



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2023

ACCOUNTING P1

MARKS: 150

TIME: 2 hours

This question paper consists of 11 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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Calculation of correct net profit and Statement of Financial Position	60	45
2	Notes to Financial Statements, Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	35	30
4	Corporate Governance	15	15
TOTAL		150	120

QUESTION 1: CALCULATION OF NET PROFIT AND STATEMENT OF FINANCIAL POSITION
(60 marks; 45 minutes)

1.1 Indicate whether the following statements are true or false.

1.1.1 Shareholders are responsible for the running of the company.

1.1.2 The Statement of Financial Position shows the financial position of a company at a specific date.

1.1.3 The Statement of Comprehensive Income shows the profit or loss for the financial year.

(3 x 1) (3)

1.2 LUX LTD

The information relates to the financial year ended on 30 June 2023.

REQUIRED:

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

Calculate the value of closing stock using the FIFO-method. (4)

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 2023.

Indicate '+' for increase and '-' for decrease at each adjusted amount. (21)

1.2.3 Complete the Statement of Financial Position on 30 June 2023. (32)

NOTE:

- Adjustments from Information B must be considered when completing the Statement of Financial Position.
- Show workings.
- Some amounts have been entered in the ANSWER BOOK.

INFORMATION:**A. Extract from Pre-adjustment Trial Balance on 30 June.**

	2023 (R)	2022 (R)
Ordinary share capital	?	6 800 000
Retained income	895 000	
Mortgage loan: Govee Bank	?	3 985 000
Fixed assets (carrying value)	7 711 501	
Fixed deposit	?	
Trading stock	2 024 500	
Debtors control	942 460	
Bank (favourable)	53 440	
Creditors control	1 962 260	
SARS: Income tax (provisional payments)	914 600	
Shareholders for dividends	616 500	
Provision for bad debts	?	25 300
Insurance	128 400	
Rent income	168 000	

B. The net profit before tax, R3 551 841, was calculated before taking the following into account:

- (i) The stock-sheet below was omitted when the final stock figures were calculated.

NOTE: The FIFO stock valuation method was used.

	Units	Unit price	Total
Opening stock	850	R60	R51 000
Purchases:			
November 2022	640	R90	R57 600
April 2023	350	R100	R35 000
Closing stock	400		

- (ii) Equipment bought on 1 January 2017, cost R360 000, was sold for cash for R43 000 on 29 June 2023. No entries were made for the sale of the equipment.
The equipment's value depreciated at a fixed amount over six (6) years.
- (iii) Provision for bad debts should be adjusted to R28 500.
- (iv) Insurance includes an amount of R40 800 paid for the period 1 January 2023 to 31 December 2023.
- (v) Rent is received for the period 1 July 2022 up to 30 September 2023. This takes into account an increase of R800 per month from 1 April 2023.

- (vi) A creditor with a debit balance of R11 000 must be transferred to the debtors ledger.
- (vii) Information from the loan statement received from Govee Bank:
- Monthly repayments, including interest of R45 000.
Interest on the loan is capitalised.
 - Balance on 30 June 2023, R3 755 000.

NOTE: The current portion of the loan will be increased by R70 000 in the next financial year.

- C. After taking the above omissions into account, it was determined that R65 500 was due to SARS.
- D. A final dividend of 45c per share was declared.
- E. The following financial indicator was calculated on 30 June 2023:
- Net asset value per share (NAV): 420 cents
- F. A fixed deposit was made at Best Bank on 25 June 2023.

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(40 marks; 30 minutes)

- 2.1 Choose the correct word from the list below which best suits each statement below. Write only the word next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

Liquidity; Gearing; Profitability; Solvency

- 2.1.1 Use of borrowed capital (loans) to finance the business.
- 2.1.2 Ability of the business to pay short-term debts.
- 2.1.3 Ability to settle all debts using the assets of the business. (3 x 1) (3)

2.2 **TUMBA LTD**

The information relates to the financial year ended 30 April 2023.

REQUIRED:

- 2.2.1 Complete the Ordinary Share Capital note. (6)
- 2.2.2 Calculate the following amounts for the Cash Flow Statement:
- Income tax paid (5)
 - Dividends paid (3)
- 2.2.3 Complete the following sections of the Cash Flow Statement.
- Cash effects from investing activities (7)
 - Net change in cash and cash equivalents (4)
- 2.2.4 Calculate the following financial indicators on 30 April 2023.
- Acid-test ratio (4)
 - % return on average shareholders' equity (ROSHE) (4)
 - Interim dividends per share (4)

NOTE: Some amounts have been entered in the ANSWER BOOK.

