

EXAMINATION		NATIONAL SENIOR CERTIFICATE	
GRADE		12	
DATE		MAY/JUNE 2024	
SUBJECT		ACCOUNTING	
PAPER		1	
MARK TOTAL		150	
DURATION (HOURS)		2	
NUMBER OF PAGES		10 (INCLUDING A FORMULA SHEET AND AN 11 PAGE ANSWER BOOK)	



SOUTH AFRICAN COMPREHENSIVE ASSESSMENT INSTITUTE
SUID-AFRIKAANSE KOMPREENSIEWE ASSESSERINGSINSTITUUT

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer **ALL** questions.
2. A special **ANSWER BOOK** is provided in which to answer **ALL** questions.
3. 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	MINUTES
1	Ethics, Corporate Governance and Audit Report	20	15
2	Financial Statements and Notes	55	45
3	Cash Flow Statement, Note and Financial indicators	45	35
4	Interpretation of Financial Information	30	25
TOTAL		150	120

QUESTION 1: ETHICS, CORPORATE GOVERNANCE AND AUDIT REPORT

(20 marks; 15 min)

1.1 Ethical Issues

REQUIRED:

Choose an explanation from COLUMN B that matches an ethical issue in COLUMN A. Write only the letter (A – E) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK:

COLUMN A Ethical issue		COLUMN B Explanation	
1.1.1	White-Collar Crime	A.	A problem with more than one right answer or course of action, which may be more right than the other.
1.1.2	Price Fixing	B.	When a person uses confidential information which leads to them gaining an advantage over others.
1.1.3	Moral Dilemma	C.	An illegal activity of stealing an asset and altering information to hide the crime.
1.1.4	Insider Trading	D.	Crime of a sophisticated nature by people with influence in a business.
1.1.5	Fraud	E.	An illegal agreement between businesses or persons to manipulate the selling price of certain products.

(5)

1.2 Corporate Governance and Audit Report

An extract of the external report of STORM Ltd. is presented.

REQUIRED:

- 1.2.1 Briefly explain your understanding of ‘good corporate governance’. (2)
- 1.2.2 Explain why a company must have their financial statements audited by an external auditor. (2)
- 1.2.3 Identify the type of audit opinion that the company received and provide a reason for your answer. (3)
- 1.2.4 An investigation of the marketing expense mentioned in the audit report revealed that an amount of R180 000 was for a holiday to Thailand for the CEO and his family that covered accommodation and air tickets. The bookkeeper was instructed to reflect this as a marketing expense. The CEO tried to convince the independent auditor to ignore this as it had been recorded in the financial statements.
- Explain why the independent auditor did not follow the request of the CEO. Provide TWO reasons. (4)
 - Provide TWO possible consequences of this audit report, for the CEO and the company. (4)

INFORMATION:**EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS**

We have audited the annual financial statements of STORM Ltd. for the year ended 28 February 2024. Financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion based on our audit.

International Standards on Auditing require that we perform the audit to obtain reasonable assurance that the financial statements are free of misstatement.

Audit opinion

The financial statements fairly represent the financial position of the company on 28 February 2024, except for the marketing expense in the Statement of Comprehensive Income which could not be verified, as no documentation exists for this expenditure.

FC Financial Group
Chartered Accountants (SA)

15 June 2024

QUESTION 2: FINANCIAL STATEMENTS AND NOTES

(55 marks; 45 min)

The information relates to Teen Graph Limited for the financial year ended 30 June 2024

REQUIRED:

- 2.1 Calculate the correct **NET PROFIT AFTER TAX** for the financial year ended 30 June 2024. (14)
- 2.2 Prepare the **RETAINED INCOME** note to the Financial Statement on 30 June 2024. (10)
- 2.3 Prepare the **STATEMENT OF FINANCIAL POSITION** on 30 June 2024. (31)

INFORMATION:

A. The following items appeared in the Pre-Adjustment Trial Balance on 30 June 2024:

	R
Ordinary share capital	?
Retained income (1 July 2023)	369 180
Loan: Fair Loan Bank	130 320
Fixed Assets at carrying value (balancing figure)	?
SARS (Income tax) <i>(Provisional payments)</i> Dr	194 400
Trading Stock	176 400
Consumable Stores on hand (packing material)	21 600
Debtors' Control	61 200
Provision for bad debts	3 420
Creditors' Control	42 660
SARS (PAYE) (Cr.)	10 440
Creditors for salaries	23 400
Bank overdraft	6 120
Petty Cash	540

- B.** The net profit before tax was incorrectly calculated as R583 195.
- C.** The following information was not taken into account by the bookkeeper:
 - (i) The directors fees of R46 800 for June 2024 were not paid yet.
 - (ii) Stock to the value of R10 080 was destroyed in a fire. The insurance company agreed to pay R8 640.
 - (iii) 80% of the packing material was used during the financial year.
 - (iv) According to the loan agreement, an instalment of R36 000 and interest, will be paid annually to Fair Loan Bank. Interest on the loan was capitalised. The bookkeeper recorded the amount paid to Fair Loan Bank on 30 June 2024 as follows:

Debit: Loan: Fair Loan Bank	R67 680
Credit: Bank	R67 680
 - (v) An interim dividend of R54 000 was paid on 1 December 2023, but was debited incorrectly to the Salaries account.

