education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

SEPTEMBER 2024

MARKS: 150

TIME: 2 Hours

This question paper consists of 9 pages,
A formula sheet and a 11 – page answer book.

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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	55	45
2	CASH FLOW STATEMENT & FINANCIAL INDICATORS	45	35
3	ANALYSIS AND INTERPRETATION	35	30
4	CORPORATE GOVERNANCE	15	10
TOTAL		150	120

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QUESTION 1: COMPANY FINANCIAL STATEMENTS (55 marks; 45 minutes)

VUYI LTD

The information relates to the financial year on 29 February 2024. The business sells plastic shopping bags.

REQUIRED:

1.1 **Refer to information E.**

Calculate the profit/loss on sale of plastic shopping bags. (6)

1.2 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (26)

1.3 Complete the Statement of Financial Position as at 29 February 2024. (23)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION AND ADJUSTMENTS:

A. **Amounts extracted from the books on 29 February 2024. (Before taking into account all adjustments below.)**

	2024	2023
Loan: ABBA Bank	?	1 725 500
Stock of plastic packets	?	3 300
Debtors control	?	118 500
Provision for bad debts	?	3 555
SARS (Income tax)	(Cr) 55 700	(Dr) 39 000
Bank (Favourable)	?	345 000
Trading stock (balancing figure)	?	0
Creditors' control	?	695 600
Shareholders for dividends	?	68 000
Sales	3 640 000	
Cost of sales	1 730 000	
Audit fees	16 500	
Salaries and wages	432 000	
Rent income	101 900	
Sundry expenses	?	
Directors' fees	518 000	
Bad debts	3 500	
Dividends on ordinary share	?	

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B. **Extract from the Cash Flow Statement for the year ended 29 February 2024**

Depreciation	98 760
Income tax paid	129 300
Fixed deposit matured	65 900
Repayment of loan	217 200

C. **Ordinary Share Capital:**
- 80% of the authorised share capital of 400 000 shares was in issue. The directors declared a final dividend of 20 cents per share on 29 February 2024.
- The net asset value per share on 29 February 2024 is 620 cents.

D. **Loan from ABBA Bank:**
- Fixed monthly repayment, including interest are R31 600.
- Capitalised interest amounted to R242 500 for the year ended 29 February 2024.
- Part of the loan will be repaid within the next financial year.

E. **Plastic shopping bags:**
The business sells plastic shopping bags to its customers at 40 cents each.
The profit/loss on sale of plastic shopping bags reflects the following:
- Cost of plastic packets purchased: R41 900.
- Cash received from sale of plastic packets: R37 200.

The business uses the periodic stock system for plastic shopping bags.
No entries have been made for.
- Reversal of the stock on hand at the beginning of the year.
- Bags bought on credit in February 2024, R5 500.
- Stock on hand at the end of the year, R2 100.

F. **Rent Income:**
The monthly rent did not change during the year. During December 2023 the tenant paid R6000 for repairs to the premises. He deducted this from his rent for January 2024, as the repairs are the responsibility of the company. Repairs is included in Sundry Expenses
The rent for March was received and deposited during February 2024.

G. **Audit fees:**
Vuyi Ltd paid a 40% deposit on their audit fees for the year. The outstanding balance will be settled on May 2024.

H. **Debtor's:**
- A debtor's debit balance of R1 000 in the Debtor's Ledger must still be transferred to his account in the Creditors' Ledger.
- The provision for bad debts must be decreased by R360.

I. **Director's fee:**
The two directors earn the same monthly directors' fees. They receive a 10% increase on 1 September 2023. They have been paid until 31 April 2024.

J. Operating profit on sales was 25% for the year

K. Sundry expenses is the balancing figure.

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

The information related to Sundry Limited for the financial year ended 28 February 2023.

