - A brief comment on the above two calculations. (1)
 - Details of the main mistakes that the business is making with regard to debtors. Also provide the names of specific debtors to illustrate these main problems and suggest a solution for each mistake. (6)
11. Consider the actual and budgeted figures for Advertising, Telephone and Insurance. (Note that Mtini has not drawn any funds as yet.) Comment on each item, and offer ONE point of advice in each case. (6)
12. Bennie has made two significant decisions by taking out a new loan and admitting a partner to the business. What would you say to Bennie about these decisions and the effect on the cash flow of the business? (3)

INFORMATION ON NEXT TWO PAGES ...

INFORMATION

1. Cash Budget for two months ending 31 January 2013

(actual figures in shaded columns):

| Receipts | December 2012 | | January 2013 | |
|-------------------------------|----------------|-----------------|----------------|----------------|
| | BUDGET | ACTUAL | BUDGET | ACTUAL |
| Cash sales | 480 000 | 452 000 | 330 000 | 208 000 |
| Receipts from debtors | ? | 189 980 | ? | 222 685 |
| Commission income | 24 000 | ? | 20 400 | 12 000 |
| Loan from Minty Bank | 0 | 0 | 0 | 120 000 |
| Rent income | ? | ? | 15 950 | 31 900 |
| Capital from M Mtini | 0 | 250 000 | 0 | 0 |
| Total Receipts | 778 798 | 926 480 | ? | 594 585 |
| Payments | | | | |
| Cash purchases | 222 500 | 245 750 | 155 000 | 110 380 |
| Payments to creditors | 181 800 | 162 000 | ? | 184 000 |
| Telephone | 2 800 | 4 500 | 2 800 | 4 200 |
| Repayment on existing vehicle | 9 000 | 9 000 | 9 000 | 9 000 |
| Vehicle expenses | 8 000 | 6 400 | 8 000 | 37 500 |
| Salaries and wages | 68 000 | 82 800 | 72 080 | 72 080 |
| Advertising | 5 000 | 5 000 | 5 000 | 5 000 |
| Sundry operating expenses | 23 380 | 19 400 | 17 300 | 17 320 |
| Insurance | 22 000 | 16 000 | 22 000 | 16 000 |
| Drawings by Bennie Bekker | 25 000 | 25 000 | 25 000 | 35 000 |
| Interest on overdraft | 4 020 | ? | ? | 0 |
| Interest on loan | 500 | 500 | 500 | 0 |
| Repayment of loans | 0 | ? | 0 | 4 000 |
| Total Payments | 572 000 | 620 370 | 516 930 | 494 480 |
| Cash surplus/shortfall | 206 498 | 306 110 | ? | 100 105 |
| Bank (Opening balance) | (325 400) | (325 400) | A | C |
| Bank (Closing balance) | ? | (19 290) | B | D |

2. **Purchases and Sales of trading stock**

Stock is replaced on a monthly basis.

50% of stock is usually purchased on credit.

Creditors are paid in the month after the purchases, to take advantage of a 10% discount.

Goods are sold at a constant mark-up of 80% on cost.

The budget is worked out on the following total sales figures:

| October 2012 | November 2012 | December 2012 | January 2013 |
|--------------|---------------|---------------|--------------|
| R603 00 | R727 200 | R801 000 | R558 000 |

Credit sales constitute 40% of the total sales.

3. **Expected collections from debtors:**

Debtors are told that they are expected to pay in the current month or in the month following the sales transaction month. However, the budget is compiled as follows:

10% is collected in the transaction month. A discount of 5% is allowed for any payment received in the transaction month.

50% is collected in the month after the transaction month.

35% is collected in the second month after the month of sale.

4. **Debtors Age Analysis on 31 December 2012**

| DEBTORS | CREDIT LIMIT | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | TOTAL |
|---------------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| M Minaj | 45 000 | | | | 49 100 | 49 100 |
| U Usher | 85 000 | | | 7 800 | 40 680 | 48 480 |
| B Beiber | 30 000 | | | | 24 000 | 24 000 |
| B Britney | 100 000 | 49 125 | 45 240 | 9 050 | 25 865 | 129 280 |
| J Jemson | 12 000 | | 6 500 | | | 6 500 |
| W West | 50 000 | | | | 22 000 | 22 000 |
| D Drake | 120 000 | 29 800 | 39 000 | 24 000 | 26 680 | 119 480 |
| H Hannah | 25 000 | | | 31 100 | 9 300 | 40 400 |
| W Wayne | 45 000 | | 4 350 | 23 270 | 8 740 | 36 360 |
| Other debtors | | ? | ? | ? | ? | ? |
| | | R156 725 | R234 250 | R172 500 | R201 300 | R764 775 |
| | | 90 days | 60 days | 30 days | Current | |
| Percentage | | % | % | % | % | 100% |

5. **Actual figures from financial statements for year ended 31 December 2012:**

| | For the year | |
|---------------|-----------------------|-------------------------|
| Total sales | R4 600 000 | |
| Cash sales | R2 200 000 | |
| Credit sales | R2 400 000 | |
| | 1 January 2012 | 31 December 2012 |
| Trade debtors | R 295 225 | R764 775 |

TOTAL: 50

ACCOUNTING GRADE 12: TASK D**THIRD TERM ASSESSMENT TASK****CASE STUDY: CASH BUDGET AND DEBTORS****ANSWER BOOK**

| | |
|------------------------|--|
| Name of learner | |
| School | |
| Class | |

| |
|---------------------------|
| MARKS ACHIEVED |
| |
| 50 |

1. What would you say to Bennie about the mistakes that he says his wife made in compiling the budget with regard to the depreciation and the contribution of a new delivery vehicle?

