GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2024

ACCOUNTING

(PAPER 1)

TIME: **2 hours**

MARKS: **150**

ACCOUNTING P1

C2711E

X05

12 pages + 1 formula sheet and an answer book of 10 pages

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 questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
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	Statement of Comprehensive Income, Notes and Statement of Financial Position	65	52
2	Cash Flow Statement and Interpretation	40	32
3	Analysis and Interpretation of Financial Indicators	35	28
4	Audit Reports and Corporate Governance	10	8
TOTAL		**150**	**120**

QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME, NOTES AND STATEMENT OF FINANCIAL POSITION (65 marks; 52 minutes)

1.1 COMPANY CONCEPTS

Choose a description from COLUMN B that matches a term/concept in COLUMN A. Write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.1.1 Director	A Responsible for expressing an opinion on the financial statements of a company
1.1.2 IFRS	B Owners of the company
1.1.3 Independent auditor	C An elected member of the board responsible for running the business and implementing policy
1.1.4 Shareholders	D Guidelines for the preparation of financial statements to ensure consistency

(4 x 1) (4)

1.2 JONTY LIMITED

The following information relates to Jonty Limited. The financial year ends on 29 February 2024.

REQUIRED:

1.2.1 **Refer to Information C.**

Calculate the missing amounts denoted by **(i)** to **(iv)** on the Fixed Asset Note. (10)

1.2.2 Complete the Statement of Comprehensive Income (Income Statement) for the year ended 29 February 2024. Certain amounts have been entered in the Income Statement. (28)

1.2.3 **Refer to Information D.**

Complete the Ordinary Share Capital Note. (7)

1.2.4 Complete the Equity and Liabilities section of the Statement of Financial Position (Balance Sheet) on 29 February 2024. (16)

INFORMATION:

A. Extract of a list of balances/totals on 29 February 2024:

Balance Sheet Accounts Section	**R**
Ordinary share capital	6 600 000
Retained income (29 February 2024)	**?**
Land and buildings	7 890 720
Mortgage Loan: ZX-Bank	1 609 000
Vehicles	452 000
Equipment (1 March 2023)	790 000
Accumulated depreciation on vehicles (1 March 2023)	236 000
Accumulated depreciation on equipment (1 March 2023)	710 000
Trading stock	1 230 000
Provision for bad debts	22 000
Creditors' control	774 290
Shareholders for dividends	**?**
SARS: Income tax (Provisional payments)	150 000
Nominal Accounts Section	
Sales	3 345 000
Cost of sales	2 787 500
Salaries and wages	921 268
Audit fees	76 000
Directors' fees	1 540 000
Sundry expenses	292 330
Commission income	82 600
Bad debts	14 100
Bad debts recovered	3 260
Rent income	208 250
Packing material	3 700
Interest on fixed deposit	27 000
Ordinary share dividends	55 000

B. Additional information and adjustments:

(i) A credit note for R14 400 was issued on 29 February 2024 for goods returned by customer P. Mahlangu. Goods were sold with a mark-up of 20% on cost price. No entry has been made for this transaction.

(ii) Stock on hand, as per physical stock taking on 29 February 2024:

- Trading stock R1 239 000
- Packing material R980

(iii) A debtor, Z. Smith was declared insolvent. Her estate paid 55c in the rand. An amount of R660 was received and recorded. The balance of her account must be written off.

(iv) Provision for bad debts must be adjusted to R21 220.

(v) The premises have been rented for the past five years. The rent for March 2024 has been received and recorded. Due to renovations, the rent was decreased by 25% per month for only three months, from April to June 2023.

(vi) A debtor with a credit balance of R10 900 is to be transferred to the Creditors' Ledger.

(vii) The company has three directors earning the same monthly fee. Two directors have been employed since 2022, and a new director was appointed on 1 September 2023. One director went overseas and was only paid until 31 December 2023. Provide for the outstanding director's fees.

(viii) The loan statement received from ZX Bank on 29 February 2024 indicated the following:

	R
Balance at beginning of financial year	2 509 000
Repayments per month (including interest)	75 000
Interest capitalised	**?**
Balance at end of financial year	1 984 000

NOTE:

- The interest and repayments of the loan will remain the same for the next financial year.

(ix) **SARS Income tax:**

R17 000 is still payable to SARS.

