



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA



DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ACCOUNTING

CONTROLLED TEST 1

TERM 1 SBA TASK 2

DATE OF ADMINISTRATION : 17 MARCH 2023
DURATION : 1,5 HOUR
MARKS : 100

This question paper consists of 9 pages,
a formula sheet and a 7-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 the questions.
3. Show workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where appropriate, calculations must be done to one decimal point.
7. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

| QUESTION 1: 48 marks; 43 minutes | |
|--|--|
| Topic of the question: | This question integrates: |
| Financial Statements: Income statement, Notes and Audit report | Financial accounting Income Statement and Audit report |

| QUESTION 2: 30 marks; 27 minutes | |
|--|--|
| Topic of the question: | This question integrates: |
| Cash Flow Statement and Financial Indicators | Financial accounting Cash Flow Statement Financial Indicators |

| QUESTION 3: 22 marks; 20 minutes | |
|--|--|
| Topic of the question: | This question integrates: |
| Analysis and interpretation of Financial Statement | Financial Accounting Concepts Interpretation of Financial Information |



QUESTION 1 INCOME STATEMENT AND AUDIT REPORT (48 marks; 43 minutes)**MALEKA LTD**

The information below relates to Maleka LTD. The financial year ended on 28 February 2022.

REQUIRED:

- 1.1 Complete the statement of Comprehensive Income (Income Statement) for year ended 28 February 2022. (40)

INFORMATION.

Extract from the Pre – Adjustment Trial Balance on 28 February 2022.

| Balance Sheet Accounts Section | Debit | Credit |
|---|--------------|---------------|
| Ordinary share capital | | 2 496 000 |
| Retained income (1 February 2022) | | 1 480 000 |
| Loan : FNB Bank | | 1 470 000 |
| Land and Buildings | 3 000 000 | |
| Vehicle at cost | 800 000 | |
| Equipment at cost | 200 000 | |
| Accumulated depreciation on vehicles | | 680 000 |
| Accumulated depreciation on equipment | | 37 000 |
| Fixed deposit: Capitec Bank | 1 186 000 | |
| Creditors control | | 97 500 |
| Debtors Control | 186 000 | |
| Trading stock | 1 050 300 | |
| Bank | 42 550 | |
| SARS (income tax) | 500 000 | |
| Provision for bad debts | | 3 240 |
| Consumable on hand (Packing material-1 March 2021) | 820 | |
| Nominal Accounts Section | | |
| Sales | | 8 800 000 |
| Cost of sales | ? | |
| Debtors allowance | 19 200 | |
| Directors fees | 550 000 | |
| Audit fees | 188 410 | |
| Salaries and wages | 681 600 | |
| Rent income | | 70 500 |
| Interest on fixed deposit | | 80 000 |
| Interest on loan | | ? |
| Advertising | 60 000 | |
| Insurance | 14 700 | |
| Bad debts | 6 730 | |
| Packing material | 15 000 | |
| Sundry expenses | | ? |
| Ordinary share dividends | | ? |

ADJUSTMENTS AND ADDITIONAL INFORMATION.

- A. The business prices its goods at a mark-up of 60% on cost. Trade discount of R360 000 was allowed on invoices to certain customers.
- B. A credit note for R49 600 issued to a debtor, dated 25 February 2022, was recorded as an invoice.
- C. A debtor, P.Malan, with outstanding balance of R42 000, has left the country. His account must be written off.
- D. The provision for bad debts must be adjusted to 5% of the outstanding debtors.
- E. The physical stocktaking on 28 February 2022 reflected the following stock on hand:
- Trading stock R1 002 000
 - Packing material R 6 020

- F. One employee received a double salary by mistake from Salary Journal for February 2022. This must be reversed. The employee made a direct deposit to the business account as a refund on 28 February 2022. His normal salary details are as follows:

| Deductions | | Employers contribution | Net salary |
|-------------------|----------------|-------------------------------|-------------------|
| PAYE | Pension | Pension | |
| R3 000 | R2 000 | R4 000 | R15 000 |

Employer's contributions are part of salaries and wages account.