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| 2 |

2. Debtors' Collection Schedule for December 2012 and January 2013

| MONTH | CREDIT SALES | DECEMBER 2012 | JANUARY 2013 |
|--------------------------|--------------|---------------|--------------|
| October | | | |
| November | | | |
| December | | | |
| January | | | |
| Cash from debtors | | | |

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3. Calculate % increase in budgeted salaries and wages in January 2013.

Calculate % decrease in amount budgeted for commission income in January 2013.

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4. Calculate total finance charges incurred in the purchase of the vehicle.

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5. Effect on the budget:

TWO points that Mtini would mention to Bekker:

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6. Calculation of rent income for December 2012:

Suitable explanation:

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7. Calculate the budgeted payments to creditors in January 2013.

Mtini feels that the business need not buy any goods for cash, and that all goods should be bought on credit. In your opinion, will this improve the business Cash Budget? Explain.

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8. Explain the difference between interest capitalised and interest not capitalised.

Calculate the amount of the loan repaid on 31 December 2012.

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9. Use the Cash Budget to identify the missing figures, totals and balances designated A–D. You are NOT required to identify other missing figures.

| | | | |
|---|---|---|---|
| A | B | C | D |
| | | | |

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10. Calculation of average debtors' collection period (in days):

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Calculation of % of debtors who are complying with the credit terms (as indicated in the Debtors Age Analysis):

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Brief comment on the above two calculations:

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Details of the main mistakes that the business is making with regard to debtors. Also provide the names of specific debtors to illustrate these main problems and suggest a solution for each mistake.

| MISTAKES | DEFAULTING DEBTORS | SOLUTION |
|----------|--------------------|----------|
| | | |
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| 6 |

11. Consider the actual and budgeted figures for Advertising, Telephone and Advertising. (Note that Mtini has not drawn any funds as yet.) Comment on each item, and offer ONE point of advice in each case.

| | COMMENT | ADVICE |
|-------------|---------|--------|
| Advertising | | |
| Telephone | | |
| Insurance | | |

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12. **Bennie has made two significant decisions by taking out a new loan and admitting a partner to the business. What would you say to Bennie about these decisions and the effect on the cash flow of the business?**

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MARKING GUIDELINES

NOTE TO TEACHERS: This task is relevant to Grade 12 learners from 2014 (i.e. relevant to CAPS). This task comprises two parts. You may adapt the material to take the needs of your class group into account. For example, you may require them to do Part A on their own and Part B in class. Or you may require the class to do only Part B as a formal report, and undertake Part A as an extension task in class on a weekly basis. If you choose to adapt the material in any way, you should ensure that the task comprises 50 marks as per CAPS.

ACCOUNTING GRADE 12: TASK A

FIRST TERM ASSESSMENT TASK

REPORT ON COMPANIES

MARKING GUIDELINE

THIS TASK CONSISTS OF TWO PARTS

PART A Report on a public company listed on the JSE

PART B Internal auditor's report on procedures and internal controls in a public company

MARKING GUIDELINE FOR PART A**PART A****Report on a public company listed on the JSE****Marking Rubric**

| Criteria | Poor/Incorrect | Mark | Satisfactory | Mark | Good | Mark | Excellent | Mark |
|--|---|-------------|--|-------------|--|-------------|---|-------------|
| Maximum number of shares that your aunt can buy | Weak calculations on share purchase | 0–1 | Some aspects are adequately covered | 2 | Good calculations presented | 3 | Excellent calculations showing great understanding | 4 |
| Share price and other calculations | Weak calculations | 0–1 | Some aspects are adequately covered | 2 | Good calculations presented | 3 | Excellent calculations presented | 4–5 |
| Graph of the company's share price | Weak presentation of information in graph | 0–1 | Some aspects are adequately covered | 2 | Good preparation of graph | 3 | Excellent graph presented | 4 |
| Graph of the value of your aunt's investment portfolio | Weak presentation of information in graph | 0–1 | Some aspects are adequately covered | 2 | Good preparation of graph | 3 | Excellent graph presented | 4 |
| Further information on the company | Poor information collected on the company | 0–1 | Some aspects are adequately covered | 2 | Good information collected on the company | 3 | Excellent information collected | 4–5 |
| Recommendation on further investment in this company, with reasons | Poor recommendations on further investment | 0–1 | Some aspects are adequately covered | 2 | Good recommendations made | 3 | Excellent recommendations made | 4 |