C. Incomplete Fixed Asset Note and additional Information:

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value at the beginning of the year		416 000	
Cost	**(i)**		790 000
Accumulated depreciation		(236 000)	(710 000)
Movements			
Addition at cost	1 500 000	0	150 000
Disposal at carrying value		**(ii)**	0
Depreciation		(83 200)	**(iv)**
Carrying value at the end of the year	7 890 720	**(iii)**	
Cost	7 890 720	452 000	
Accumulated depreciation		(247 200)	

- Land and buildings were purchased during the financial year for R1 500 000. This has been properly recorded.
- Depreciation on vehicles is calculated at 20% p.a. on the diminishing-balance method. The total depreciation for the financial year amounted to R83 200.
- On 29 February 2024 a vehicle costing R200 000 was sold for cash, for R118 000. The business made a loss of R10 000 on the sale of the asset.
- Depreciation on equipment is calculated at 15% p.a. on the cost price. The company decided to invest in new equipment since the equipment was very old. The new equipment was bought on 1 November 2023 at a total cost of R150 000.

D. Shares and dividends

- Authorised shares consist of 3 000 000 shares.
- On 1 March 2023, there were 1 000 000 shares in issue.
- On 1 November 2023, the company repurchased 120 000 shares at R7,20 each, which was 20% above the average share price. These shares do not qualify for final dividends.
- 10% of unissued shares on 1 March 2023 were issued at R6,60 per share on 22 February 2024.
- A final dividend of 22 cents per share was declared on 29 February 2024. All shareholders on the shares register qualify for the final dividend.

E. The net asset value per share on 29 February 2024 is 620 cents.

QUESTION 2.: CASH FLOW STATEMENT AND INTERPRETATION

(40 marks; 32 minutes)

DRUA LTD

Drua Ltd is an apparel company specialising in the sale of rugby jerseys and other rugby apparel.

REQUIRED:

2.1 Calculate the CASH FLOW FROM OPERATING ACTIVITIES section of the Cash Flow Statement by completing the following:

(a) Operating profit before changes in working capital (4)

(b) Changes in working capital. You must also indicate whether there is an increase/decrease in the item. Circle or underline the correct option provided in the ANSWER BOOK. (9)

(c) Income tax paid (4)

(d) Dividends paid (3)

(e) Cash Flow from operating activities (6)

2.2 Calculate the CASH FLOW FROM FINANCING ACTIVITIES section of the Cash Flow Statement by completing the following:

(a) Retained Income Note (5)

(b) Cash Flow from financing activities (5)

2.3 The Cash Flow Statement reflects some important decisions made by the directors over the past year. Explain ONE good decision and ONE bad decision made by the directors. Provide calculations/figures to support your answer. (4)

INFORMATION:

A. Extract of a list of balances on 31 March 2024 (after adjustments):

	2024	2023
Sales	13 500 000	
Cost of sales	8 437 500	
Depreciation	?	
Interest on loan	185 000	
Net profit before income tax	1 995 000	
Net profit after income tax	1 396 500	
Fixed assets (carrying value)	2 314 000	2 884 000
Fixed deposit: Gen Bank	210 000	150 000
Ordinary shareholders equity	11 200 000	9 675 000
Ordinary share capital	8 925 000	7 800 000
Retained income	2 661 750	1 875 000
Loan: BN Bank (14%)	?	1 425 000
SARS (income tax)	48 000 Cr	27 000 Dr
Shareholder for dividends	157 500	107 250
Trading stock	1 005 000	870 000
Consumable stores on hand	14 250	13 400
Debtors' control	122 800	139 400
Bank	1 456 700 Dr	413 670 Cr
Deposit for water and electricity	30 000	15 000
Creditors' control	89 200	104 300
SARS (PAYE)	12 500	14 780

B. Additional information:

(i) Ordinary share capital:

- 1 500 000 shares have been authorised.
- 650 000 shares were issued at the end of the previous financial year, 31 March 2023.
- 100 000 ordinary shares were issued on 31 January 2024.
- A number of ordinary shares were repurchased from unhappy shareholders. These shares were repurchased at R17,50 per share; the average price was R12,75 at the time of the repurchase.
- 700 000 ordinary shares were in issue at the end of the financial year 31 March 2024.

(ii) Fixed assets:

- No fixed assets were bought or sold during the current financial period.

(iii) Loans:

- Interest on loan is capitalised.
- Payments (including interest) for the year were R710 000.

(iv) Dividends:

- The total dividends for the year, R372 250.

(v) Fixed deposits:

- Additional investment in fixed deposit of R60 000 during the year.

