



NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2022

ACCOUNTING P1

MARKS: 150

TIME: 2 hours

This question paper consists of 13 pages, including a formula sheet
and an 11-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

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

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Concepts, Statement of Comprehensive Income and Statement of Financial Position	60	45
2	Financial Indicators, Share Capital note and Cash Flow calculations	40	30
3	Interpretation of Company Financial Information	35	30
4	Corporate Governance	15	15
TOTAL		150	120

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QUESTION 1: CONCEPTS, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

(60 marks; 45 minutes)

- 1.1 Choose an explanation in COLUMN B that matches the term in COLUMN A. Write only the letter (A–E) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Prudence	A	This reflects the assets, liabilities and equity of the company.
1.1.2	Statement of Comprehensive Income	B	Directors' fees should be disclosed separately in the financial statements and not as part of salaries and wages.
1.1.3	Materiality	C	This shows the inflow and outflow of funds for the year.
1.1.4	Statement of Financial Position	D	The provision for bad debts should be adjusted to 5% of outstanding debtors.
		E	This shows the profit or loss for the financial period.

(4 x 1) (4)

1.2 **JULA LIMITED**

You are provided with the information for the financial year ended 30 June 2022.

REQUIRED:

1.2.1 **Refer to Information B (i):**

Calculate the following:

- The value of the closing stock using the specific identification method. (4)
- The number of microwave ovens missing. (2)

1.2.2 **Refer to Information A and B:**

Use the table provided to calculate the correct net profit after tax for the year ended 30 June 2022. Indicate '+' for increase and '-' for decrease at each adjusted amount. (17)

1.2.3 Complete the Statement of Financial Position (Balance Sheet) on 30 June 2022. (33)

NOTE:

- Adjustments from Information B must be considered when completing the Statement of Financial Position.
- Show workings. Certain figures are provided in the ANSWER BOOK.

INFORMATION:

- A. List of balances before taking into account the errors and omissions listed below.

Balance sheet accounts section	30 June 2022 (R)	30 June 2021 (R)
Ordinary share capital	3 948 000	2 673 000
Retained income	?	1 100 300
Fixed assets at carrying value	?	
Fixed deposit	300 000	
Bank (favourable)	276 000	
Mortgage loan: BBS Bank	2 057 000	2 431 400
SARS: Income tax (Provisional tax)	947 620	
Shareholders for dividends	296 000	250 000
Trading stock	2 757 000	
Debtors control	1 595 000	
Provision for bad debts	?	78 300
Creditors control	1 264 000	

- B. The net profit before tax, R3 199 890, was calculated before taking into account/correcting the following:

- (i) The following stock items were omitted from the annual stock-take figures:

NOTE: The specific identification-method is in use for stock valuation.

During the year				Stock on 30 June 2022	
Purchases			Sales	Quantity	Total value
Item	Quantity	Unit price	Quantity		
Televisions	1 200	R7 000	1 118	?	?
Microwave ovens	2 000	R1 500	1 800	198	R297 000

- (ii) The provision for bad debts must be increased by R1 450.
- (iii) Refer to the following pre-adjustment accounts:

Nominal accounts section	
Directors' fees	R 992 000
Rent income	76 000
Advertising	54 000

- The company has five (5) directors who earn the same monthly fee. They were all entitled to a bonus equal to one month's fee. The bonus of ONE (1) director is still outstanding. The outstanding bonus was not recorded.
- Rent for May and June 2022 has not been received. This has not yet been recorded. Note that the rent increases by 10% p.a. on 1 June each year.
- An advertising contract for R12 400 was paid for the period 1 March 2022 to 31 October 2022. The prepaid portion was not recorded.

- (iv) Extract from the loan statement received from BBS Bank on 30 June 2022:

Balance on 1 July 2021	R 2 431 400
Repayments (including interest) for the period 1 July 2021 to 30 June 2022	374 400
Balance on 30 June 2022	2 246 000

- The interest on loan has not yet been recorded.
- C. After taking into account the adjustments / corrections above, it was determined that the business paid R17 400 over, for income tax for the year.
- D. Shares and dividends:
- The company repurchased 90 000 shares during the year at a total cost of R698 000. This was R275 000 above the average share price.
 - Dividends on ordinary shares for the year amounted to R570 000.
- E. A part of the fixed deposits will mature on 30 July 2022.
- F. A portion of the loan will be paid in the next financial year.
- G. The amount for fixed assets is the balancing figure.

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QUESTION 2: FINANCIAL INDICATORS, SHARE CAPITAL NOTE AND CASH FLOW CALCULATIONS (40 marks; 30 minutes)

The information relates to Terresa Ltd for the financial year ended 28 February 2022.