REQUIRED:

2.1 Calculate the following figures in the 2023 Cash Flow Statement:

2.1.1	Dividends paid	(5)
2.1.2	Income tax paid	(5)
2.1.3	Purchase of fixed assets	(8)
2.1.4	Repayment of long-term loan	(5)
2.1.5	Net change in cash and cash equivalents	(2)

2.2 Calculate the following financial indicators on 28 February 2023.

2.2.1	Acid-test Ratio	(6)
2.2.2	Earnings per share	(3)
2.2.3	Net asset value per share	(5)

2.3 During the year Sundry Limited was able to improve their cash situation. Explain by identifying TWO of decisions, that they took to improve the cash flow of the company, Quote figures and explain how each decision benefited the company. (6)

INFORMATION:

A. Share Capital:

- The company is authorised 1 400 000 shares.
- On 1 March 2022 60% of the authorised shares were issued.
- 300 000 additional shares were issued on 30 June 2022.
- On 10 January 2023, 30 000 shares were repurchased at R9.
- The average share price on 28 February 2023 is R8,50
- Retained Income balance on 28 February 2023, R65 000

B. Dividends:

The directors declared dividends as follows:

- Balance of Shareholders for dividends on 1 March 2022, R218 000.
- 1 September 2022: Interim dividends of 33 cents
- 20 February 2023: Final dividends of 20 cents

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C. Income tax:

- Net profit after tax amounted to R604 800. Income tax is calculated at 28%.
- SARS Income tax balance on 1 March 2022, R32 000 debit.
- SARS Income tax balance on 28 February 2023, R 83 600 credit.

D. Tangible/Fixed assets:

	2023 R	2022 R
Land and buildings	4 950 000	4 537 500
Equipment at carrying value	495 000	429 000
Vehicles at carrying value	708 000	726 000

The following changes took place in terms of tangible/fixed assets:

- Vehicles were sold at carrying value during the year. These have been correctly recorded. The cost price of these vehicles was R350 000 and the accumulated depreciation was R247 500 at the date of disposal.
- Depreciation for vehicles for the year, R15 500
- New equipment was purchased during the year.
- Depreciation for equipment for the year, R6 000.
- Land and buildings were bought during the year.

E. Loan at Fund Bank:

The loan was originally received on 1 December 2020.
This loan is to be repaid over 5 years in equal monthly instalments with effect from 31 December 2020. All payments have been made.
Interest is not capitalised and has been paid in full, R338 400
Loan balance on 28 February 2023, R1 155 000

F. Net change in cash and cash equivalents:

Bank overdraft on 1 March 2022, R17 860
Favourable bank balance on 28 February 2023, R8 640

G. Extracted from the current assets for the past two years:

	2023	2022
Inventories (all Trading Stock)	276 800	261 800
Debtors' Control	307 200	384 000
Creditors' Control	69 000	53 400

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QUESTION 3 ANALYSIS AND INTERPRETATION (35 marks; 30 minutes)

Suzi is considering buying shares in a traveling agency. She is comparing two companies' financial indicators in order to decide in which one she should invest.
The companies are of similar size and they have issued the same number of shares. Both of them are also offering packages to the Summer Olympics in France.

INFORMATION:

	GLOBAL TRAVEL LTD	MONDE TRAVEL LTD
Market price per share on the JSE	755 cents	590 cents
Net asset value per share	605 cents	625 cents
Earnings per share	813 cents	179 cents
Dividends per share	637 cents	182 cents
% return on shareholders' equity	28,5%	16,5%
% return on total capital employed (before tax)	35,6%	17,4%
% interest rate on loans	18%	18%
Debt/Equity ratio	0,2 : 1	1,9 : 1
Current ratio	1,7 : 1	3,8 : 1
Debtors' average collection period	26 days	55 days
Creditors' average payment period	60 days	38 days

REQUIRED:

Explain your answer to each of the following questions, in each case quoting financial indicators (figures, ratios or percentages) to support your answer.