- G. Advertising of R40 000 consists of a month to month contract with local radio station. Advertising was paid for 13 months. From 1 November 2021, the contract rate was decreased by 10%.
- H. Make provision for depreciation as follows:
- On vehicles at 15% p.a on cost price.
 - On equipment at 10% p.a on diminishing balance.
- NOTE:** A new computer was purchased on credit on 1 June 2021 for R60 000. This has already been recorded.



I. Share Capital:

- Authorised share capital consists of 1000 000 ordinary shares.
- 600 000 shares were issued on 1 March 2021
- 200 000 new ordinary shares were issued on 1 September 2021.
- 100 000 ordinary shares were repurchased on 1 February 2022 at R1.40 above the average issue price R4.52) The transaction was properly recorded).



J. Dividends:

- Interim dividends of 30 cents per share was paid on 30 August 2021
- Final dividends of 40 cents per share was declared on 28 February 2022. Shares bought back on 1 February 2022 also qualify for the final dividends.

K. Operating profit is 15% on turnover.

L. Income tax for the financial year was calculated as R360 000. This is 30% of the net profit before tax.

1.2 Audit report

You are provided with an extract from the audit report of the independent auditors of Cooper Ltd. Read the report and answer the questions that follow.

| | |
|----------------|---|
| | To Shareholders |
| <i>Point 1</i> | We have audited the annual financial statements of Cooper Limited for the year ended 30 June 2012, set out on pages 25 to 51..... |
| | Basis for Opinion |
| <i>Point 2</i> | An amount that was shown as additions to Land and buildings was for revaluations of the Buildings. No audit evidence was provided. |
| | Opinion |
| <i>Point 3</i> | In our opinion, the financial statements fairly present the financial position of the company at 30 June 2022, except for the increase in the value of the fixed assets in the Balance Sheet. |



REQUIRED:

1.2.1 Explain why the auditors did specifically address the report to shareholders? (2)

1.2.2 **Refer to point 1.**

Explain why the independent auditors referred to pages 25-51 in the report. (2)

1.2.3 **Refer to point 2.**

The directors claimed that the value of the buildings increased over the years and that the value must be increased and shown as additions in the fixed asset note.

As the independent auditor, what advice would you give? Provide ONE point. (2)

1.2.4 **Refer to point 3.**

- The company received a/an (unqualified/qualified/disclaimer) audit report. (1)
- Give a reason for your answer. (1)



QUESTION 2**(30 marks; 27 minutes)****CASH FLOW STATEMENT AND FINANCIAL INDICATORS**

You are provided with information relating to Maboneng Limited. The financial year-end is on 31 October 2022. New shares were issued on the first day of the financial year

REQUIRED:

- 2.1 What is the main purpose of a Cash Flow Statement? (2)
- 2.2 Complete the Cash Flow Statement for the year ended 31 October 2022. Show ALL workings in brackets (21)
- 2.3 Calculate the following financial indicators on 31 October 2022:
- % Gross profit on sales (2)
 - Acid-test ratio (3)
 - Debt-equity ratio (2)

INFORMATION:

- A. The following information was extracted from the Income Statement for the year ended 31 October 2022:**

| | |
|------------------------------------|-----------|
| Sales | 1 750 000 |
| Cost of Sales | (800 000) |
| Gross Profit | 950 000 |
| Interest on loan (all capitalised) | 175 500 |
| Income tax | 375 000 |
| Net profit after tax | 975 000 |

- B. Information extracted from the Balance Sheet on 31 October:**

| | 2022 | 2021 |
|---------------------------------------|------------------|------------------|
| Current assets | 4 804 000 | 2 820 000 |
| Inventories | 1 437 500 | 1 656 250 |
| Trade and other receivables (see D) | 1 075 000 | 956 250 |
| Cash and cash equivalents | 2 291 500 | 207 500 |
| Ordinary shareholders' equity | 4 450 000 | 4 000 000 |
| Ordinary share capital (see F) | 3 450 000 | 3 150 000 |
| Retained income | 1 000 000 | 850 000 |
| Loan: Freeport Bank (12% p.a.) | 2 000 000 | 1 375 000 |
| Current liabilities | 1 450 000 | 1 262 500 |
| Trade and other payables (see E) | 1 450 000 | 1 262 500 |

