

EXAMINATION		NATIONAL SENIOR CERTIFICATE	
GRADE		12	
DATE		NOVEMBER 2024	
SUBJECT		ACCOUNTING	
PAPER		1	
MARK TOTAL		150	
DURATION (HOURS)		2	
NUMBER OF PAGES		12 (INCLUDING A FORMULA SHEET AND AN 12 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 grey 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	Financial Statements: Statement of Financial Position	40	30
2	Cash Flow Statement, Notes and Financial Indicators	55	50
3	Interpretation of Financial Information	35	25
4	Shareholding and Corporate Governance	20	15
TOTAL		150	120


QUESTION 1: FINANCIAL STATEMENTS: Statement of Financial Position.
(40 marks; 30 min)
FAST Ltd.

The information relates to the financial year ending 29 February 2024.

REQUIRED:

- 1.1 Calculate the **correct Net Profit after tax** by taking into account the adjustments of **Information B**. (15)
- 1.2 Prepare the **Statement of Financial Position** on 29 February 2024. (25)

INFORMATION:
A. The following amounts were taken from the records

Balance sheet accounts	2024
Ordinary Share Capital	10 150 000
Retained income	850 000
Fixed assets at carrying value	11 060 000
Fixed deposit: Drift Bank	1 150 000
Loan: Furious Bank	1 984 000
SARS: Income tax (provisional payments)	675 000
Creditors Control	629 000
Debtors Control	668 000
Provision for bad debts (1 March 2023)	35 450
Trading stock	828 500
Cash Float	10 450
Bank overdraft	?
Nominal accounts (<i>incorrectly used in the Statement of Comprehensive Income</i>)	
Directors' fees	1 278 800
Packaging material	125 250

B. The following adjustments were not taken into account when calculating the Net Profit before tax of R1 705 600 in the Statement of Comprehensive Income.

- i. Two directors, Hobbs and Shaw, earn the same monthly directors' fee.

Hobbs' February 2024 fee has not been paid to him as rent is owed by him to the company. No entry has yet been made for the rent income.

Since 1 December 2023 rent has not been paid for the three months, Hobbs has rented a portion of the company's property for personal use. The monthly rent of R13 000 must be offset against the director's fees still owed to him.

- ii. Packaging material used during the year amounts to R109 950.



- iii.** The provision for bad debts has been neglected. The provision for bad debts must be adjusted to 5% of outstanding debtors.
- iv.** BUILT - IT was paid R520 000 for the construction of a storage room and for repairs. According to the invoice received, the repair work amounted to R80 000. The total amount was mistakenly debited against repairs.
- v.** Trading stock of R24 250 was returned to Toretto Wholesalers. This was incorrectly recorded in the Creditors Journal. Correct the error.
- vi.** A loan statement from Furious Bank was received. Interest is capitalised. The balance on 1 March 2023 was R2 300 000. Monthly repayments of R48 500, including interest, have been paid. The balance on 29 February 2024 is R1 984 000.
Allow for Interest on loan. The instalment repayment is expected to remain the same for the next financial year.
- vii.** On 29 February 2024, 1 250 000 shares have already been issued. A final dividend of 56 cents was declared. The company paid out a quarter of the final dividend, but the bookkeeper mistakenly recorded the payment as Salaries. Correct the error. The rest of the outstanding amount will be paid in the new financial year.
- viii.** Income tax for the financial year is correctly and accurately calculated as R617 000.

QUESTION 2: CASH FLOW STATEMENT, NOTES AND FINANCIAL INDICATORS.

(55 marks; 50 min)

2.1 Select the appropriate item from the list provided that matches EACH purpose below. Write down only the letter (A – D) next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.

List of items that will appear in a company’s annual report:

A.	Statement of Comprehensive Income (Income Statement)
B.	Statement of Financial Position (Balance Sheet)
C.	Cash flow Statement
D.	Director’s report

2.1.1 To reflect the effects of operating, investment and financing activities.

2.1.2 To provide a written explanation of the financial performance of a company.

2.1.3 To reflect the performance of a company in terms of its gross, operating and net profit.

(3)

2.2 Kool – Kid Ltd.

The information relates to Kool – Kid Ltd. for the financial year ending 30 April 2024.