MARKING GUIDELINE FOR PART B

Expected responses are provided below. Marking guidelines are as follows:

Excellent answer = 4 marks; Good = 3 marks; Satisfactory = 2 marks; Poor = 1 mark; Incorrect = 0

Internal auditor’s report on procedures to be implemented for Exotic Clothing Ltd:

1. Procedures to establish the company:

- 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
- Public are 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)

(4)

2. Records that should be kept on each shareholder, together with reasons:

| Records | Reason |
|--|--|
| • Completed application form | • Acknowledges the individuals' intention of investing in the company |
| • Certified copies of the personal particulars of shareholders | • The existence of the individual can be verified through these details |
| • Banking details of shareholders | • Dividends will be deposited directly into the current banking account of the shareholder |
| • Income tax number or tax registration details | • SARS will be directly informed of benefits to the shareholders |
| • Number of shares allocated to the shareholder | • Calculation of dividends |
| • Postal and/or email addresses | • Financial statements and other details can be forwarded to the shareholder |

(4)

3. **Internal control procedures for fixed assets:**

- Duties to be divided among the employees in the Accounting department so that the work of one person serves as a check on another to prevent abuse and fraud.
- Proper procedures and documentation for the purchasing, receiving, recording of assets acquired and the disposal of fixed assets.
- Assets must be properly valued and must include the cost of installation.
- Fixed assets acquired must be properly recorded in the fixed assets register.
- Ongoing identification of fixed assets is done.
- Missing/Damaged fixed assets are logged. Investigations must be carried out and reports written out on the findings.
- Profits and losses are properly recorded when assets are disposed of.
- Fixed assets must be adequately insured.
- Appointment of a fixed assets manager to take control over the fixed assets.
- There must be clear guidelines on the use of fixed assets – as a rule all assets must be used for business purposes only.

(4)

4. **Internal control procedures for trading stock:**

- Duties to be divided among the employees in the Accounting department so that the work of one person serves as a check on another to prevent abuse and fraud.
- A senior person or appointed buyer is usually responsible for placing orders.
- Division of duties – the person responsible for ordering should not have access to creditors' accounts, payments and stock movements.
- When stock arrives, it must be checked against the delivery note.
- The invoice must also be checked against the order note, and all calculations thereon must be verified.
- Reports must be sent to management on obsolete, damaged and slow-moving stock.
- Stock-taking must be completed so that stock losses can be determined.
- Adequate security systems must be in place to monitor and control stock theft.
- Invoices must be checked to creditors' statements and reconciled so that differences can be identified.
- Payment properly authorised after creditors' reconciliations are done.

(4)

5. **Internal control procedures for accounts receivable (debtors):**

- Duties to be divided among the employees in the Accounting department so that the work of one person serves as a check on another to avoid the possibility of abuse and fraud.
- Prospective debtors must complete relevant application forms.
- The details provided on the application form must be verified by the debtors' clerk.
- Checks for possible blacklisting must be carried out.
- Screen debtors' past performance by checking credit references.
- A certain credit limit is set based on the information on the application form and checking of all relevant details.
- Credit terms must be clearly set out to prospective debtor.
- Continuous monitoring of limit of credit sales and timeous settlement of the amount due.
- Statements to be sent out at month end (25th) to inform debtors of amount owed.
- Offer discounts or charge interest to motivate debtors to settle debts promptly.
- Defaulting debtors must be contacted immediately to remind them of payment due, and also establish reason for not settling timeously.
- Credit to debtors with amounts overdue must be stopped immediately.
- Inform debtors with long overdue accounts that legal action will be taken to recover amounts owing.

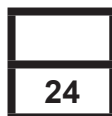
(4)

6. **Internal control procedures for cash collected**

- Duties to be divided among the employees in the Accounting department so that the work of one person serves as a check on another to avoid the possibility of abuse and fraud.
- All cash collected must be receipted. The cashier must hand over the cash collected to the chief cashier.
- The chief cashier will prepare the deposit slip by verifying the amounts received through additions of duplicate receipts and cash register tapes.
- All cash received must be deposited on a daily basis. Owner can make arrangements with the bank to receive an SMS notification for all deposits made into his account.
- Reconciliation procedures must be carried out regularly to ensure all monies received is being deposited.
- Division of duties – this will avoid fraudulent activities by individuals.

(4)

Signed: _____ (Internal Auditor) Date: _____



IMPORTANT NOTE TO TEACHERS: This test is NOT relevant to 2013 Grade 12 learners. The test includes entries relating to the new CAPS curriculum to be implemented in 2014, with regard to shares of no par value and the repurchase of shares. The test was adapted from a previous Grade 12 paper (QUESTION 4 of the 2009 NSC backup paper).