3.1 Explain why the liquidity of Global Travel Ltd are better than those of Monde Travel Ltd. Quote THREE financial indicators to support your answer. (9)

3.2 Monde Travel Ltd, has a cash flow problem. What can they do to improve their cash flow? Give TWO solutions for this problem. (4)

3.3 Which company uses more loans? Explain whether this is a good idea or not. In each case, quote a financial indicator to support your answer. (6)

3.4 Suzi and her friend hold different opinions about the current market value of the two companies' shares. Which one is doing better? Explain, quoting TWO financial indicators to support this opinion. (6)

3.5 Global Travel Ltd has a better percentage return, earnings and dividends than Monde Travel Ltd. Explain THREE financial indicators to support this opinion. (9)

3.6 Taking into consideration all of the above answered questions. Which company is the best to invest in? (1)

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

Extracts from a newspaper report have been adapted and presented. Use the information presented and your knowledge on companies to answer the questions.

REQUIRED:

4.1 **Auditing**

Refer to paragraphs 1 and 2.

4.1.1 Explain why SAICA would not tolerate the conduct of the registered members like Muller in their professional body. (2)

4.1.2 Give a reason how this newspaper report may influence shareholders of Sakhile Ltd. Provide ONE point (1)

4.2 **Legislation**

Refer to paragraph 3.

4.2.1 Explain by providing ONE point why the government of South Africa legislated the Protected Disclosures Act no 26 of 2000. (2)

4.2.2 With special reference to Paragraph 3, **differentiate** between the Internal and External whistle-blower. Mention TWO points. (4)

Refer to paragraphs 1, 2 and 3.

4.2.3 If you were a shareholder of Sakhile LTD provide THREE different questions. that you would raise at a meeting of shareholders concerning this matter. In EACH case state a reason for your question. (6)

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''SAICA TAKES ACTION AGAINST CHIEF FINANCIAL OFFICER ''
Paragraph 1 Former Sakhile Ltd, Chief Financial Officer (CFO) Alex Muller was **charged by SAICA** for his involvement in the procurement of more than 1,200 tractors for field workers beginning in 2022. Due to corruption, the company lost billions of Rand because these automobiles were **"overpriced."** Muller was proven to have been actively involved in this transaction, frequently engaging in negotiations with the service providers. After the contracts were signed, he **inflated the price** by an additional R15 billion, which had been approved at R25 billion.
Paragraph 2 SAICA concluded that Muller lacked accountability, was dishonest, and exhibited extreme negligence and as a result Sakhile Ltd suffered a **significant financial loss** emanating from what was deemed to be a major violation of the SAICA **code of conduct** while holding a senior position at the company.
Paragraph 3 SAICA effectively removed Muller from the list and prevented him from practicing as a Chartered Accountant (CA) and they also thanked the lobby group for taking a brave stand of whistle-blowing because this is encouraged by the **Protected Disclosures Act no 26 of 2000.**

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TOTAL: 150

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GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
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.	

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Errata			
ACCOUNTING P1			**MDE/September 2024**
QUESTION 2			
2.3	**During the year Sundry Limited was able to improve their cash situation. Explain by identifying TWO of decisions, that they took to improve the cash flow of the company, Quote figures and explain how each decisions benefited the company**.		
	Apart from Issuing of shares, Mention TWO other decisions that were taken by the directors to improve the cash flow of the company.		(6)

Errata			
REKENINGKUNDE V P1			**MOD/September 2024**
VRAAG 2			
2.3	**Gedurende die jaar kon Sundry Beperk hul kontantsituasie verbeter. Verduidelik deur TWEE besluite te identifiseer wat hulle geneem het om die kontantvloei van die maatskappy te verbeter, Haal syfers aan en verduidelik hoe elke besluit die maatskappy bevoordeel het.**		
	Behalwe vir die uitreiking van aandele, noem TWEE ander besluite wat deur die direkteure geneem is om die kontantvloei van die maatskappy te verbeter.		(6)