REQUIRED:

2.2.1 Complete the following Notes to the Statement of Financial Position:

- Ordinary Share Capital (8)
- Retained Income (12)

2.2.2 Calculate the following figures for the Cash Flow Statement on 30 April 2024:

- Income tax paid (4)
- Dividends paid (3)
- Net change in cash and cash equivalents (5)

2.2.3 Prepare the CASH FLOW FROM INVESTING ACTIVITIES section of the Cash Flow Statement on 30 April 2024.

(8)

2.2.4 Calculate the following financial indicators for the year ended 30 April 2024:

- Mark-up percentage on Cost of sales (4)
- Debt – Equity ratio (3)
- % Return on shareholders’ equity (ROSHE) (5)



INFORMATION:

A. Extract of information from the Statement of Comprehensive Income on 30 April 2024:

Sales	6 090 000
Gross profit	1 890 000
Depreciation	26 900
Interest expense	45 900
Income Tax (30% of the Net Profit)	360 000

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

	2024	2023
Fixed assets (carrying value)	3 890 000	3 328 000
Fixed deposit	210 000	?
Cash and Cash equivalents	91 400	22 000
Shareholders' equity	2 762 500	2 232 500
Ordinary Share Capital	1 820 000	1 500 000
Retained Income	942 500	732 500
Loan: Apple Bank	1 135 000	2 460 000
Bank overdraft	0	35 600
SARS (Income Tax)	12 800 (cr.)	22 600 (cr.)
Shareholders for dividends	?	220 500

C. Information on Share Capital:

Authorised share capital of 1 200 000 ordinary shares.

Issued share capital:

- On 1 May 2023, there were 480 000 shares issued.
- On 30 July 2023, additional shares were issued.
- On 31 January 2024, 50 000 shares were bought back and an amount of R220 000 was paid.

D. The net asset value per share, after taking the above into account is 425 cents per share.

E. An interim dividend of 21 cents per share was paid on 31 December 2023. New shareholders are entitled to interim dividends.
A final dividend of 62 cents per share was declared on 30 April 2024. Only shareholders who were registered on 30 April 2024 qualify for the final dividend.

F. Additional Fixed assets were purchased during the financial year. An old vehicle was sold at book value, R22 000, during the financial year.

G. One third of the Fixed Deposit matured on 31 December 2023.


QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION (35 marks; 25 min)

3.1 Choose the correct word from those given in brackets. Write only the word next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

- 3.1.1 (Solvency / Liquidity) is the company's ability to pay off all debts using existing assets.
- 3.1.2 Effective control of income and expenses is a reflection of the (risk / profitability).
- 3.1.3 The use of loans to finance a company is known as (Return / Gearing).
- 3.1.4 The ability of a company to pay off its short-term debts (Operating Efficiency / Liquidity).

(4)

3.2 You are provided with information regarding FURIOUS Ltd. for the financial year ending 30 June 2024. The company is listed on the stock exchange with an authorised share capital of 2 million ordinary shares. The company manufactures leather shoes (Vellies), loadshedding has had a negative impact on production and sales in the current financial year.

REQUIRED:
3.2.1 Liquidity:

The directors are satisfied with the improvement in the current ratio and the acid-test ratio. Explain why you would disagree with them. Quote **TWO other financial indicators** in your response.

(6)

3.2.2 Dividends:

The directors have changed the dividend policy for the current financial year.

- Comment on the dividend per share over the last two years. Quote figures. (2)
- Explain the change in the dividend pay-out rate and give a reason for this change. Quote figures. (4)
- A shareholder, Jakob Toretto, owns shares in FURIOUS Ltd. and FAST Ltd.

FAST Ltd. has the following financial indicators in relation to dividends.

Earnings per share	196 cents
Dividend per share	92 cents

Jakob Toretto feels that he is more satisfied with the dividends he received at FURIOUS Ltd. Explain why you agree with him. Quote figures. (3)

3.2.3 Risk and Gearing:

Comment on the risk and gearing for both years.
Quote TWO financial indicators (with figures).

(6)

3.2.4 Refer to Information B and C.

Existing shareholders are unhappy that the new shares issued on 1 July 2023 have been sold to the CEO, Brian O’Conner.
Give TWO reasons why you think their feelings are justified. Show calculation and quote figures.

(6)

3.2.5 Refer to Information C.

The Cash Flow Statement showed a positive change of R1 470 000. Give TV reasons why this should still be a concern for the directors. Quote figures.