40

QUESTION 3: ANALYSIS AND INTERPRETATION OF FINANCIAL INDICATORS

(35 marks; 28 minutes)

3.1 Match the category of financial indicators with the correct description in the table below. Write only the letter (A – E) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK, e.g. 3.1.4 F.

A	Profitability
B	Liquidity
C	Solvency
D	Return
E	Risk

3.1.1 Measures how well the business performed over an accounting period (1)

3.1.2 Measures how well the owner's investment in the business has performed (1)

3.1.3 Measures the ability of a business to manage short-term debt (1)

3.2 **JACKSON LTD**

The following information relates to Jackson Ltd. The financial year of the company ends on 30 April.

REQUIRED:

3.2.1 Calculate the following financial indicators for the year ending 30 April 2024:

- Net profit after tax on sales (3)
- Returns on shareholders' equity (4)

3.2.2 Comment on the ability of Jackson Ltd to control expenses. Quote financial indicators and figures to support your answer. (3)

3.2.3 The directors of the company feel that working capital has improved over the financial period. Quote TWO financial indicators and figures that support the directors' opinion. Comment on the figures provided. (6)

3.2.4 The directors decided to take out an additional loan at the start of the current period. In hindsight, some of the directors think that this was a poor decision. Discuss the impact that the additional loan has on the business. Quote financial indicators and figures to support your answer. (6)

3.2.5 Jenny Gusto is a shareholder of the company. She currently owns 12 500 shares and is considering selling her shares as she views the company as underperforming.

Provide ONE reason with financial indicators and figures to support Jenny's view to sell her shares.

Provide ONE reason with financial indicators and figures to convince Jenny to reconsider her decision and keep the shares. (6)

3.2.6 If Jenny sells her shares now, calculate whether she will make a profit or a loss. Jenny purchased all the shares at an issue price of R5,80 per share, two years ago. (4)

INFORMATION:

A. Extract of a list of balances and totals for the year ended 30 April:

	2024	2023
Sales	6 750 000	5 940 000
Cost of sales	4 500 000	3 960 000
Operating expenses	1 180 000	1 120 000
Net profit before tax	945 000	735 000
Income tax (30%)	283 500	220 500
Trading stock	182 300	211 300
Ordinary share capital	3 900 000	3 600 000
Retained income	420 000	380 000
Shareholders for dividends	123 400	168 100
SARS (income tax)	43 400	32 800

B. Financial indicators on 30 April:

	2024	2023
Net profit after tax on sales	?	8,7%
Operating expenses on sales	17,5%	18,9%
Current ratio	1,9 : 1	2,8 : 1
Acid-test ratio	1,2 : 1	0,6 : 1
Average debtors' collection period	35 days	29 days
Average creditors payment period	62 days	40 days
Return on shareholders' equity	?	12%
Return on average capital employed	16%	18%
Debt-equity ratio	1 : 1	0,4 : 1
Net asset value per share	805 cents	776 cents
JSE market price per share	702 cents	791 cents
Alternative investments interest rate	7,5%	7,5%
Interest rate on loans	18%	14%
Credit policy	30 days	30 days
Supplier terms	60 days	60 days
Rate of inflation	5%	4%

35

QUESTION 4: AUDIT REPORTS AND CORPORATE GOVERNANCE

(10 marks; 8 minutes)

AUDIT REPORT

Refer to the extract of an audit report on Broderick Limited below and answer the following questions.

4.1 What kind of audit report did Broderick Ltd receive from the independent auditors, Vilakazi and Son? (1)

4.2 As a shareholder, explain why would you be concerned about this audit report? State TWO points. (4)

4.3 Give TWO examples of audit evidence that auditors will require when fulfilling their duties. (2)

INFORMATION:

EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

Basis for our opinion

The company's procurement policy states that purchases over R500 000 must be approved by the board of directors and supported by three quotations from independent suppliers.

During the year under review the company purchased a vehicle at a cost of R1 100 000. This was approved by the CEO without reference to the board. Only one quotation was received.

Audit opinion

Because of the significance of this matter, we have not been able to obtain sufficient audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial statements of Broderick Ltd for the year ended 29 February 2024.

Vilakazi and Son, CA (SA)

4.4 **CORPORATE GOVERNANCE**

Shareholders and employees associated with a company will be particularly interested in whether the company is well governed and managed by the directors.

According to the Companies Act, 2008 (Act 11 of 2008), a company must have a Remunerations Committee. Explain the role/responsibility of this committee and give a reason why this committee is necessary. (3)

10

TOTAL: 150

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.