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GAUTENG PROVINCE
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REPUBLIC OF SOUTH AFRICA

ACCOUNTING

SCHOOL BASED ASSESSMENT

GRADE 12

WRITTEN REPORT

TERM 1: 2024

Marks	50
Duration	1 Hour
Topics	Companies Ledger Accounts and Shareholding
	Corporate Governance and Auditing

NOTE: The task should be administered in class under the supervision of the teacher.

This question paper consists of four pages.

QUESTION 1: COMPANIES LEDGER ACCOUNTS AND SHAREHOLDING**1.1 COMPANIES LEDGER ACCOUNTS****ROYAL STRUCTURES LTD**

Royal Structures Ltd is a company that manufactures trailers, mobile houses, and mobile offices. You are one of the three junior accountants who have been recently employed by a company. The chief accountant Nozi Miya has instructed you to use the information provided in their financial records to prepare a section of the financial report. You are expected to report on the equity, retained earnings, liability to SARS and distribution of profits for the year ended on 30 June 2023.

REQUIRED:

In your report include the ledger accounts provided below. The report will be submitted to the board of directors.

- | | | |
|-------|------------------------|-----|
| 1.1.1 | Ordinary Share capital | (6) |
| 1.1.2 | Retained Income | (6) |
| 1.1.3 | SARS (Income Tax) | (7) |
| 1.1.4 | Appropriation Account | (7) |

INFORMATION:

The following appeared in the list of balances on 1 July 2022:

Details	Amounts
Ordinary share capital (500 000 shares)	R 2 500 000
Retained income	950 000
SARS-Income tax (Cr)	17 000
Shareholders for dividends	125 000

- 1 July 2022** The company issued a further 200 000 ordinary shares at R6,40 each. The proceeds of the issued shares were banked.
- 20 July 2022** SARS and the shareholders were paid the amounts due to them.
- 31 Dec 2022** The company paid provisional tax of R270 000 and interim dividends of 20 cents per share was paid to shareholders.
- 30 June 2023** At the end of the accounting period, the company made a second provisional tax payment of R250 000.
- The directors declared a final dividend of 60 cents per share, all the registered shareholders qualified for the final dividend.
- 30 June 2023** The directors decided to buy back 60 000 shares from a shareholder at R7.00 per share. This transaction was paid via EFT.
- 30 June 2023** The net income after tax for the year amounted to R1 190 000. Income tax is calculated at 30% of net profit before tax



1.2 SHAREHOLDING

NEW AGE AUDITORS

New Age Auditors provide auditing and financial services to various companies. The senior auditor has tasked you to prepare a report on the two companies provided below:

MATRIX LTD

Bronny Brown is the Chief Executive Officer (CEO) of the company, his shareholding is as follows:

Number of shares	Date	% Shareholding
740 000	1 July 2022	?

Share Capital

- 1 500 000 shares were in issue on 1 July 2022.
- 300 000 shares were repurchased on 30 November 2022
- The company issued 200 000 shares on 30 June 2023.

REQUIRED:

1.2.1 Calculate the percentage shareholding of Bronny Brown:

- (a) At the beginning of the year (1 July 2022) (2)
- (b) End of the year (30 June 2023) (4)

KHULA LTD

On 1 March 2022, the company issued an additional 300 000 shares. On 28 February 2023, there were 1 500 000 shares in issue.

Buhle Langa, the CEO owned 540 000 shares in the company on 1 March 2022. She bought additional shares from Johannesburg Securities Exchange (JSE) during the year. On 28 February 2023 Buhle became the majority shareholder, she owns 51% of the shares in issue.

REQUIRED:

1.2.2 Your report must address the following:

- (a) Calculate the total number of additional shares that were purchased by Buhle. (4)
- (b) Give **TWO** possible reasons why Buhle was determined to become the majority shareholder. (4)

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QUESTION 2: CORPORATE GOVERNANCE AND AUDIT REPORT**MADIBENG LTD**

You have been contracted by Conneli Chartered Accountants as a trainee accountant. They have audited the financial statements of Madibeng Ltd, and an extract of the audit report has been provided. The Chief Accountant, Connie has requested you to prepare a written report that will respond to the questions provided below:

REQUIRED:

- 2.1 Briefly explain your understanding of 'good corporate governance'. (2)
- 2.2 Explain why a company must have their financial statements audited by an external auditor. (2)
- 2.3 Identify the type of audit opinion that was received by the company, provide a reason for your answer. (2)
- 2.4 An investigation of the marketing expense mentioned in the audit report revealed that an amount of R180 000 was for a holiday 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)

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

We have audited the annual financial statements of Madibeng Ltd for the year ended 28 February 2023. 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 2023, except for the marketing expense in the Statement of Comprehensive Income which could not be verified, no documentation was provided to support this expenditure.

**Conneli
Chartered Accountants (SA)**