REQUIRED:

- 2.1 Calculate the following financial indicators on 28 February 2022.
- 2.1.1 Acid-test ratio (4)
- 2.1.2 % Return on average capital employed (5)
- 2.1.3 Dividend per share (DPS) (4)
- 2.2 Complete the Ordinary Share Capital Note on 28 February 2022. (3)
- 2.3 Calculate the following:
- 2.3.1 Change in receivables (indicate if it is an inflow or outflow of cash) (5)
- 2.3.2 Income tax paid (5)
- 2.3.3 Fixed assets purchased (4)
- 2.4 Complete the following sections of the Cash Flow Statement.
- 2.4.1 Cash effects of financing activities (7)
- 2.4.2 Net change in cash and cash equivalents (3)

INFORMATION:

- A. Extract from the Statement of Comprehensive Income for the year ended 28 February 2022:**

Sales	R3 500 000
Depreciation	810 700
Profit before interest expense	1 726 000
Net profit before tax	1 600 000

- B. Income tax was calculated at 30% for the current financial year.**

C. Extract from the Statement of Financial Position on 28 February:

	2022	2021
Fixed assets (carrying value)	7 296 200	6 117 800
Fixed deposit	?	?
Current assets	1 536 500	1 461 200
Inventories	671 000	590 000
Trade debtors	829 000	796 200
Prepaid expenses	33 000	0
SARS: Income tax	0	13 800
Bank	0	61 200
Petty cash	3 500	0
Ordinary shareholders equity	7 134 500	5 520 000
Ordinary share capital	6 240 000	5 100 000
Retained income	894 500	420 000
Non-current liabilities	1 050 000	1 400 000
Current liabilities	1 048 200	959 000
Trade creditors	700 700	777 000
SARS: Income tax	28 600	0
Shareholders for dividends	292 500	182 000
Bank overdraft	26 400	0

- D. No fixed assets were sold but there were additions to fixed assets during the financial year.
- E. Share capital and dividends:

1 March 2021	1 700 000 shares were in issue.
30 August 2021	Interim dividend paid, R323 000.
31 December 2021	R1 620 000 received for additional shares issued.
27 February 2022	150 000 shares repurchased at 20c above the average share price. These shares do not qualify for final dividends.
28 February 2022	A final dividend of 15 cents per share declared.

QUESTION 3: INTERPRETATION OF COMPANY FINANCIAL INFORMATION
(35 marks; 30 minutes)

The information relates to two companies which operate in the computer industry.
The financial year ends on 30 September each year.

NOTE: Where comments or explanations are required, quote financial indicators, figures and trends to support your answer.

REQUIRED:

3.1 Profitability:

Identify the company with the better profitability financial indicators. Quote TWO financial indicators. (3)

3.2 Liquidity:

3.2.1 Explain which company's liquidity position will make shareholders happy. Quote TWO financial indicators in your explanation. (6)

3.2.2 Explain TWO points on how the other company can improve their liquidity position. Make reference to a specific financial indicator. (4)

3.3 Dividend pay-out policy:

Comment on the change in the dividend pay-out policy of EACH company. In EACH case, provide a possible reason why the company has decided on a change of policy. Quote figures. (6)

3.4 Risk and Gearing:

Comment on how each company is managing their risk and gearing. Quote TWO financial indicators in your explanation. (8)

3.5 Percentage shareholding and share price:

The Bravo family sold some of their shares back to Dally Ltd and Nana Ltd.

3.5.1 Comment on the price paid for the repurchase of shares by Dally Ltd. Provide TWO points. Quote figures. (4)

3.5.2 Explain the effect of the share repurchase on the % shareholding of the Bravo family in EACH company. Provide a calculation to support your explanation. (4)

INFORMATION:**A. Extracts from the accounting records at the end of each financial year:**

	DALLY LTD		NANA LTD	
	Sept 2022	Sept 2021	Sept 2022	Sept 2021
Number of shares in issue	1 500 000	1 750 000	1 950 000	2 100 000
Repurchase price	R15		R15	
Number of shares owned by Bravo family at end of year	765 000	1 015 000	942 000	1 092 000
% Shareholding of the Bravo family	?	58%	?	52%

B. Financial indicators, interest rate and market price of shares:

	DALLY LTD		NANA LTD	
	Sept 2022	Sept 2021	Sept 2022	Sept 2021
Mark-up % achieved	45%		50%	
% Operating expenses on sales	31%		35%	
% Operating profit on sales	25%		16%	
Acid-Test ratio	1 : 1	0,6 : 1	0,7 : 1	0,9 : 1
Average debtor's collection period	28 days	46 days	40 days	45 days
Debt-equity ratio	0,4 : 1	0,7 : 1	0,6 : 1	0,2 : 1
Dividend pay-out rate	20%	60%	80%	25%
% Return on capital employed	16%	12%	9%	13%
Interest on loan	12%	12%	12%	12%
Net asset value per share	1 260 cents	1 120 cents	1 000 cents	1 160 cents
Market price	1 420 cents	1 390 cents	1 100 cents	1 380 cents

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

4.1 The following is an extract from the independent auditor's report of Xuba Ltd.

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2022.

- 4.1.1 Identify the type of report issued by the auditor. Provide ONE reason for your answer. (3)
- 4.1.2 Explain the impact of such a report on the image of the company. State ONE point. (2)
- 4.2 BRUCE Ltd received one of the tenders to build houses worth R10 million in the Matolo community. The Chief Financial Officer (CFO) of Bruce Ltd offers to pay 10% of the amount in cash to the Chief Executive Officer (CEO) of the housing project if awarded the tender. The CFO wants to disclose this as corporate social responsibility.
- 4.2.1 Explain why it is unethical for the CEO to accept this offer. State TWO points. (4)
- 4.2.2 Mention possible implications for the CEO should he accept this offer. Explain TWO points. (4)
- 4.2.3 Suggest TWO ways in which corporate social responsibility can be achieved through good corporate governance. (2)

15**TOTAL: 150**

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

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