Western Cape Government

# METRO NORTH EDUCATION DISTRICT

## SCHOOL-BASED ASSESSMENT

## SEPTEMBER EXAMINATION

## ACCOUNTING P1

## TASK No.: 6

## 15 SEPTEMBER 2025

**MARKS: 150**

**TIME: 2 Hours**

This question paper consists of 10 pages, a formula page and a 13- page answer book.

**QUESTION 1 COMPANY FINANCIAL STATEMENTS (50 marks; 40 minutes)**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer 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 Statements | 50 | 40 |
| 2 | Cash Flow Statement and Financial Indicators | 45 | 36 |
| 3 | Interpretation of Financial Information | 40 | 32 |
| 4 | Corporate governance and Audit Report | 15 | 12 |
| **TOTAL** | | **150** | **120** |

**RUBY LIMITED**

The following information relates to **RUBY LIMITED**. The financial year ended on 30 June 2025.

**REQUIRED:**

**1.1 Refer to Information B.**

Calculate the correct net profit after tax for the year ended 30 June 2025.
**Indicate a + for increase and a – for decrease.** (13)

**1.2** Complete the Retained Income Note on 30 June 2025. ( 7)

**1.3** Prepare the Statement of Financial Position on 30 June 2025.
**Where notes are NOT required, workings must be shown.** (30)

**INFORMATION:**

**A Balances and /or totals, among others, that appeared in the books on:**

| | 30 JUNE 2025 | 30 JUNE 2024 |
|---|---|---|
| Ordinary share capital | ? | 7 200 000 |
| Retained income | 1 974 600 | ? |
| Mortgage loan: Onyx Bank | 354 600 | |
| Fixed assets | ? | |
| Fixed deposit | 432 000 | |
| Trading stock | 185 490 | |
| Debtors' control | 356 400 | |
| Provision for bad debts (1 July 2024) | 12 060 | |
| Cash and cash equivalents **(balancing figure)** | **?** | |
| SARS: Income Tax - Provisional payment | 640 800 | |
| Accrued income | 11 880 | |
| Creditors' control | 118 800 | |
| Rent income | 110 160 | |
| Insurance | 43 650 | |

**B.** Net profit before tax of **R2 277 180** was determined **BEFORE** taking into account the following information:

(a) Trading stock on 30 June 2025 was valued at R167 670.

(b) Rent for July 2025 had been received in advance. Rent increased on 1 February 2025 with 10%.

(c) Provision for bad debts must be adjusted to R9 630.

(d) An annual insurance premium of R8 640 was paid for the period 1 March 2025 to 28 February 2026.

(e) The auditor discovered that the loss on disposal of a vehicle, R6 570, was incorrectly shown as a profit.

(f) Income tax amounts to R673 650 for the year.

**C. DIVIDENDS AND SHARES:**

(a) Interim dividends of R360 000 were paid on 31 December 2024.

(b) The directors declared a final dividend of 23 cents per share on 30 June 2025 on all shares issued to date. Shares repurchased on 30 May 2025 do not qualify for final dividends.

(c) **SHARE CAPITAL:**

| | |
|---|---|
| 1 July 2024 | 1 800 000 shares were in issue |
| 15 October 2024 | 450 000 new shares were issued at R5,40 each. This has been recorded. |
| 30 May 2025 | 18 000 shares were repurchased at R1,44 more than the average price. This has not been recorded. |

**D.** A debtor's credit balance of R3 240 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.

**E** The current ratio on 30 June 2025 is 1,7 : 1.

**50**

**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS**

**(45 marks; 36 minutes)**

**2.1 CONCEPTS**

Choose the correct term to complete each of the following statements. Write only the term next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

| |
|---|
| Retained Income; Solvency; Statement of Financial Position; Cash Flow Statement; Net working capital; Gearing; Liquidity |

**2.1.1** Use of borrowed capital (loans) to finance the business.

**2.1.2** The difference between current assets and current liabilities is …..

**2.1.3** Ability to pay off all debts using the assets of the business.

**2.1.4** This financial statement provides users of financial statements with information of all the financial resources during the accounting period. (4)

You are provided with information related to **SILVER LIMITED**, a public company, for the financial year ended 28 February 2025.