ACCOUNTING GRADE 12: TASK B(i)
2014 CAPS VERSION

FIRST TERM TEST
FINANCIAL STATEMENTS OF A COMPANY

MARKING GUIDELINE

1. Calculate the profit or loss on the disposal of the computer:

No part marks

$$\begin{array}{ccccccccc}
 & \checkmark & & \checkmark & & \checkmark\checkmark\checkmark & & \checkmark & & \checkmark\checkmark \\
 66\ 000 & - & 16\ 500 & - & 4\ 950 & - & 2\ 400 & = & R42\ 150
 \end{array}$$

OR

$$\begin{array}{ccccccccc}
 & \checkmark & & \checkmark & & \checkmark\checkmark\checkmark & & \checkmark & & \checkmark\checkmark \\
 66\ 000 & - & (16\ 500 + 4\ 950) & - & 2\ 400 & = & R42\ 150
 \end{array}$$

OR

| | | |
|----------------------------------|--------|----|
| Cost price | 66 000 | ✓ |
| Accu depr (16 500 ✓ + 4 950 ✓✓✓) | 21 450 | |
| Carrying value | 44 550 | |
| Disposal/Bank | 2 400 | ✓ |
| Loss on sale of asset | 42 150 | ✓✓ |

Asset disposal

| | | | |
|---------------------|---------|--|----------|
| <i>Equipment</i> | ✓66 000 | <i>Accu depr</i> (16 500✓ + 4 950 ✓✓✓) | 21 450 |
| Ignore details here | | <i>Bank</i> | ✓ 2 400 |
| | | <i>Loss on sale of asset</i> | ✓✓42 150 |
| | 66 000 | | 66 000 |

8

2. SIMPHIWE LTD

INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2012

| | | | | |
|----|--|--|---|-------------|
| | Sales (8 160 000✓ – 18 600✓ – 28 800✓) | | ✓ | 8 112 600 |
| | Cost of sales (3 930 000✓ – 19 200✓) | | ✓ | (3 910 800) |
| 9 | Gross profit ✓ | Operation, COS must be deducted | <input checked="" type="checkbox"/> | 4 201 800 |
| | Other operating income | Check operation | <input checked="" type="checkbox"/> | 479 900 |
| | Fee income (314 250✓ – 2 250✓) | | ✓ | 312 000 |
| | Rent income (168 000✓ – 24 000✓✓) | | ✓ | 144 000 |
| | Bad debts recovered | | ✓✓ | 1 700 |
| 13 | Trading stock surplus [1 440 000 – (1 398 600 + 19 200)] | One part correct | <input checked="" type="checkbox"/> ✓✓ | 22 200 |
| | | | | 4 681 700 |
| | Operating expenses | Operation | <input checked="" type="checkbox"/> | (3 224 700) |
| | Salaries and wages | | ✓ | 486 000 |
| | Discount allowed | | ✓ | 2 710 |
| | Insurance | | ✓ | 33 000 |
| | Sundry expenses (117 750✓ – 9 600✓) | | ✓ | 108 150 |
| | Directors' fees (870 000✓ + 870 000✓ + 435 000✓) | | ✓ | 2 175 000 |
| | Audit fees | | ✓ | 161 100 |
| | Consumable stores (75 600✓ – 3 600✓) | | ✓ | 72 000 |
| | Provision for bad debts adjustment (5 410✓ – 4 320✓) | | ✓ | 1 090 |
| | Depreciation (4 950☒ + 13 750✓✓ + 74 400✓✓ + 50 400✓✓) | See 4.1.1 Operation, one part correct | <input checked="" type="checkbox"/> | 143 500 |
| 28 | Loss on sale of asset | See 4.1.1 | <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> | 42 150 |
| | Operating profit ✓ | Operation, expenses must be deducted | <input checked="" type="checkbox"/> | 1 547 000 |
| | Interest income ✓ | | ✓ | 7 500 |
| | Profit before interest expense | Operation | <input checked="" type="checkbox"/> | 1 464 500 |
| | Interest expense ✓ | | ✓✓ | (54 000) |
| | Profit before tax | Operation, interest must be deducted | <input checked="" type="checkbox"/> | 1 401 500 |
| | Income Tax ✓ | If = 30% of figure above | <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> | (423 150) |
| 14 | Net profit after tax ✓ | Operation, tax and interest expense must be deducted | <input checked="" type="checkbox"/> | 978 350 |

Foreign items –1 each (max –2); Ignore Trading Stock AND Provision for Bad Debts as foreign items

If interest income/interest expense in two places, treat as foreign item

If interest income/interest expense misplaced, –1 each time (–2 max)

| |
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| 64 |

3. NOTES TO THE FINANCIAL STATEMENTS

| | | |
|-----|--|--------------|
| | ORDINARY SHARE CAPITAL | |
| 3.1 | Authorised: | |
| | 600 000 ordinary shares ✓ | |
| | Issued: | |
| | ✓ 400 000 shares in issue on 1 October 2011 (4 410 000–950 000) | ✓ 3 460 000 |
| | ✓ 100 000 shares issued on 1 April 2009 at R9,50 each | ✓✓ 950 000 |
| | ✓ 70 000 shares repurchased on 30 September 2012 (70 000✓ x R8,82✓) | ✓✓ (617 400) |
| | ✓ 430 000 shares in issue on 30 September 2012 | ✓ 3 792 600 |