C. Fixed/Tangible assets note:

| | Land and buildings | Vehicles | Equipment |
|--|--------------------|----------------|----------------|
| Carrying value at beginning of financial year | 3 000 000 | 660 000 | 157 500 |
| Cost | 3 000 000 | 900 000 | 210 000 |
| Accumulated depreciation | 0 | (240 000) | (52 500) |
| Movements | | | |
| Additions at cost | 0 | 0 | 48 000 |
| Disposals at carrying value | 500 000 | 82 000 | 0 |
| Depreciation | 0 | 132 000 | (55 500) |
| Carrying value at end of financial year | 2 500 000 | 446 000 | 150 000 |
| Cost | 2 500 000 | 750 000 | 258 000 |
| Accumulated depreciation | 0 | (304 000) | (108 000) |

Additional information in respect of fixed assets:

- A vehicle was sold at its carrying value on the LAST day of the financial year. Depreciation is written off on vehicles at 20% p.a. on the diminishing-balance method.
- Land and buildings were sold at cost during the financial year.

D.

| Trade and other receivables include: | 31 October 2022 | 31 October 2021 |
|--------------------------------------|-----------------|-----------------|
| SARS: Income tax | R22 500 | 0 |

E.

| Trade and other payables include: | 31 October 2022 | 31 October 2021 |
|-----------------------------------|-----------------|-----------------|
| SARS: Income tax | 0 | R27 500 |
| Shareholders for dividends | R450 000 | R385 000 |

F. Details of ordinary share capital:

- Ordinary share capital at the beginning of the 2022 financial year consisted of 700 000 ordinary shares with a total value of R3 150 000.
- On 1 November 2021, 50 000 additional shares were issued at R6,00 each.
- There were no further changes to share capital.

G. The dividends (interim and final) for the financial year ended 31 October 2022 amounted to R825 000.

QUESTION 3 INTERPRETATION OF FINANCIAL INFORMATION (22 marks; 20 minutes)

MACHETE LIMITED

You are provided with information from Machete Limited. The company is registered with authorised Share Capital of 2 000 000 shares. 60% of this shares were already issued.

REQUIRED:

- 3.1 The CEO, Nick Petje, currently owns 40% of the issued shares. The directors of the company decided to issue 50% of the unissued shares in July 2022.
- 3.1.1 Calculate the minimum number of shares that Nick must purchase in July 2022 to become the majority shareholder (3)
- 3.1.2 Nick wants to purchase the additional shares at R6 per share without Advertising the shares to the public. Give TWO reasons why you would not approve this arrangement. (4)
- 3.2 The directors are proposing that the business operations be expanded in the New financial year. One of the directors suggested that they finance the expansions by taking a loan of R1 000 000, instead of issuing new shares to the public. Quote and explain TWO financial indicators to support his opinion. (6)
- 3.3 Bongani is a shareholder in Machete Limited. He owns 32 000 shares which he purchased two years ago at R4,75 each.
- 3.3.1 Calculate the amount of dividends Bongani would earn for the financial year ending 31 October 2022. (2)
- 3.3.2 Should Bongani be satisfied with the dividend policy of Machete Limited? Quote and explain relevant financial indicators to support your answer. (3)
- 3.3.3 Bongani wants to sell his shares in Machete Limited and invest his funds in an alternative investment. You disagree with him. Quote and explain ONE relevant financial indicator, other than dividends, to discourage him from selling his shares. (4)



INFORMATION:**Financial indicators for the past two financial years ending October:**

| | 2022 | 2021 |
|---|-------------|-------------|
| Current ratio | 3,10 : 1 | 2,23 : 1 |
| Acid-test ratio | 0,3:1 | 0,92 : 1 |
| Average debtors collection period | 35 days | 28 days |
| Average Creditors payment period | 65 days | 90 days |
| Earnings per share | 130 cents | 94 cents |
| Dividends per share | 110 cents | 75 cents |
| Return on average shareholders' equity | 24,1% | 15% |
| Debt-equity ratio | 0,44:1 | 0,34 : 1 |
| Return on average capital employed | 26% | 18% |
| Net asset value per share | 593 cents | 571 cents |
| Prices of Machete Ltd shares on the JSE | 950 cents | 725 cents |
| Interest on fixed deposit | 6,5% | 6,5% |
| Interest rate on loans | 13% | 13% |

