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GRADE 12

ACCOUNTING P1

JUNE 2024

MARKS: 150

TIME: 2 Hours

**This question paper consists of 9 pages,
A formula sheet and a 12 – 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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to achieve part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the 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	MINUTES
1	COMPANY FINANCIAL STATEMENT	60	45
2	CASH FLOW STATEMENT & FINANCIAL INDICATORS	45	35
3	ANALYSIS AND INTERPRETATION	30	30
4	CORPERATE GOVERNANCE	15	10
TOTAL		150	120

QUESTION 1: COMPANY FINANCIAL STATEMENT (60 marks; 45 minutes)**BRUCEE LIMITED**

The information relates to the financial year ended on 29 February 2024.

REQUIRED:**1.1 Refer to Information F:**

Calculate the correct net profit after tax for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease. (11)

1.2 Prepare the following notes to the Statement of Financial Position for the financial year on 29 February 2024.

- Trade and other receivables (9)
- Ordinary share capital (6)
- Retained income (11)

1.3 Complete the Statement of Financial Position on 29 February 2024. Show workings. (24)

NOTE: Certain figures are provided in the ANSWER BOOK.

INFORMATION:

A. Amounts extracted from the books on 29 February 2024 (before taking into account all adjustment below):

	R
Ordinary share capital	7 724 000
Retained income (1 March 2023)	875 300
Fixed assets (carrying value)	7 351 880
Loan from DBSA Bank	284 000
Trading stock	346 000
Trade debtors	1 080 000
Fixed deposit: Papi Bank	560 000
Bank (favourable)	3 530 000
SARS: Income tax (provisional payments)	155 000
Creditors' control	1 924 400
Provision for bad debts	18 000

B. Share capital:

DATE	INFORMATION
1 March 2023	1 500 000 ordinary shares in issue at, R6,20 per share
30 April 2023	300 000 ordinary shares repurchased at 70 cents above the average share price. This transaction was not recorded.
1 January 2024	Additional shares issued
29 February 2024	1 240 000 ordinary shares in issue

C. Dividends:

- Final dividend of 13 cents per share were paid on 2 March 2023.
- An interim dividend of 35 cents per share was paid on 31 August 2023.
- Final dividends of 30 cents per share were declared on 29 February 2024.

D. Loan from DBSA Bank

- Interest of R48 000 has not been recorded by the business.
- The capital repayment of R50 000 will be made in the next financial year.

E. The company has invested in two fixed deposit of equal value. 50% of **one** fixed deposit will mature on 31 May 2024.

F. A creditor with a debit balance of R10 600 must be transferred to the Debtors ledger.

G. Net profit before tax, R1 023 780, was calculated before correcting the following.

- Provision for bad debts must be decreased by R1500
- Interest on loan was not taken into consideration. Interest on the loan is capitalised.
- Rent income received amounted to R52 560. It included the rent for March and April 2024. The rent was increased by 15% on 1 January 2024.
- Trading stock, R14 000 was damaged by storm during the year. The insurance company accepted the claim and will cover 80% of the claim. The insurance claim will be processed during May 2024.
- An additional Insurance policy was taken out on 1 November 2023. The annual premium of R10 200 was paid and recorded.
- A further R56 000 is still owed for income tax.

QUESTION 2 : CASH FLOW STATEMENT**(45 marks; 35 minutes)**

The information relates to KPM LTD for the financial year end 30 June 2024.

REQUIRED:

- 2.1 Choose a term to complete each of the following statements. Write only the term next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.

Profitability; Market value; Debt-Equity ; Liquidity; Efficiency

2.1.1 The ... ratio indicate the financial leverage of a company.

2.1.2 ... ratios are used by investors and management to see how a company is doing compared to others in its industry.

2.1.3 ... ratios focus on the company's ability to pay short-term obligations.

(3x1) (3)

- 2.2 Complete the reconciliation between the profit before changes in working capital. (6)

- 2.3 Complete the Cash Flow Statement for the year ended 30 June 2024. (26)

- 2.4 Calculate the following financial indicators for 2024:

- Current Ratio (3)
- Earnings per share (3)
- Return on shareholders' equity (4)

INFORMATION:**A. Extract from the Statement of Financial Position on 30 June 2024:**

	2024 R	2023 R
Fixed assets at carrying value	1 664 700	1 230 000
Financial Assets	500 000	900 000
Current Assets	2 289 388	840 300
Inventory	350 700	484 000
Debtor's control	482 258	356 300
Accrued Income	9 842	-
Cash and cash equivalents	1 446 588	
Current Liabilities	1 448 100	1 230 300
Creditor's control	623 200	491 078
Bank overdraft	-	258 600
SARS (PAYE)	-	10 022
Shareholders for dividends	778 500	450 000
SARS (Income tax)	46 400	20 600
Shareholders Equity	7 166 850	6 142 800
Loan: Rhino Bank	?	1 822 000

B. Share capital:

1 July 2023	1 500 000 shares in issue
18 December 2023	An additional 250 000 shares were issued at R7.
30 April 2024	20 000 shares were repurchased from a retired shareholder. He was paid R0,50 above the average share price and would no longer qualify for dividend. 1 730 000 shares were issued at the end of the year.

