KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

ACCOUNTING P1

ANSWER BOOK

SEPTEMBER 2022

PREPARATORY EXAMINATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

Name:_____ **Grade:**_____

QUESTION	MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE PROVINCE
1				
2				
3				
4				
TOTAL				

N.B. This answer book consists of 10 pages.

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QUESTION 1

1.1 Choose an explanation from column B that matches the term in column A. Write only the letter (A – D) next to the question numbers (1.1.1 to .1.3) in the ANSWER BOOK.

1.1.1	
1.1.2	
1.1.3	

3

1.2.1

	CALCULATION	ANSWER
(a)		
(b)		
(c)		
(d)		

19

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1.2.1 Statement of Comprehensive Income for the year ended 28 February 2022.

Sales	
Cost of sales	
Gross profit	
Other operating income	
Service fee income	**350 000**
Gross income	
Operating expenses	
Directors fees	**550 000**
Audit Fees	**88 410**
Operating profit	
Interest income	**80 000**
Operating profit before interest expense	
Interest expense	
Net profit before taxation	
Taxation	**(540 000)**
Net profit after tax	

38

TOTAL MARKS
60

QUESTION 2

2.1.1 Ordinary share capital note

AUTHORISED SHARES			
800 000 SHARES			
ISSUED SHARES:			
480 000	**Shares issued on 1 March 2021**	**1 770 000**	
	Shares issued at the end	**2 710 000**	**5**

2.1.2 RETAINED INCOME

Balance at the beginning		
Ordinary share dividends		
Balance at the end	**160 900**	**9**

2.2 Cash Flow Statement for the year ended 28 February 2022

Cash flow from operating activities		
Cash generated from operations		
Dividends paid	**(348 500)**	
Cash flow from investing activities	**(417 000)**	
Purchases of Fixed assets		
Proceeds from sale of fixed assets	**583 000**	
Cash flow from financing activities		
Proceeds from shares issued		
Buy-back of shares	**(12 500)**	
Net change in cash and cash equivalent		
Cash and cash equivalent at the beginning		
Cash and cash equivalent at the end	**321 500**	**18**

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2.3.1 **% operating profit on sales**

2

2.3.2 **Net asset value per share (NAV)**

3

2.3.3 **Debt-equity ratio**

3

TOTAL MARKS
40

QUESTION 3

3.1 Liquidity

Identify the company that is managing its liquidity more efficiently. Quote THREE financial indicators, with figures, to support your choice.	6

3.2 Returns, earnings and dividends:

• **Explain whether the shareholders of Khombindlela Ltd should be satisfied with their returns on investment. Quote figures.**	2
The directors of Thanduyise Ltd changed the dividend pay-out policy.	
• **Explain this change. Quote figures.**	3
• **Explain why you consider this change to be either a responsible or an irresponsible decision. Provide TWO point.**	4
• **Njabulo feels that the dividends he received in Thanduyise Ltd is better than that of Khombindlela Ltd. Explain why you agree with him. Quote figures.**	4

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3.3 Risk and gearing

Compare the risk and gearing of each company and explain which company is managing debt more effectively. Quote TWO financial indicators, with figures.	6

3.4 Shares and share holding:

3.4.1 Njabulo, the majority shareholder of Thanduyise Ltd, was not aware that directors issued additional shares during the financial year. Explain why he wants to maintain his position as the majority shareholder. Provide ONE point.	2
3.4.2 Calculate the number of shares that he must purchase to achieve this objective, and the amount he will require to purchase these shares.	4
3.4.3 What advice would you offer Njabulo about his shares in Khombindlela Ltd? Provide TWO point. Quote figures.	4

TOTAL MARKS
35

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QUESTION 4

4.1.1 **Explain what is meant by *good corporate governance* and explain why it is important to the shareholders**

3

4.1.2 **Provide ONE possible reason why Freedom Book says he will vote against the proposal by Mngoma Ltd.**

2

4.1.3 **Provide TWO points of advice on how the other directors should handle this matter.**

4

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4.2.1 **Choose the correct word from those given in brackets.**
Zululand Ltd received a /an (qualified/unqualified/disclaimer) audit report.

Give a reason.

2

4.2.2 **Explain TWO consequences of this audit report for the company and/or the CEO.**

4

TOTAL MARKS
15

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