TOTAL 100 MARKS

| GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET | |
|---|--|
| $\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$ |
| $\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$ |
| $\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$ |
| Total assets : Total liabilities | Current assets : Current liabilities |
| (Current assets – Inventories) : Current liabilities | Non-current liabilities : Shareholders' equity |
| (Trade & other receivables + Cash & cash equivalents) : Current liabilities | |
| $\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ | $\frac{\text{Cost of sales}}{\text{Average trading stock}}$ |
| $\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$ | $\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ |
| $\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$ | $\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*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. | |



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GRADE 12

ANSWER BOOK

ACCOUNTING

CONTROLLED TEST 1

TERM 1 SBA TASK 2

NAME.....

SCHOOL:.....

| QUESTION | MARKS | MARKS OBTAINED | INTERNAL MODERATION | EXTERNAL MODERATION |
|----------|-------|----------------|---------------------|---------------------|
| 1 | 48 | | | |
| 2 | 30 | | | |
| 3 | 22 | | | |
| TOTAL | 100 | | | |

This Answer Book consists of 7 pages including the cover page.

QUESTION 1

MALEKA LTD

1.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2022

| | |
|---|--|
| Sales 8 800 000 | |
| Cost of sales | |
| Gross profit | |
| Other operating income | |
| Rent income | |
| Provision for bad adjustment | |
| Gross income | |
| Operating expenses | |
| Salaries and wages 681 600 | |
| Advertising 60 000 | |
| Bad debts 6 730 | |
| Packing material 15 000 | |
| | |
| | |
| | |
| | |
| | |
| | |
| Operating profit | |
| Interest income | |
| Operating profit before interest expenses | |
| Interest expense | |
| Net profit before taxation | |
| Taxation | |
| Net profit after tax | |

1.2

Audit report

1.2.1

Explain why the auditors did specifically address the report to shareholders?

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

1.2.2

Explain why the independent auditors referred to pages 25-51 in the report.

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

1.2.3

The directors claimed that the value of the buildings increased over the years and that the value must be increased and shown as additions in the fixed asset note.

As the independent auditor, what advice would you give? Provide ONE point.

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

1.2.4

The company received a/an (unqualified/qualified/disclaimer) audit report.

Give a reason for your answer.

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

| |
|--------------------|
| TOTAL MARKS |
| |
| 48 |



QUESTION 2

2.1 What is the main purpose of a Cash Flow Statement?



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

2.2

| | |
|--|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| Cash generated from operations | 1 985 500 |
| Interest paid | (175 500) |
| Taxation paid | |
| Dividends paid | |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Fixed assets purchased | |
| Proceeds from sale of fixed assets | |
| CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from the sale of shares | |
| Change in loan | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | |
| CASH AND CASH EQUIVALENTS AT BEGINNING | |
| CASH AND CASH EQUIVALENTS AT END | |

| |
|----|
| |
| 21 |



2.3 Calculate the following financial indicators on 31 October 2022:

| | | | |
|---|--|--|---|
| <ul style="list-style-type: none">Gross Profit on sales | <table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table> | | 2 |
| | | | |
| 2 | | | |
| <ul style="list-style-type: none">Acid-test ratio | <table border="1"><tr><td> </td></tr><tr><td>3</td></tr></table> | | 3 |
| | | | |
| 3 | | | |
| <ul style="list-style-type: none">Debt/Equity ratio | <table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table> | | 2 |
| | | | |
| 2 | | | |

| |
|-------------|
| TOTAL MARKS |
| |
| 30 |



QUESTION 3

3.1 The CEO, Nick Petje, currently owns 40% of the issued shares. The directors of the company decided to issue 50% of the unissued shares in July 2022.

3.1.1 Calculate the minimum number of shares that Nick must purchase in July 2022 to become the majority shareholder.



3

3.1.2 Nick wants to purchase the additional shares at R6 per share without advertising the shares to the public. Give TWO reasons why you would not approve this arrangement.

4

3.2 The directors are proposing that the business operations be expanded in the New financial year. One of the directors suggested that they finance the expansions by taking a loan of R1 000 000, instead of issuing new shares to the public. Quote and explain TWO financial indicators to support his opinion.