**REQUIRED**

**2.2 Prepare the note for cash generated from operations.** (9)

**2.3 Calculate the following amounts for the Cash Flow Statement. Show workings.**

**2.3.1** Income tax paid (4)

**2.3.2** Dividends paid (4)

**2.4 Complete the following sections of the Cash Flow Statement.**

**2.4.1** Cash flow from investing activities (8)

**2.4.2** Cash flow from financing activities (5)

**2.5 Calculate the following financial indicators for the year ended 28 February 2025:**

**2.5.1** % operating expenses on sales (3)

**2.5.2** Acid-test ratio (4)

**2.5.3** Net Asset Value per share (NAV) (4)

**INFORMATION:**

**A. Shares and dividends:**

| | |
|---|---|
| 1 March 2024 | 720 000 shares in issue. |
| 30 June 2024 | 27 000 ordinary shares were repurchased at R8,82 from a retired shareholder. |
| 30 September 2024 | Interim dividend of 36 cents per share was paid. |
| 1 October 2024 | 90 000 new shares were issued at R11,80. |
| 28 February 2025 | Final dividends were declared to all shareholders in the shares register. |

**B. Extract from the Statement of Comprehensive Income for the year ended 28 February 2025:**

| | R |
|---|---|
| Sales | 5 400 000 |
| Cost of Sales | 3 600 000 |
| Depreciation | 50 400 |
| Operating expenses | 1 350 000 |
| Interest expense | 135 000 |
| Income Tax | 378 000 |
| Net profit after Tax | 882 000 |

**C. Extract from the Statement of Financial Position on 28 February 2025**

| | 2025 | 2024 |
|---|---|---|
| Ordinary Shareholders' equity | 7 649 910 | 6 418 620 |
| Ordinary Share Capital | 6 655 500 | 5 688 000 |
| Retained Income | 994 410 | 730 620 |
| Non-Current Liabilities (15% p.a) | 2 294 955 | 1 604 655 |
| Total Liabilities | 4 050 090 | 2 581 380 |
| Current assets | 3 510 000 | 1 980 000 |
| Inventories | 864 000 | 787 500 |
| Trade and other receivables | 1 035 000 | 900 000 |
| Financial assets | 3 690 000 | 1 710 000 |
| Fixed/Tangible assets | 4 500 000 | 5 310 000 |
| SARS (Income Tax) | Dr 35 000 | Cr 27 000 |
| Shareholders for dividends | 289 710 | 225 000 |

**D. Fixed assets**

- The building was sold for R1 800 000 at carrying value during the financial year.
- Equipment was purchased during the financial year.

**E. SARS (Income Tax)** R35 000 is included in the Trade and Other Receiveables.

**45**

## QUESTION 3 INTERPRETATION OF FINANCIAL STATEMENTS

**(40 marks; 32 minutes)**

The following information relates to **DIAMOND LTD.** Their financial year ends on 28 February each year.

**NOTE:** Where comments or explanations are required, quote financial indicators, figures and trends to support your answer.

**REQUIRED:**

**3.1 Liquidity**:

**3.1.1** Comment on the change in the liquidity of Diamond Ltd. Quote TWO financial indicators with figures. (6)

**3.1.2** Provide TWO suggestions on how the company can improve their liquidity position. Make reference to specific financial indicators. (4)

**3.2 Return, earnings and market price on the JSE:**

**3.2.1** Comment on the % return and earnings per share of the company. Quote TWO financial indicators with figures. (4)

**3.2.2** The shareholders of Diamond Ltd are not satisfied with the current market price of their shares. Explain by quoting figures/indicators and identify a factor that would have affected the market price of the shares. (4)

**3.3 Risk and gearing:**

**3.3.1** Comment on how Diamond Ltd is managing their risk and gearing. Quote TWO financial indicators in your explanation. (6)

**3.4 Dividend pay-out policy:**

**3.4.1** Calculate the dividend pay-out policy for 2025. (2)

**3.4.2** Provide ONE possible reason why Diamond Ltd has decided to change their dividend pay-out policy for 2025. (2)

**3.4.3** One of the directors feels that the dividend pay-out policy should have remained constant. Give TWO possible reasons (with figures) for his opinion. (4)

**3.5 Percentage shareholding:**

**Refer to information B:**

An existing shareholder, G. Gold, has sold some of his shares back to Diamond Ltd.