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| 13 |

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|--|---|--------------|
| | RETAINED INCOME | |
| | Balance at beginning of year | ✓ 812 650 |
| | Add: Net profit after tax ✓ See Inc Stmt | ✓ 978 350 |
| | Less: Shares repurchased ✓ (70 000✓ x R2,38✓) | ✓✓ (166 600) |
| | Less: Dividends ✓ Operation | ✓ (674 000) |
| | Interim | ✓ 264 000 |
| | Final (500 000✓ x 82c✓) | ✓ 410 000 |
| | Balance at end of year Operation | ✓ 1 117 000 |

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| 100 |

NOTE TO TEACHERS: This task is relevant to Grade 12 learners in 2013 and from 2014 (i.e. relevant to CAPS as well). You may adapt the material to cater for more than 50 marks, but you should ensure that the final mark is reduced to 50 marks as per CAPS. Teachers may allow learners to refer to textbooks in completing this task. **ALSO PROVIDE LEARNERS WITH THE RESOURCE MATERIAL FOR THIS TASK (SEPARATE DOCUMENT).**

ACCOUNTING GRADE 12: TASK C

SECOND TERM PROJECT

PUBLISHED FINANCIAL STATEMENTS OF A COMPANY

MARKING GUIDELINE

You are provided with a summary of the published financial statements of **FAMOUS BRANDS LIMITED** for the year ended 29 February 2012.

REQUIRED

Study the information provided. Answer the questions which follow. As this task is intended as a project, you may use your textbook as a resource.

You are also provided with the following financial indicators for the 2011 financial year:

- | | | |
|-----------------------------|-----------------------------------|--|
| Current ratio = 1,4 : 1 | Acid-test ratio = 1,1 : 1 | Dividend pay-out rate = 64% |
| Debt-equity ratio = 0,2 : 1 | Net asset value per share = R7,44 | % Return on shareholders' equity = 33,9% |
| EPS = 242 cents | DPS = 155 cents | |

Part-marks may be awarded for partial or incomplete answers.

1. General information:

1.1 **Refer to Page 1 of the source material for the icons of the well-known brands that comprise Famous Brands Ltd. Name FOUR of these brands and describe the product or service in which each brand specialises.**

All items correct = 2 marks; partly correct = 1; incorrect = 0

Any four brands from the information provided e.g.

| | Brand | Description of speciality product or service |
|----|---------------|--|
| 1. | Wimpy | Fast foods sold to the public |
| 2. | Debonairs | Pizza, with delivery service |
| 3. | Mugg and Bean | Coffee shop with meals |
| 4. | Steers | Steaks, with other meals |

2

1.2

Give the names of the persons who fill the following positions: Chairman of the Board of Directors, Chief Executive Officer, Group Financial Director and Company Secretary. Briefly explain the work done by each of them.

All items correct = 3 marks; mostly correct = 2; poor = 1; incorrect = 0

| Position | Name | Work done |
|---------------------------------|----------------|---|
| Chairman | P Halamandaris | He chairs the meetings of the Board of Directors. |
| CEO | KA Hedderwick | He runs the company on a daily basis; ensures that board decisions are carried out. |
| Group financial director | SJ Aldridge | He is in charge of the Accounting department, finances and internal audits. |
| Company secretary | JG Pyle | He ensures that all legal procedures are complied with. |

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1.3

Who are the independent auditors of Famous Brands Limited, and how much were they paid for their services? Their report is not provided in this summary, but there is a reference to it in Note 3. Briefly explain what this audit report would contain.

All items correct = 3 marks; mostly correct = 2; poor = 1; incorrect = 0

| | |
|--------------------------------|--|
| Independent auditors | RSM Betty and Dickson (Johannesburg) |
| Audit fees paid | R3 053 000 |
| Details of audit report | Unqualified. The report contains a description of the duties of the directors and auditors, and the compliance with IFRS and the Companies Act. The audit opinion is that the financial statements fairly present the financial results. |

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1.4

How many directors does the company have, how many of them are executive directors, and how many of them are non-executive directors? Briefly explain the difference in the roles of these two types of director.

All items correct = 3 marks; mostly correct = 2; poor = 1; incorrect = 0

| | |
|----------------------------|---|
| Number of directors | Total = 9; Executive = 3; Non-executive = 6 |
| Difference in roles | Executive directors have full-time jobs in the company. Non-executive directors attend board meetings to make policy decisions on how the company is to be organised and run. |

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2. **Why did the directors decide to show the graphs of the Earnings per Share and Total Revenue at the top of the page? Briefly explain what these graphs reflect about the company for the past five years.**

Expected response: Correct answer = 2 marks; part correct = 1; incorrect = 0

These two graphs represent the overall progress of the company. They reflect a steady improvement in Earnings per share (which is a vital indicator of profits accruing to the shareholders) and Revenue (Income, including sales), which affects all activities and results of the company.