- (vi) Debtors with credit balances totalling R1 260 on 30 June 2024 must be transferred to the Creditors' Ledger.
- (vii) R62 555 is owed by SARS in respect of income tax for the financial year ending 30 June 2024.
- (viii) **SHARE CAPITAL:** (all entries were recorded)
- The company is registered with an authorised share capital of 600 000 ordinary shares.
 - On 1 July 2023, 125 000 shares were in issue. The average share price at this time was R12,96.
 - On 25 September 2023, the company issued an additional 75 000 shares at R12,24 each.
 - 4 January 2024, the directors approved the repurchase of 20 000 shares at R16,20 each.
- (ix) **FINAL DIVIDENDS:**
- A final dividend of 135 cents per share was declared on 30 June 2024.
 - Only shares in issue on 30 June 2024 qualified for these dividends.

QUESTION 3: CASH FLOW STATEMENT, NOTE AND FINANCIAL INDICATORS

(45 marks; 35 min)

The following information was extracted from the financial records of LEXOR Limited, a public company listed on the JSE. The financial year ends annually on 28 February.

REQUIRED:

- 3.1 Prepare the Ordinary Share Capital note to the financial statements. (7)
- 3.2 Complete the Cash Flow Statement for the year ended 28 February 2024 by filling in the missing information. Show calculations/workings in brackets. (23)
- 3.3 Mention TWO major decisions (**above R1 000 000**) that are reflected in the Cash Flow statement and support the decision by quoting relevant figures. Indicate ONE possible point of impact that each decision would have on the company's future operations. (6)
- 3.4 Calculate the following financial indicators for the year ended 28 February 2024:
 - % Return on average equity (6)
 - Net asset value per Share (NAV) (3)

INFORMATION:

A. Extract from the Statement of Comprehensive Income on 28 February 2024:

Sales	R29 880 000
Directors remuneration	2 520 000
Audit fees	1 242 000
Depreciation	556 200
Interest expense	310 170
Income tax (28% of net profit)	1 209 600

B. Extract from the Statement of Financial Position on 28 February 2024:

	2024	2023
Fixed assets at carrying value (info D)	4 521 600	3 081 600
Fixed deposit	1 059 000	360 000
Inventories	1 969 200	2 631 600
Trade and other receivables (info D)	626 900	656 400
Bank	20 520	0
Petty cash	2 160	0
Ordinary Share Capital	4 564 800	2 592 000
Retained income	2 623 600	1 482 600
Loan	630 000	1 350 000
Trade and other payables (info D)	2 253 000	2 631 600
Bank overdraft	0	83 000

Note: Equipment (cost price R388 800 and accumulated depreciation R237 600) was sold at carrying value

C. Ordinary Share Capital

The authorised share capital consists of 5 000 000 ordinary shares:

- 2 880 000 ordinary shares were issued before 1 March 2023.
- On 30 June 2023 the directors decided to repurchase 144 000 ordinary shares for 198 cents per share.
- On 1 February 2024 the company issued 934 400 new ordinary shares for 225 cents each. These shareholders qualify for the final dividend.

D. Notes to the Financial Statements

	2024	2023
1. FIXED ASSETS		
Land and Buildings	2 649 600	1 605 600
Equipment (carrying value) Note: Equipment (cost price R388 800 and accumulated depreciation R237 600) was sold at carrying value	1 872 000	1 476 000
2. TRADE AND OTHER RECEIVABLES		
Trade debtors	599 400	559 800
Accrued income	27 500	22 800
SARS (Income tax)	0	73 800
3. TRADE AND OTHER PAYABLES		
Trade creditors	805 730	1 828 800
Income received in advance	37 800	25 200
Shareholders for dividends	?	777 600
SARS (Income tax)	88 200	

45

QUESTION 4: INTERPRETATION OF FINANCIAL INFORMATION

(30 marks; 25 min)

4.1 CONCEPTS

REQUIRED:

Choose the correct financial indicator from those given below to match the definition.

Liquidity; Profitability; Gearing; Return on equity;
Dividends per shares; Solvency

- 4.1.1 Indicates the benefit that the owners receive from their investment in the business.
- 4.1.2 Indicates the extent to which a business is financed by borrowed capital.
- 4.1.3 Indicates whether the business can pay off immediate debts.
- 4.1.4 Indicates whether the business will be able to pay off all its debts.

(4)

4.2 H&R Block Ltd.

The information presented relates to the financial year ended 30 June 2024.

REQUIRED:

- 4.2.1 Comment on the overall liquidity position of the company. Quote THREE relevant financial indicators (with figures). (8)
- 4.2.2 The directors decided to change the dividend pay-out policy in 2024. (4)
 - Provide calculations that indicate the policy change. (4)
 - Explain the effect of this change of policy on the company. State TWO points (4)
- 4.2.3 One of the directors feels that the company should pay back the loan as soon as possible. What are your views about this? Quote and explain TWO relevant financial indicators with figures. (6)
- 4.2.4 Explain why the shareholders are satisfied with: (2)
 - The market price of the shares on the JSE (2)
 - The price at which the 135 000 shares were repurchased on 25 June 2024. In EACH case, quote figures/financial indicators (2)

INFORMATION:

The following financial indicators were calculated on 30 June:

	2024	2023
Current ratio	2,1 : 1	1,8 : 1
Acid-test ratio	0,9 : 1	1,3 : 1
Stock-holding period	48 days	64 days
Debtors' collection period	41 days	32 days
Debt-Equity ratio	0,3 : 1	0,4 : 1
Return on average capital employed	13%	16%
Return on average shareholders' equity	18,5%	20%
Earnings per share	118 cents	132 cents
Dividends per share	125 cents	80 cents
Net asset value per share	795 cents	786 cents
Market price per share (JSE)	850 cents	780 cents
Repurchase price per share	820 cents	-
Interest rate on loan	14%	13%

30

TOTAL: 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \times 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \times 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \times 1$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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.	