6

3.3 Bongani is a shareholder in Machete Limited. He owns 32 000 shares which he purchased two years ago at R4,75 each.

3.3.1 Calculate the amount of dividends Bongani would earn for the financial year ending 31 October 2022.



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

3.3.2 Should Bongani be satisfied with the dividend policy of Machete Limited? Quote and explain relevant financial indicators to support your answer.

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

3.3.3 Bongani wants to sell his shares in Machete Limited and invest his funds in an alternative investment. You disagree with him. Quote and explain ONE relevant financial indicator, other than dividends, to discourage him from selling his shares.

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

| |
|--------------------|
| TOTAL MARKS |
| |
| 22 |



TOTAL 100 MARKS



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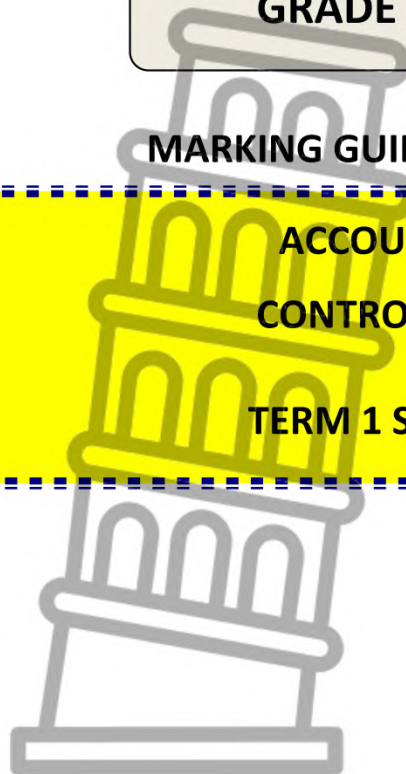
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SENIOR CERTIFICATE**

GRADE 12

MARKING GUIDELINE

**ACCOUNTING
CONTROLLED TEST 1**

TERM 1 SBA TASK 2



This question paper consists of 7 pages including the cover page

QUESTION 1

MALEKA LTD

1.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2022

| | |
|---|---|
| Sales (8 800 000-19 200✓ -99 200✓) | 8 681 600 <input checked="" type="checkbox"/> * |
| Cost of sales (8 681 600✓ + 360 000✓) x 100/160 OR (5 426 000✓ + 225 000✓) | (5 651 000) <input checked="" type="checkbox"/> * |
| Gross profit | 3 030 600 <input checked="" type="checkbox"/> * |
| Other operating income | 71 500 <input checked="" type="checkbox"/> * |
| Rent income | 70 500✓ |
| Provision for bad adjustment (3 240✓ -2 240✓) | 1 000 <input checked="" type="checkbox"/> * |
| Gross income operation | 3 102 100 <input checked="" type="checkbox"/> |
| Operating expenses | (1 799 860) <input checked="" type="checkbox"/> * |
| Salaries and wages (681 600 -20 000✓ - 4000✓) | 657 600 <input checked="" type="checkbox"/> * |
| Advertising (60 000 – 2 880✓✓) | 57 120✓ |
| Bad debts (6 730 + 42 000) | 48 730✓ |
| Packing material (15 000+ 820 – 6 020) | 9 800✓ <input checked="" type="checkbox"/> * |
| Directors fees | 550 000✓ |
| Audit fees | 188 410✓ |
| Insurance | 14 700✓ |
| Trading stock deficit (1 050 300 + 62 000✓ – 1 002 000) | 110 300✓ |
| Depreciation (119 999✓ + 14 800✓✓) 4500+10 300 | 134 799 <input checked="" type="checkbox"/> * |
| Sundry expenses Balancing figure | 28 401 <input checked="" type="checkbox"/> |
| Operating profit Candidate must use 15% on sales | 1 302 240 <input checked="" type="checkbox"/> |
| Interest income | 80 000✓ |
| Operating profit before interest expenses Operation | 1 382 240 <input checked="" type="checkbox"/> |
| Interest expense | (182 240) ✓ |
| Net profit before taxation | 1 200 000✓ |
| Taxation | (360 000) ✓ |
| Net profit after tax | 840 000✓ |
| *operation one part correct | |

1.2

Audit report

1.2.1

Explain why the auditors did specifically address the report to shareholders?

They are the owners of the business. ✓✓

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

1.2.2

Explain why the independent auditors referred to pages 25-51 in the report.