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3. **Refer to the Commentary by the directors, particularly the Overview and the Financial results. What did the directors say about the changing habits of their customers, and how did the directors respond to these changes?**

Expected response: Excellent answer = 2 marks; good/satisfactory = 1; incorrect = 0

The number of customers increased, but their number of visits decreased by 10%. The directors opened another 146 restaurants (reaching their target of 2 000) and opened a new business, Creative Coffees (this business specialises in providing a service to a potential group of customers visiting hospitals). They also do surveys of customers to ensure that they get feedback on the quality of their services.

Briefly explain the major challenges that the company has faced in the current financial year.

Expected response: Correct answer = 1 mark; incorrect = 0

New trends; aggressive price cutting and marketing/promotions by competitors to increase market-share; changes in the sizes of portions served; menu changes.

The Operational Review states that the company was involved in three main areas: Franchising, Manufacturing and Logistics. Explain what is meant by each of these activities, with specific reference to the work that the company does.

Excellent answer = 2 marks; good/satisfactory = 1; incorrect = 0

| | |
|----------------------|--|
| Franchising | Famous Brands Ltd enters into contracts with individual entrepreneurs who accept the conditions and high standards expected of the brand. The individuals run the restaurants and pay franchise fees to the company. |
| Manufacturing | Famous Brands Ltd manufactures some of the products that they supply to the restaurants. |
| Logistics | Logistics relates to the storage and delivery of the products needed by the restaurants. |

The company does not operate only in South Africa. Provide evidence from the information to prove this point.

Expected response: Correct answer = 1 mark; incorrect = 0

The operational review mentions international franchising. The Income Statement reflects foreign currency transaction differences and Note 4 reflects foreign exchange losses.

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4. Identify the following figures from the financial statements. Also state where you found each figure i.e. in the Income Statement (IS), Balance Sheet (BS) or Cash Flow Statement (CFS).

All workings correct = 4 marks; one or two errors = 3; half correct = 2; poor = 1; incorrect = 0

| | Where found IS, BS or CFS | Amount Rand |
|---------------------------------|------------------------------|----------------|
| Gross profit | IS | 922 967 000 |
| Operating profit | IS | 412 656 000 |
| Net profit before tax | IS | 402 004 000 |
| Taxation expense | IS | 133 950 000 |
| Taxation paid | CFS | 131 719 000 |
| Amount owed to SARS at year-end | BS | 12 716 000 |
| Dividends paid | CFS | 159 165 000 |
| Expansion of fixed assets | CFS | 45 793 000 |
| Replacement of fixed assets | CFS | 9 776 000 |
| Fixed assets at year-end | BS | 155 739 000 |
| Repayment of loans | CFS | 65 634 000 |
| Current portion of loans | BS | 69 936 000 |
| Long-term portion of loans | BS | 52 216 000 |
| Stock on hand | BS | 119 987 000 |

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5. Refer to Page 1 of the source material for the six highlighted indicators. Provide workings for the following calculations:

All workings correct = 4 marks; one or two errors = 3; half correct = 2; poor = 1; incorrect = 0

% increase in revenue

$$\frac{277\,579}{1\,878\,036} \times 100 = 14,8\%$$

% increase in operating profit

$$\frac{54\,203}{358\,453} \times 100 = 15,1\%$$

% increase in headline earnings per share (use basic HEPS)

$$\frac{36}{242} \times 100 = 14,9\%$$

% increase in dividends per share

$$\frac{45}{155} \times 100 = 29,0\%$$

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6. Calculate the following financial indicators for 2012. Refer to the bottom of the Income Statement for the number of shares.

All workings correct = 4 marks; one or two errors = 3; half correct = 2; poor = 1; incorrect = 0

| | Workings | Answer |
|--|--|-----------|
| Current ratio | 361 865 000 : 274 175 000 | 1,3 : 1 |
| Acid-test ratio | 241 878 000 : 274 175 000 | 0,9 : 1 |
| Headline earnings per share (use weighted average number of shares) | $\frac{R267\,438\,000}{96\,102\,435 \text{ shares}} \times \frac{100}{1}$ | 278 cents |
| % return on average equity | $\frac{R268\,054\,000}{R774\,482\,000} \times \frac{100}{1}$ | 34,5% |
| Net asset value per share (use number of issued shares) | $\frac{R840\,370\,000}{96\,192\,435 \text{ shares}} \times \frac{100}{1}$ | 873 cents |
| Debt/equity ratio | 106 624 000 : 840 370 000 | 0.1 : 1 |
| % return on average capital employed | $\frac{R402\,004\,000 + R\,10652\,000}{\frac{1}{2}(R946\,994\,000 + R885\,626\,000)} \times \frac{100}{1}$ | 45,0% |

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7. Comment on the liquidity position of the company. Quote TWO financial indicators to support your opinion.

Expected response: Excellent answer = 3 marks; good = 2; poor = 1; incorrect = 0

The current ratio remained approximately the same for the past two years at 1,3 : 1 and 1,4 : 1. The acid-test ratio has decreased slightly from 1,1 : 1 to 0,9:1.

Although the current ratio is quite low, it is appropriate for this type of business – the company has obviously operated efficiently with these ratios in past years, stock has to be kept at low levels because of the nature of the food industry, and sales to customers will generally be for cash or by way of credit card.