(4)

INFORMATION:

A. Financial indicators and ratios for the year ended 30 June:

	2024	2023
Profit mark-up % achieved	60%	85%
% Net profit before tax on sales	16,9%	28,3%
Current ratio	2,4 : 1	1,1 : 1
Acid-test ratio	1,0 : 1	0,4 : 1
Stockholding period	102 days	63 days
Average debtors’ collection period	46 days	31 days
Average creditors’ payment period	60 days	60 days
Earnings per share	58 cents	130 cents
Dividends per share	72 cents	91 cents
Dividend pay-out rate	124,1%	70%
Debt-equity ratio	0,4 : 1	0,2 : 1
Return on average shareholders’ equity	12,7%	28,6%
Return on total capital employed	19,2%	32%
Net asset value per share	233 cents	391 cents
Market price of shares on stock exchange	140 cents	450 cents
Interest rate on loans	13,5%	10,5%
Interest rate on fixed deposits	6,8%	5,5%

**B. Share Capital:**

- On 1 July 2023, the company issued an additional 250 000 shares.
- On 30 June 2024, 1 250 000 shares have already been issued.

C. Extract from Cash Flow Statement on 30 June 2024:

	2024	2023
Cash flows from operating activities	(222 120)	(1 365 000)
Cash generated from operations	1 922 430	
Interest paid	(348 000)	
Taxation paid	(409 050)	
Dividends paid	(1 387 500)	
Cash flows from investing activities	152 250	(450 000)
Cash flows from financing activities	1 539 000	(150 000)
Sale of shares	562 500	0
Change in loan	977 000	(150 000)
Cash and cash equivalents		
Net change	1 470 000	765 000
Opening	(495 000)	(1 260 000)
Closing	975 000	(495 000)


QUESTION 4: SHAREHOLDING AND CORPORATE GOVERNANCE (20 marks; 15 min)

4.1 Choose the correct term to complete each of the following statements.

Write only the term next to the question number (4.1.1 – 4.1.5) in the ANSWER BOOK.

**External auditors; Limited; Executive directors; Ltd.; Internal auditors;
Shareholders; Unlimited;
Non-Executive Directors; Ordinary share capital; Pty Ltd.**

- 4.1.1 ...is appointed to monitor controls to prevent mismanagement and fraud.
- 4.1.2 The concept of ...liability ensures that shareholders are not liable for debts of the company in the event of bankruptcy.
- 4.1.3 ...serves on the board of Directors in an advisory role.
- 4.1.4 Private Company ends with the following ...
- 4.1.5 ... was appointed by the shareholders to draw up and prepare the financial statements.

(5)

An article below was extracted from a local newspaper. Read the extract carefully and answer the questions that follow. Use your general knowledge of companies and corporate governance to support your answers, if necessary.

REQUIRED:
4.2 Shareholding

Refer to Paragraph 1.

- 4.2.1 Calculate the percentage shareholding of Canal+ in Multichoice. (2)
- 4.2.2 Why is Canal+ so determined to acquire the shares? (1)
- 4.2.3 Provide TWO benefits for Canal+ if they acquire the shares. (4)

4.3 Good corporate governance

Refer to Paragraph 2.

- 4.3.1 *“they want to ensure that MultiChoice and the broader South African creative ecosystem can succeed in the long term.”*
Why does the CEO use the above as an argument to Multichoice as a reason to why they are interested in the shares? (2)
- 4.3.2 In which report will the non-financial information be communicated in the AGM? (2)
- 4.3.3 What do you understand by the “Three-part baseline” reporting? (2)
- 4.3.4 Briefly explain what you understand by “good corporate governance”. (2)

**INFORMATION:****Extract from article in Mybroadband on 1 February 2024.****Canal+ offers to buy MultiChoice for R31.7 billion****Jan Vermeulen** 1 February 2024**Paragraph 1**

In a statement on Thursday, Canal+ said it sent a letter to MultiChoice's board containing a non-binding indicative offer to acquire all of the issued ordinary shares of MultiChoice it does not already own, subject to obtaining the necessary regulatory approvals.

It has offered R105 per ordinary share, representing a premium of 40% to MultiChoice's closing share price of R75 on 31 January 2024.

In its last annual report, MultiChoice revealed that Canal+ owned 140 160 277 of its 442 512 678 issued shares.

Paragraph 2

Canal+ chairman and CEO Maxime Saada said they are a long-term investor in both MultiChoice and South Africa and are proud to have been actively involved in Africa's media sector for 30 years.

Saada said that as a committed investor and an experienced global media company, they want to ensure that MultiChoice and the broader South African creative ecosystem can succeed in the long term. "We hope to build on our strong track record of cooperating with MultiChoice to commission ambitious and authentic African content, support more local production companies and deepen access to international sport while investing in and promoting local sport and their local stars and ambassadors," he said.

[Source: mybroadband.co.za]

20**GRAND TOTAL: [150]**



GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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.