Any valid explanation ✓✓ Part-marks for unclear / incomplete answers

- Auditors are responsible for only parts / certain pages of the annual report.
- They are not accountable for the other information in the annual reports.
- Financial statements on pages 25–51 were subjected to audit / examination.
- Additional information, such as corporate social investment matters, is not audited.

Do not accept statistical sampling as a reason.

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

1.2.3

The directors claimed that the value of the buildings increased over the years and that the value must be increased and shown as additions in the fixed asset note.

As the independent auditor, what advice would you give? Provide ONE point.

ONE valid point ✓✓ Part-marks for unclear / incomplete answers

- It is fraudulent to indicate revaluation as an addition
- No audit evidence exists, so there is no proof of the actual value of the buildings
- GAAP prescribes the historical (original) cost principle when recording assets
- Only physical acquisitions/expansions can be shown as additions

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

1.2.4

The company received a/an (unqualified/qualified/disclaimer) audit report.

Qualified ✓

Give a reason for your answer.

- The auditors queried the increase of the assets in the Balance sheet. ✓
- The financial statement fairly present the financial position except for the increase in the value of the fixed asset in the Balance sheet

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

QUESTION 2

2.1 **What is the main purpose of a Cash Flow Statement?**

It provides users of financial statements with information on the inflow and outflow of the cash resources of the company ✓✓
 To see how monies were generated or spent and what the cash flow position is.
 To account for the difference in opening and closing bank balances
 To show management of cash

2

2.2

| CASH FLOW FROM OPERATING ACTIVITIES | | 625 000 ✓ | | | | | | | | |
|--|---------|-------------------|--|---------|--------|--|---------|--|--------|--|
| one part correct | | | | | | | | | | |
| Cash generated from operations | | 1 985 500 | | | | | | | | |
| Interest paid | | (175 500) | | | | | | | | |
| Taxation paid (27 500 ✓ + 375 000 ✓ + 22 500 ✓) | | (425 000) ✓ | | | | | | | | |
| one part correct | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">SARS (Income Tax)</th> </tr> <tr> <td style="width: 50%; text-align: center;">425 000</td> <td style="width: 50%; text-align: center;">27 500</td> </tr> <tr> <td></td> <td style="text-align: center;">375 000</td> </tr> <tr> <td></td> <td style="text-align: center;">22 500</td> </tr> </table> | | SARS (Income Tax) | | 425 000 | 27 500 | | 375 000 | | 22 500 | |
| SARS (Income Tax) | | | | | | | | | | |
| 425 000 | 27 500 | | | | | | | | | |
| | 375 000 | | | | | | | | | |
| | 22 500 | | | | | | | | | |
| Dividends paid (385 000 + ✓ 825 000 - ✓ 450 000) ✓ | | (760 000) ✓ | | | | | | | | |
| OR 385 000 ✓ + 375 000 ✓ ✓ | | correct one part | | | | | | | | |
| 9 | | | | | | | | | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | 534 000 ✓ | | | | | | | | |
| one part correct | | | | | | | | | | |
| Fixed assets purchased | | (48 000) ✓ | | | | | | | | |
| Proceeds from sale of fixed assets | | 582 000 ✓ | | | | | | | | |
| (500 000 ✓ + 82 000 ✓) | | one part correct | | | | | | | | |
| 5 | | | | | | | | | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | 925 000 ✓ | | | | | | | | |
| one part correct | | | | | | | | | | |
| Proceeds from the sale of shares | | 300 000 ✓ | | | | | | | | |
| Change in loan (2 000 000 - 1 375 000) | | 625 000 ✓✓ | | | | | | | | |
| 4 | | | | | | | | | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | 2 084 000 ✓ | | | | | | | | |
| CASH AND CASH EQUIVALENTS AT BEGINNING | | 207 500 ✓ | | | | | | | | |
| CASH AND CASH EQUIVALENTS AT END | | 2 291 500 ✓ | | | | | | | | |
| 3 | | | | | | | | | | |