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8. Comment on whether the company tends to retain or distribute its profits. Provide evidence to support your opinion. Briefly explain how this could affect the share price on the JSE.

Expected response: Excellent answer = 3 marks; good = 2; poor = 1; incorrect = 0

The dividends pay-out rate for 2012 was $\frac{200}{278} = 72\%$

The dividends pay-out rate for 2011 was $\frac{155}{242} = 64\%$

The company appears to distribute most of its earnings to the shareholders.

The willingness to distribute dividends could increase the share price on the JSE because it will make the shares more attractive to shareholders who are looking for instant returns. However, if shareholders are looking for capital growth in the value of the shares, this could depress the price as it affects the retained income, which affects the net asset value.

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9. **Comment on the gearing of the company. Should the company repay loans or take out more loans? Provide evidence to support your opinion.**

Expected response: Excellent answer = 3 marks; good = 2; poor = 1; incorrect = 0

The debt/equity ratio has decreased from 0,2 : 1 to 0,1 : 1, which indicates that the gearing and degree of financial risk has decreased. However, the % return on total capital employed is very high at 45%, which indicates that the company is very efficient, while interest rates are much lower (currently approx 10–12%), so loans can be productively used to gear up returns even more.

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10. **The share price of the company on the JSE in February 2012 was R53,00. The price increased to R79,00 in February 2013. Comment on whether or not you feel the company's shares are fairly valued. Provide evidence to support your opinion.**

Expected response: Excellent answer = 3 marks; good = 2; poor = 1; incorrect = 0

The net asset value is only R8,73, while the share price was at R53,00 at that time. This indicates that there is considerable demand from the public for the company's shares – the track record of the company obviously indicates that investment in the company's shares is a sustainable and profitable one.

Also, the assets might be undervalued (possibly due to the application of conservative accounting principles) which could have depressed the NAV.

| |
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| |
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11. **Should the shareholders be satisfied with the percentage return, earnings and dividends for the 2012 financial year? Explain. Provide evidence to support your opinion.**

Expected response: Excellent answer = 4 marks; good = 3 or 2; poor = 1; incorrect = 0

The % return has increased from 33,9% to 34,5% and this significantly exceeds the returns on alternative investments.

The EPS improved from 242 cents to 278 cents.

The DPS improved from 155 cents to 200 cents.

However, for new shareholders, if they have to buy shares at R79,00 each, then earning a R2,00 EPS amounts to only 5% of the share price in 2012, and only 3,5% of the 2013 share price. It would be interesting to check the 2013 NAV to the share price in Feb 2013, when the 2013 financial statements are published.

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12. **What do the directors say about the prospects for the future? Would this influence you in buying shares in Famous Brands Limited?**

Expected response: Excellent answer = 3 marks; good = 2; poor = 1; incorrect = 0

The directors have pointed out the challenges, i.e. whether customers will have sufficient disposable income to spend on luxuries like 'eating out' after paying for all their home expenses, which have gone up significantly e.g. electricity, fuel and food. The directors also explain the strategies they will use in looking for new opportunities, reducing costs and finding new markets. This creates a favourable impression for future investors. Learner must express an opinion on how this would influence him/her.

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TOTAL: 50 marks

NOTE TO TEACHERS: This task is relevant to Grade 12 learners in 2013 and from 2014 (i.e. relevant to CAPS as well). Teachers may choose to increase the marks on specific items and mark the case study out of 75 or 100 marks, as long as the final weighting is as per CAPS (reduced to 10 marks).

ACCOUNTING GRADE 12: TASK D

THIRD TERM ASSESSMENT TASK

CASE STUDY: CASH BUDGET AND DEBTORS

MARKING GUIDELINE

1. **What would you say to Bennie regarding the mistakes he thinks his wife made in compiling the budget with regard to the depreciation and the contribution of a new delivery vehicle?**

These are not mistakes. Both are non-cash items which do not affect the bank balances, so they must not be in a Cash Budget. üü

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2. **Debtors' Collection Schedule for December 2012 and January 2013** ✓✓✓✓

All figures correct = 4 marks; Most correct = 3; Some correct = 2; Few correct = 1; None correct = 0

| MONTH | CREDIT SALES | DECEMBER 2012 | JANUARY 2013 |
|--------------------------|--------------|----------------|----------------|
| October | 241 200 | 84 420 | |
| November | 290 880 | 145 440 | 101 808 |
| December | 320 400 | 30 438 | 160 200 |
| January | 223 200 | | 21 204 |
| Cash from debtors | | 260 298 | 283 212 |

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3. **Calculate % increase in budgeted salaries and wages in January 2013.**

$$\frac{4\ 080}{68\ 000} \times \frac{100}{1} = 6\% \quad \checkmark \checkmark \text{ any one part correct i.e. } 4080 \text{ or } 68\ 000$$

Calculate % decrease in amount budgeted for commission income in January 2013

$$\frac{3\ 600}{24\ 000} \times \frac{100}{1} = 15\% \quad \checkmark \checkmark \text{ any one part correct i.e. either } 3\ 600 \text{ or } 24\ 000$$

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4. **Calculate the total finance charges incurred in the purchase of the vehicle.**

(9 000 x 12)

46 000 + 216 000 – 196 000 = R66 000 ✓☑ any one part correct

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5. **Effect on the budget:**

Cost of repairs = 37 500 – (75% x 8 000) = 31 500 ✓☑ any one part correct

TWO points that Mtini would mention to Bekker:

Any two valid points, e.g.