**3.5.1** Comment on the price paid for the repurchase of shares by Diamond Ltd. Provide TWO points and quote figures. (4)

**3.5.2** Calculate Gold's new % shareholding in Diamond Ltd. (2)

**3.5.3** Explain the effect of the repurchase on Gold's % shareholding in the company. Quote trends/ figures to support your explanation. (2)

**INFORMATION:**

**A. FINANCIAL INDICATORS, INTEREST RATES AND MARKET PRICES OF SHARES**

| | 2025 | 2024 |
|---|---|---|
| Mark-up % achieved | 54% | |
| Current ratio | 2,8 : 1 | 2,3: 1 |
| Average debtor's collection period | 41 days | 36 days |
| Earnings per share (EPS) | 65 cents | 87 cents |
| Dividends per share | 43 cents | 43 cents |
| Dividend pay-out policy | ? | 50% |
| Debt-equity ratio | 0,5 : 1 | 0,2 : 1 |
| % return on average equity (ROSHE) | 4,8% | 7,8% |
| % return on total capital employed (ROTCE) | 8% | 12% |
| Interest rate on loans | 11% | 11% |
| Interest rate on investments | 5,9% | 5,9% |
| Market price of shares on JSE | 756 cents | 828 cents |
| Net asset value per share (NAV) | 789 cents | 821 cents |

**B. EXTRACT FROM THE ACCOUNTING RECORDS OF 28 FEBRUARY 2025**

| | 2025 | 2024 |
|---|---|---|
| Number of shares in issue | 1 755 000 | 1 890 000 |
| Repurchase price | R10 | |
| Number of shares owned by G. Gold at end of year | 847 800 | 982 800 |
| % shareholding of G. Gold | ? | 51% |

**40**

**QUESTION 4 CORPORATE GOVERNANCE (15 marks; 12 minutes)**

**4.1** The following are three types of reports which can be issued after the financial statements of a company had been audited.

| | | |
|---|---|---|
| Qualified report | Disclaimer of opinion | Unqualified report |

- Which type of audit report will discourage shareholders to buy shares in a company. (1)
- Provide TWO reasons why shareholders will not be interested to buy shares in such a company. (4)

**4.2.** Computers worth R600 000 were donated to the local school. The director cites the donation to the school as a Corporate Social Investment (CSI) initiative.

**4.2.1** Explain the need for corporate social investment. (2)

**4.2.2** What do you understand by the *triple bottom line*? (2)

**4.2.3** Which component of the annually published financial statements should contain details of the donation to the school? (2)

**4.3.** Explain why the auditor mentioned the following in the report:

- IFRS (2)
- Companies Act (Act 71 of 2008) (2)

**INFORMATION:**

| |
|---|
| In our opinion, the financial statements fairly present in all material respects the financial position of the company at 28 February 2025. as well as the financial results of its operations and the cash flows for the year ended. This is in accordance with the International Financial Reporting Standards (IFRS) and the manner required by the Companies Act (Act 71 of 2008) in South Africa. |

**15**

| 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 | |
| $\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ *(See Note 1 below)* | $\frac{\text{Cost of sales}}{\text{Average trading stock}}$. |
| $\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$ | $\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ *(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)* |
| $\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$ | |
| $\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$ | $\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$ |
| $\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$ | $\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$ |
| $\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$ | $\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$ |
| $\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$. | |
| **NOTE:** 1. Trading stock at the end of a financial year may be used if required in question.<br>2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).<br>3. 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. | |