C. Dividends:

- Total dividends for the year amounted to R1 041 000.

D. Fixed Assets

- An old vehicle with a carrying value of R25 300.
- Depreciation for the year amounted to R190 000
- New fixed assets were purchased during the year.

E. Loan Statement from Rhino Bank:

- Interest is calculated at 20% per annum. It is capitalised and paid annually with the capital reduction.
- Capital reduction on loan amounted to R50 000.

F. Profit and income tax:

- Net profit after tax amounted to R590 688.
- Income tax is calculated at 28% of the net profit.

QUESTION 3: ANALYSIS AND INTERPRETATION (30 marks; 30 minutes)

You are provided with the information of two companies, SUGAR Ltd and SPICE Ltd.

REQUIRED

- 3.1 Briefly explain the difference between solvency and liquidity. (2)
- 3.2 Which company is most liquid in 2024?
Explain what the main problem is in respect to liquidity for the OTHER (7)
company, quoting TWO financial indicators.
- 3.3 Which company is most solvent in 2024?
Explain your answer, quoting ONE financial indicator and compare it to the (4)
other company to support your answer.
- 3.4 Compare the two companies' degree of risk and financial gearing. (7)
Which company is better geared in 2024?
- 3.5 The dividend pay-out policy used by each company is different in 2024. (6)
Explain the policy used by EACH company. Provide figures to support your
explanation in EACH case.
- 3.6 Explain whether the directors should be satisfied or not with the market price (4)
of the companies on the JSE at the end of the financial year. Quote TWO
financial indicators in EACH case.

INFORMATION:

The following financial indicators were calculated for the past two years for the two companies:

	SUGAR LTD		SPICE LTD	
	2024	2023	2024	2023
Debt / Equity ratio	0,84:1	0,27:1	0,1:1	0,42:1
Total assets to total liabilities	2,9:1	2,3:1	2,1:1	2,4:1
Current ratio	3,4:1	1,8:1	1,7:1	2,1:1
Acid-test ratio	0,98:1	0,7:1	1,1:1	1,4:1
Stock-holding period	115 days	85 days	42 days	63 days
% return on average shareholders' equity after tax	25,2%	23,9 %	28,1%	26,3%
% return on total capital employed before tax	26 %	28 %	5%	4,5%
Net asset value per share	337 cents	330 cents	425 cents	390 cents
Interest on loan	18%	17%	18%	17%
Dividends per share	528 cents	530 cents	292 cents	330 cents
Earnings per share	540 cents	552 cents	730 cents	690 cents
Market price on JSE	400 cents	350 cents	363 cents	400 cents

QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 10 minutes)**

You are provided with an extract from the audit report and an article relating to donations of suppliers from a financial institution. Use the information presented and your general knowledge on companies to answer the questions.

REQUIRED:**4.1 Auditing:****4.1.1 Refer to Information A:**

Did Cool Bank Group Ltd received a qualified / unqualified / disclaimer of opinion. Explain your choice. (3)

4.1.2 Newspaper reports have indicated that Kagiso and Associates have been found guilty of misconduct in terms of audit work done at several large firms. Explain how this may influence shareholders of Cool Bank Group Ltd. State TWO points. (4)

4.2 Shareholders concerns and opinions:**4.2.1 Refer to information B:**

With reference to the statement made by the CEO, Singo, which says "our focus goes beyond just providing banking services but also includes identifying a way in which we can provide our support in other areas that will make an impact in up-lifting communities".

Mention TWO examples of services, other than banking, that can be offered by financial institutions such as Cool Bank Group Ltd to communities. (2)

4.2.2 One of the shareholders of Cool Bank Group Ltd raised a concern to the CEO that the company spend R1 200 000 for Rob Ferreira Hospital when they should be looking at cutting costs due to economic instabilities.

Explain THREE points that the CEO can use to support the company's decision. (6)

A. EXTRACT: AUDIT REPORT OF COOL BANK GROUP LTD.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Cool Bank Group Ltd as at 31 December 2023, and as well as the financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS) and the requirements of the companies Act of South Africa.

Kagiso and Associates
Chartered Accountants (SA)
31 December 2023

B. EXTRACT: CORPORATE GOVERNANCE REPORT.**COOL BANK GROUP LTD DONATES SUPPLIES TO
ROB FERREIRA HOSPITAL**

As part of Cool Bank Group Ltd.'s ongoing commitment to the uplift of communities where it operates, the country's biggest lender, has procured much-needed supplies worth R1 200 000 for Rob Ferreira Hospital in the city of Mbombela. Our purpose as Cool Bank Group Ltd is as follows; Africa is our home; we drive her growth.

However, this growth can only be achieved if we ensure the health and wellness of our communities. This means that our focus goes beyond just providing banking services but also includes identifying the way in which we can provide our support in other areas that will make an impact in up-lifting communities," says Singo.

15**TOTAL: 150**

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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	
$\frac{\text{Average trading stock} \times 365}{\text{Cost of sales}} \quad 1$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors} \times 365}{\text{Credit sales}} \quad 1$	$\frac{\text{Average creditors} \times 365}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*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.	