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**GRADE 12**

**JUNE EXAMINATION**

**PAPER 1**

**ACCOUNTING**

**JUNE 2024**

**EKSAMINER: Me. L.A. Andrews**  
**MODERATOR: Mnr. P.J. Fouche**

**MARKS: 150**  
**TIME: 2 hours**

This question paper consists of 10 pages,  
a formula sheet included and an 9-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 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 the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. If you choose to do so, you may use the financial indicator formula sheet which is attached at the end of this question paper. Use of this formula sheet is not compulsory.
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 statements and fixed asset note	60	50
2	Cash Flow Statements and financial indicators	40	30
3	Interpretation of Company Financial Information	35	30
4	Corporate governance	15	10
<b>TOTAL</b>		150	120

**QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME (60 marks; 50 minutes)****1.1 RUDO SPORTS STORES LTD**

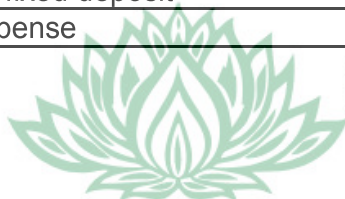
The information relates to the financial year ended 29 February 2024. The company trades in various sports items.

**REQUIRED:**

- 1.1.1 **Refer to Information B (i).**  
Calculate the value of the closing stock of golf balls on 29 February 2024, using the first-in-first-out method. (3)
- 1.2.2 **Refer to Information B (iii).**  
**Calculate:**
- Profit or loss on disposal of the vehicle (6)
  - Total depreciation for the year (9)
- 1.2.3 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (42)

**INFORMATION:****A. Extract from the Pre-adjustment Trial Balance on 29 February 2024:**

<b>Balance Sheet Accounts section</b>	<b>2024</b>	<b>2023</b>
Vehicles	1420 000	1 564 000
Accumulated depreciation on vehicles	?	420 000
Equipment	538 000	476 000
Accumulated depreciation on equipment	?	?
Fixed deposit: Hilke Bank	320 000	
Trading stock	1 253 000	
Debtors' control	221 440	
Provision for bad debts	?	19 888
SARS: Income tax (provisional tax payments)	450 000	
<b>Nominal accounts section</b>		
Sales	?	
Cost of sales	9 600 000	
Salaries and wages	1 551 100	
Employers' contributions	73 900	
Commission income	265 500	
Rent income	259 500	
Audit fees	166 600	
Consumable stores	88 900	
Repairs	53 100	
Directors' fees	1 056 000	
Bad debts	22 800	
Sundry expenses	247 740	
Interest on fixed deposit	?	
Interest expense	135 900	



**B. Adjustments and additional information:**

- (i) A physical stock count on 29 February 2024 revealed stock of R1 192 600 on hand. However, this figure excluded the closing stock figure for golf balls. Note that the first-in-first-out method is used to value the stock.

Details of the golf balls are as follows:

	UNITS	UNIT PRICE (R)	TOTAL (R)
Stock on 1 March 2023	1 500	20	30 000
Purchases: 15/5/2023	8 000	25	200 000
20/12/2023	3 000	28	84 000
Stock on 28 February 2024	1 900	?	?

- (ii) Consumable stores used during the year amounted to R77 400.
- (iii) **Fixed assets and depreciation:**

**Vehicles:**

- An old vehicle was sold on 1 November 2023 for R35 000 cash. Details of the vehicle sold:

Cost price	R144 000
Accumulated depreciation on 1 March 2023	R90 000

- Vehicles are depreciated at 20% p.a. on the diminishing price method.
- No new vehicles were purchased during the year.

**Equipment:**

- Equipment was purchased on 1 September 2023.
- Depreciated is calculated at 10% p.a. on cost.

- (iv) Goods are sold at a mark-up of 50% on cost. During February 2024, old stock costing R200 000 was sold for cash at 25% below cost. This transaction was recorded.
- (v) 85% of the audit fees have been paid.
- (vi) Received R5 360 from the insolvent estate of a debtor Gorgie Crook. His estate paid 80 cents per rand of his outstanding balance. The amount received was recorded. The balance of his account must still be written off.
- (vii) The provision for bad debts must be adjusted to 8% of the outstanding debtors.

- (viii) The company has two directors who were appointed in 2020. A third director was appointed on 1 August 2023. The directors all earn the same monthly fee. One director has already been paid for March 2024.
- (ix) The monthly rent did not change during the year. During November 2023 the tenant paid R13 500 for repairs to the premises. He deducted this from his rent for November 2023, as repairs are the responsibility of the company. The repairs were not recorded. The rent for March 2024 was received and deposited during February 2024.
- (x) R4 800 is still owed to SARS on 29 February 2024.

60
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**QUESTION 2: CASH FLOW STATEMENT, NOTES AND FINANCIAL INDICATORS**  
**(40 marks; 30 minutes)**

**MASIMANGA LTD.**

The information relates to Masimanga Ltd for the financial year ended 29 February 2024.

**REQUIRED:**

- 2.1 Prepare the note for Ordinary share capital on 29 February 2024. (6)
- 2.2 Calculate the Cash flow from changes in working capital. Show all calculations. (6)
- 2.3 Complete the following sections of the Cash Flow Statement for the year ended 29 February 2024.
- 2.3.1 Cash flow from operating activities (8)
- 2.3.2 Cash flow from financing activities (8)
- 2.3.3 Net change in cash and cash equivalents (4)
- 2.4 Calculate the following financial indicators on 29 February 2024:
- 2.4.1 Debt: Equity ratio (3)
- 2.4.2 % Return on average Shareholders' Equity (5)

**INFORMATION:****A. Shares and dividends:**

DATE	DETAILS OF SHARES
1 March 2023	600 000 in issue
30 June 2023	200 000 new shares issued
1 January 2024	50 000 shares repurchased at R1,70 above than the average share price
29 February 2024	750 000 shares in issue

- An interim dividend of R162 000 was paid on 30 September 2023.
- A final dividend was declared on 29 February 2024.