- This was irresponsible as insurance terms had been violated. ✓✓
- The repairs should be debited to drawings as this is a personal expense. ✓✓

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Calculation of rent income for December 2012

15 950 x 100/110 = R14 500 ✓☑ any one part correct

6. **Suitable explanation:**

Any one valid explanation, e.g. ✓

- The tenant paid the February rent in advance.
- Additional unused property was rented out at the same rate.

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7. **Calculate the budgeted payments to creditors in January 2013.**

December total sales = 801 000

Cost of sales: 801 000 x 100/180 = 445 000

Credit purchases: 222 500

Paid in January = 222 500 – 22 250 = R200 250 ✓☑

Mtini feels that the business need not buy any goods for cash, and that all goods should be bought on credit. In your opinion, will this improve the business Cash Budget? Explain.

Yes. This will mean that the R222 500 to be paid for cash sales in December will then be paid in January, which will improve the cash balance at the end of December by this amount. When the amount is paid in January they will also earn a R22 250 discount as well. There is also a similar effect in the following month. ✓✓

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8. **Explain the difference between interest capitalised and interest not capitalised.**

Interest that is capitalised is added to the loan. Monthly repayments include the repayment of the loan and interest. Interest that is not capitalised is paid separately. ✓

Calculate the amount of the loan repaid on 31 December 2012.

$500 \div 0,15 \times 12 = R40\ 000$ ✓✓

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9. **Use the Cash Budget to identify the missing figures, totals and balances designated A–D. You are NOT required to identify other missing figures.**

All figures correct = 4 marks; Mostly correct = 3; Some correct = 2; Few correct = 1; None correct = 0

| A | B | C | D |
|------------|-----------|---------|----------|
| (118 902)✓ | (80 872)✓ | 19 290✓ | 119 395✓ |

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10. **Calculation of the average debtors' collection period (in days):**

$530\ 000$ ✓

$\frac{1}{2} (535\ 225 + 764\ 775) \times 365 = 80$ days ☑

$2\ 400\ 000$ ✓

The percentage of debtors who are complying with the credit terms (as indicated in the Debtors Age Analysis):

$(R156\ 725 + R234\ 250) \div R764\ 775 \times 100 = 51,1\%$ ✓✓

Brief comment on the two calculations above:

It is unacceptable that the debtors are taking so long to pay and that only half of them are complying with the credit terms. ✓

Details of the main mistakes that the business is making with regard to debtors. Also provide the names of specific debtors to illustrate these main problems and suggest a solution for each mistake.

| MISTAKES ✓✓ | DEFAULTING DEBTOR(S) ✓✓ | SOLUTION ✓✓ |
|------------------------------------|-------------------------------|--|
| Exceeding the credit limit | Minaj, Britney, Hannah | Do not continue supplying these debtors; reduce their credit limits; give incentives for cash purchases. |
| Taking longer than the credit term | Britney, Jemson, Drake, Wayne | Charge interest on overdue accounts; settlement discounts to encourage early settlement of accounts. |

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11. Consider the actual and budgeted figures for Advertising, Telephone and Advertising. (Note that Mtini has not drawn any funds as yet.) Comment on each item, and offer ONE point of advice in each case.

| | Comment ✓✓✓ | Advice ✓✓✓ |
|--------------------|---|--|
| Advertising | The expense is the same as budgeted. This appears to be well planned. However, when one looks at the monthly sales, it shows that advertising is not effective. | They should consider increasing the advertising budget. Can be strategically linked to sales. The business must look at trends/ codes played at different seasons and budget accordingly. |
| Telephone | Always overspending/under budgeted | Need extra control, investigate whether there is a need to increase (calling debtors etc.) or if it is being abused. |
| Insurance | This is R6 000 under-budget each month. | They should consider whether they are still adequately covered or whether they have genuinely negotiated a better rate. This might be false economy if the insurance company fails to pay out for legitimate claims. |

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12. Bennie has made two significant decisions by taking out a new loan and admitting a partner to the business. What would you say to Bennie about these decisions and the effect on the cash flow of the business?

✓✓✓ Any valid response Excellent answer = 3 marks; Good = 2; Satisfactory/Poor = 1; Incorrect = 0

Expected response:

Although he has used these strategies to convert his large overdraft into a positive balance, he should rather have looked at the real reasons for the shortcomings, e.g. credit sales now account for 52% (2,4m/4,6m) of total sales and debtors are not well controlled. He now has extra interest to pay, even though the interest rate is better, as the loan raised is larger than the one cancelled. Also he has to share profits with another partner now – when he starts to take drawings, the cash situation will get worse.

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