21

2.3 Calculate the following financial indicators on 31 October 2022:

| | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> Gross Profit on sales $\frac{950\,000}{1750\,000} \times \frac{100}{1}$ <p>= 54,3% ✓ ✓</p> | <table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table> | | 2 |
| | | | |
| 2 | | | |
| <ul style="list-style-type: none"> Acid-test ratio $\frac{(1\,075\,000 + 2\,291\,500)}{3\,366\,500} \checkmark : 1\,450\,000 \checkmark$ <p>= 2,3: 1 <input checked="" type="checkbox"/> or 2,32: 1 one part correct</p> <p>OR</p> $\frac{(4\,804\,000 - 1\,437\,500)}{1\,450\,000} \checkmark : 1\,450\,000 \checkmark$ <p>= 2,3: 1 <input checked="" type="checkbox"/></p> | <table border="1"> <tr><td> </td></tr> <tr><td>3</td></tr> </table> | | 3 |
| | | | |
| 3 | | | |
| <ul style="list-style-type: none"> Debt/Equity ratio <p>2 000 000: 4 450 000</p> <p>= 0,4: 1 ✓ ✓ (or 0,5:1)</p> | <table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table> | | 2 |
| | | | |
| 2 | | | |



QUESTION 3

3.1 The CEO, Nick Petje, currently owns 40% of the issued shares. The directors of the company decided to issue 50% of the unissued shares in July 2022.

3.1.1 Calculate the minimum number of shares that Nick must purchase in July 2022 to become the majority shareholder

40% of 1200 000 = 480 000 ✓
 50% of 1600 000 = 800 000 ✓
 Nick needs 800 000 - 480 000 = 320 000 + 1 = 320 001 ✓
 = 320 000 + 100 = 320 100

Or
 51% of 1600 000 = 816 000 - 480 000 = 336 000

3

3.1.2 Nick wants to purchase the additional shares at R6 per share without advertising the shares to the public. Give TWO reasons why you would not approve this arrangement.

Any TWO reasons ✓✓ ✓✓

It is unethical as these shares were not advertised/ He want to buy these shares at a price lower than the market price/Not allowed by law (Companies Act)/ Not allowed by law as the shares should be advertised through prospectus/Insider trading/Law should be applied to safeguard the integrity of the business

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3.2 The directors are proposing that the business operations be expanded in the New financial year. One of the directors suggested that they finance the expansions by taking a loan of R1 000 000, instead of issuing new shares to the public. Quote and explain TWO financial indicators to support his opinion.

Financial indicator ✓ ✓ Trend ✓ ✓ Explanation ✓ ✓

Debt/Equity ratio

- It has increased from 0,34: 1 to 0,44:1.
- Company still has a low financial risk.




Return on average capital employed

- It has increased from 18% to 26%
- Company is positively geared as it exceeds the rate of borrowing which currently is 13%.

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3.3 Bongani is a shareholder in Machete Limited. He owns 32 000 shares which he purchased two years ago at R4,75 each.

3.3.1 Calculate the amount of dividends Bongani would earn for the financial year ending 31 October 2022.

 $32\ 000 \times 110 \text{ cents} = R35\ 200$ ✓ **one part correct**
(R1,10)

2

3.3.2 Should Bongani be satisfied with the dividend policy of Machete Limited? Quote and explain relevant financial indicators to support your answer.
Yes/No
Indicator ✓ Figures ✓ Explanation ✓

Explanation for yes:
EPS was 130 cents and DPS was 110 cents.
(110/130 x 100) 84,6%(85%) of earnings given to shareholders, compared to (75/94 x 100) 79,8%(80%) given in the previous financial year. The dividends have increased from 75 cents to 110 cents

Explanation for no:
EPS was 130 cents and DPS was 110 cents.
(110/130 x 100) 84,6%(85%) of earnings given to shareholders, compared to (75/94 x 100) 79,8%(80%) given in the previous financial year.


More is being paid out on dividends and less is being retained for future expansion.

3

3.3.3 Bongani wants to sell his shares in Machete Limited and invest his funds in an alternative investment. You disagree with him. Quote and explain ONE relevant financial indicator, other than dividends, to discourage him from selling his shares.

Financial indicator ✓ trend ✓ comparison with interest on fixed deposit ✓ ✓

ROSHE improved from 15% in 2021 to 24,1% in 2022
Greater than the return on alternative investment 6,5%.
Strong performance of the company may continue in the future to offer greater returns to Bongani.



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