**B. Extract from the Statement of Comprehensive Income (Income Statement) for the year ended 29 February 2024:**

Net profit before tax	R1 475 000
Net profit after tax	1 032 500

**C. Extract from the Statement of Financial Position (Balance sheet) for the year ended 29 February 2024:**

		2024	2023
Inventories		456 500	373 200
Trade and other receivables	Note 1	241 500	372 000
Cash and cash equivalents		34 800	35 000
<b>Ordinary shareholders' equity</b>		<b>8 482 300</b>	<b>6 140 000</b>
Ordinary share capital		7 875 000	6 000 000
Retained income		607 300	140 000
Loan: Sharks Bank		6 785 840	2 456 000
Trade and other payables	Note 2	614 600	676 000
Bank overdraft		0	113 200

**D. Trade and other receivables**

Note 1	2024	2023
Trade debtors	195 300	372 000
Prepaid expenses	14 700	0
SARS – Income Tax	31 500	0
	241 500	372 000

**E. Trade and other payables**

Note 2	2024	2023
Trade creditors	352 100	455 000
SARS – Income Tax	0	29 500
Shareholders for dividends	262 500	191 500
	614 600	676 000

**QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION (35 marks; 30 minutes)****LITCHFIELD LTD**

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

**REQUIRED:**

**NOTE: Provide figures, trends, financial indicators or calculations in EACH case to support your comments and explanations.**

- 3.1 The company's total sales increased from 2023 to 2024 and the operating activities have been better controlled in 2024.
- Quote TWO financial indicators, which indicate better control over operating activities. (4)
  - Quote and explain ONE relevant indicator with a figure, which directly contributed to the increase in sales.. (2)
- 3.2 Identify TWO financial indicator, which indicate a decline in the liquidity of the company. (4)
- 3.3 The directors decided to increase the loan at the beginning of 2023. Explain why you agree with their decision. Quote TWO financial indicators with trends. (8)
- 3.4 Some shareholders buy shares in companies as a short-term investment while others do it as a long-term investment.  
Explain how the change in the dividend pay-out policy affected the investment choices of each type of shareholder. Provide comparative figures. (6)
- 3.5 Shareholders are divided on the price paid for the re-purchase of shares.  
Provide ONE point in support of and ONE point against the price paid for shares. Quote ONE financial indicator for each point. (4)
- 3.6 **Refer to Information C**
- The directors of the company decided to issue an additional 50 000 shares in the new financial year.
- Calculate the minimum number of shares K. Jardim must buy to become a majority shareholder. (5)
  - Mention ONE point why K. Jardim wants to become a majority shareholder. (2)



**INFORMATION:****A. Financial indicators calculated on 28/29 February:**

	<b>2024</b>	<b>2023</b>
Mark-up % achieved	55%	75%
% operating expenses on sales	18,3%	22,2%
% operating profit on sales	21,1%	15,5%
% net profit on sales	17,7%	13,9%
Current ratio	4,6:1	2,3:1
Debtors' collection period	33 days	45 days
Stock holding period	96 days	62 days
Creditors payment period	61 days	52 days
% return on shareholders' equity (ROSHE)	19,5%	17,6 %
Dividend pay-out rate	40%	80%
Debt-equity ratio	0,4:1	0,2:1
% return on total capital employed (ROTCE)	12 %	10,5%
Net asset value per share (NAV)	1 200 cents	900 cents

**B. Additional information on 28/29 February:**

	<b>2024</b>	<b>2023</b>
Market price of shares	1 320 cents	1 050 cents
Repurchase price of shares	1 420 cents	
Interest on loans	10%	10%
Interest on alternative investments	6%	6%

**C. Shares and percentage shareholding on 28 February 2024**

Number of shares in issue	650 000
% shareholding of K. Jardim	48%

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

You are provided with the following extract for Don Ltd from the report of the independent auditors.

**REQUIRED:**

- 4.1 Refer to the underlined words in paragraph 2.  
 • Give TWO examples of audit evidence. (4)
- 4.2 Explain why an independent auditor would want to see evidence that the following GAAP principles were applied:  
 • Matching (2)  
 • Going concern (2)
- 4.3 Refer to paragraph 3. Explain why you would be satisfied with this audit report opinion. Provide TWO reasons (4)
- 4.4 To whom is an audit report addressed? Give a reason for your answer. (3)

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

Paragraph 1 We have audited the annual financial statements of Jayden Ltd set out on Pages 10 to 21 for the year ended 30 June 2023. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Paragraph 2 **An audit includes:**

- Investigating, on a test basis, evidence supporting the amounts in the financial statements
- Assessing the accounting principles used and significant estimates made by management;
- Evaluating the overall presentation of financial statement .

Paragraph 3 **Audit opinion:**  
 In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 30 June 2023 and the results of their operations and cash flow for the year ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act.

**Green & Mahala, Chartered Accountants (SA)**

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**TOTAL: 150 MARKS**

<b>GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET</b>	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit} \times 100}{\text{Sales}} \quad 1$
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	
$\frac{\text{Average trading stock} \times 365}{\text{Cost of sales}} \quad 1$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors} \times 365}{\text{Credit sales}} \quad 1$	$\frac{\text{Average creditors} \times 365}{\text{Cost of sales}} \quad 1$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE:</b> <ol style="list-style-type: none"> <li>Trading stock at the end of a financial year may be used if required in a question.</li> <li>Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).</li> <li>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.</li> </ol>	