INFORMATION:**A. Extract from the Statement of Comprehensive Income on 30 April 2023**

Sales	3 188 150
Depreciation	413 000
Interest expense	78 000
Net profit after tax	637 630

NOTE: The income tax rate is 30%.

B. Extract from the Statement of Financial Position on 30 April:

	2023	2022
Fixed assets (carrying value)	4 094 900	3 830 000
Financial assets	190 000	
Inventories	720 800	520 000
Trade and other receivables	240 000	356 000
Cash and cash equivalents	56 600	6 500
Shareholders' equity	6 062 000	5 124 800
Ordinary share capital	5 852 000	4 704 000
Retained income	210 000	420 800
Trade and other payables		90 440
SARS: Income tax	Dr 21 270	Cr 36 600
Shareholders for dividends	?	265 000
Bank overdraft	0	38 400
Current liabilities	360 700	430 440

C. Fixed assets:

- Extensions to land and buildings were completed during the year at a cost of R830 400.
- Equipment was sold during the year at carrying value.

D. Share capital and dividends:

- The authorised share capital consisted of 2 100 000 shares.
- On 1 May 2022, 70% of the authorised shares were in issue.
- On 30 June 2022, 300 000 additional shares were issued.
- On 30 September 2022 an interim dividend was paid, R318 600.
- 230 000 shares were repurchased on 31 January 2023.

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(35 marks; 30 minutes)****JMP LTD**

The information relates to the financial year ended on 28 February 2023.

REQUIRED:

NOTE: Provide figures, trends, financial indicators or calculations in EACH case to support your comments and explanations.

- 3.1 The company's total sales increased from 2022 to 2023 and the operating activities have been better controlled in 2023.
- Quote and explain TWO financial indicators, which indicate better control over operating activities. (4)
 - Quote and explain ONE relevant indicator, which directly contributed to the increase in sales. (2)
- 3.2 Identify TWO financial indicators, which indicate an improvement in the liquidity of the company. (2)
- 3.3 The directors decided to increase the loan at the beginning of 2023. Explain why you agree with their decision. Quote TWO financial indicators with trends. (8)
- 3.4 Shareholders buy shares in companies as a short-term investment while others do it as a long-term investment.
- Explain how the change in the dividend pay-out policy affects the investment choices of each type of shareholder. Provide comparative figures. (6)
- 3.5 Shareholders are divided on the price paid for the re-purchase of shares.
- Provide ONE point in support of and ONE point against the price paid for shares. Quote ONE financial indicator for each point. (4)
- 3.6 **Refer to Information C**
- The directors of the company decided to issue an additional 50 000 shares in the new financial year.
- Calculate the minimum number of shares S. Lucas must buy to become a majority shareholder. (5)
 - Mention TWO points why S. Lucas wants to become a majority shareholder. (4)

INFORMATION:**A. Financial indicators calculated on 28 February:**

	2023	2022
Mark-up % achieved	55%	70%
% operating expenses on sales	17,3%	21,2%
% operating profit on sales	22,1%	16,5%
% net profit on sales	17,2%	13,9%
Debtors collection period	31 days	44 days
Stock holding period	65 days	62 days
Creditors payment period	62 days	45 days
% return on shareholders' equity (ROSHE)	19,5%	17,6%
Dividend pay-out rate	40%	80%
Debt-equity ratio	0,4 : 1	0,3 : 1
% return on total capital employed (ROTCE)	12%	11,5%
Net asset value per share (NAV)	1 200 cents	900 cents

B. Additional information on 28 February:

	2023	2022
Market price of shares	1 320 cents	1 150 cents
Repurchase price of shares	1 420 cents	
Interest on loans	10%	10%
Interest on alternative investments	6%	6%

C. Shares and percentage shareholding on 28 February 2023

Number of shares in issue	650 000
% shareholding of S. Lucas	48%

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

4.1 The following are three types of reports which can be issued after the financial statements of a company had been audited.

Qualified report Disclaimer of opinion Unqualified report

- Which type of audit report will discourage shareholders to buy shares in a company? (1)
- Provide TWO reasons why shareholders will not be interested to buy shares in such a company. (4)

4.2 Explain why a company's financial statements have to be audited by independent auditors. Provide TWO points. (4)

4.3 The following was reported to the company.

One of the directors, the Chief Financial Officer (CFO) and the Independent Auditor of the company seems to be good friends as they meet socially every second week.

As a shareholder, why would you be concerned by this kind of relationship? Explain THREE points (one for each person involved as indicated in the ANSWER BOOK).

(6)

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.	