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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

COMMON TEST

MARCH 2022



MARKS: 100

TIME: 1½ HOURS

**This question paper consists of 8 pages,
a formula sheet and a 5-pages 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 workings in order 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. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information and table below as a guide when answering the question. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income	40	35
2	Statement of Financial Position	46	45
3	Financial Indicators, Interpretation and Audit Report	14	10
TOTAL		**100**	**90**

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QUESTION 1 STATEMENT OF COMPREHENSIVE (40 Marks; 42 Minutes)



You are provided with information relating to Zulu ltd for the financial year ended 28 February 2022.

REQUIRED:

1.1 Complete the Statement of Comprehensive Income for the year ended 28 February 2022. **(40)**

A. **Figures extracted from the Pre-adjustment Trail Balance on 28 February 2022.**

	2022	2021
Balance Sheet Accounts Section	**R**	**R**
Mortgage loan: super Bank	1 700 000	1 900 000
Vehicles at cost	?	520 000
Equipment at cost	?	145 000
Accumulated depreciation on vehicles	168 000	
Accumulated depreciation on equipment	37 000	
Fixed deposit: New Bank	800 000	
Trading stock	1 200 000	
Debtors control	792 200	
Creditors control	750 000	
Provision for bad debts	45 000	
SARS: Income tax (Dr)	600 000	
SARS: PAYE	48 000	
Pension fund	18 000	
Nominal Accounts Section		
Sales	?	
Cost of sales	9 700 000	
Salaries and wages	1 049 300	
Directors fees	849 000	
Audit fees	150 300	
Employers contributions to pension	81 000	
Sundry expenses	?	
Bad debts	25 000	
Packing material	78 000	
Advertising	57 500	
Interest on fixed deposit	72 000	
Interest on loan	204 000	
Bad debts recovered	15 700	
Ordinary share dividends	24 000	

B. **Adjustments and additional information:**

(a) Selling prices are determined by using a mark-up of 60% on cost. However, trade discounts of R75 000 were allowed to special customers during the financial year.

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(b) Trading stock, R45 000, was damaged in a fire which broke out in the storeroom. This was not recorded. The insurance company accepted the claim and will cover 80% of the claim. This amount was received on 28 February 2022, but was not recorded in the books of the business. Write off the balance.

(c) The physical stocktaking on 28 February 2022 reflected the following stock on hand:

- Trading stock R 1 160 000
- Packing material R 9 000

(d) On 28 February 2022, R3 000 was received from J Jones, whose account had been previously been written off as irrecoverable. The amount was entered in the debtors control column in CRJ.

(e) A debtor, M Malinga was declared insolvent. His estate paid 40c in the rand. R800 was already received and recorded. The remaining amount must be written off.

(f) The provision for bad debts must be adjusted to R39 700.

(g) Advertising consists of a contract with a local radio station which is paid monthly. Advertising was paid for 13 months. From 1 November 2021, the contract rate was decreased by R200 per month.

(h) One employee received a double salary by mistake from Salary Journal for February 2022. This must be reversed. The employee made a direct deposited of the extra money to the business account on 28 February 2022 and this was recorded. His normal salary details are as follows:

Deductions		Employers contribution	Net salary
PAYE	Pension	Pension	
R2 000	R1 900	R3900	R10 100

(i) An old vehicle was sold for cash on 31 October 2021 for R43 900. No entries have been made.

The fixed asset register revealed the following in respect of the vehicle sold:

Depreciation for the current year	R24 500
Carrying value on the date of sale (31 October 2021)	R39 900
Profit on sale of an asset	R4 000

(j) Make provision for depreciation as follows:

- On vehicles at 15% p.a. on cost price.
- On equipment at 10% p.a. on diminishing balance

Note: A new computer was purchased on credit on 1 September 2021 for R36 000. This has already been recorded.

(k) Use the following to calculate certain missing figures:

- Operating profit on sales: 20%

(l) Income tax for the financial year must be 30% of the net profit before tax.

40

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QUESTION 2 STATEMENT OF FINANCIAL POSITION (46 marks; 45 minutes)

2.1 FRAGILE LTD

The information provided is for the year ended on 28 February 2022.

REQUIRED:

2.1.1 Retained income note on 28 February 2022. (16)

2.1.2 Complete the Statement of Financial Position 28 February 2022. (30)

INFORMATION:

A. **List of balances, before taking into account all adjustments below:**

Ordinary share capital	?
Retained income (25/02/2022)	2 300 000
Loan : Zulu Bank	900 000
Trading stock	780 000
Fixed assets	?
Fixed deposit	400 000
SARS – Income tax (provisional tax)	510 000
Net Trade debtors	820 000
Creditors	666 000
Cash in the bank	2 438 100
Accrued income / income receivable	25 000
Accrued expenses / expenses payables	16 000

B. Debtors with credit balance totaling R15 000 must be transferred to the creditors ledger.

C. On 28 February 2022, Fragile LTD returned 20 air conditioners to the supplier which was purchased on credit, Cooler wholesalers. The selling price was R12 000 each. The mark-up was 50% on cost. No entry has been made.

D. A fixed monthly installment of R40 000 (to cover loan repayment and interest) has to be paid over the full period of the loan. Interest will decline over the life of the loan. The repayment for current year has been paid and recorded. The interest on the loan budgeted for the next financial year is R280 000.

E. The Income tax rate is 28% of the net profit before tax. It was determined that an additional of R190 000 is still owed to SARS in respect of income tax for the year.

F. Shares and dividends
- The company paid an interim dividends of R800 000 on 1 September 2021.
- A final dividend of 70 cents per share was declared on 28 February 2022.
- 30 000 shares were repurchased on 25 February 2022 at R5.00 above the average share price of R15. This was recorded.
- 2 000 000 shares were in issue on 28 February 2022

G. The following financial indicator was calculated on 28 February 2022:
- Net asset value per share (NAV) is 620 cents

46

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QUESTION 3 **(14 Marks; 10 Minutes)**

FINANCIAL INDICATORS, INTERPRETATION AND AUDIT REPORT

You are provided with information relating to Madadeni Ltd for the financial year ended 28 February 2022.

REQUIRED:

3.1 Calculate the following financial indicators on 28 February 2022:

3.1.1 Solvency ratio (3)

3.1.2 Debt-equity ratio (3)

3.2 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion. (2)

3.3 The liquidity of the company has improved. Quote THREE financial indicators (with figures and trends) to support this statement. (3)

INFORMATION:

A. Extract from Balance Sheet on 28 February:

	2022	2021
Fixed assets (carrying value)	17 420 950	14 683 300
Fixed deposit: Ken Bank	250 000	380 000
Current assets	**1 015 000**	**456 000**
Cash and cash equivalents	205 000	7 500
Total assets	18 685 950	15 519 300
Shareholders' equity	**10 050 750**	**9 540 000**
Ordinary share capital	9 450 000	9 180 000
Retained income	600 750	360 000
Loan: Barbie Bank	**5 000 000**	**4 500 000**
Current liabilities	**635 200**	**1 479 300**
Shareholders for dividends	180 000	162 000
SARS: Income tax	6 200	23 400
Bank overdraft	-	610 500
Total liabilities	5 635 200	5 979 300

B. The following financial indicators were calculated on 31 May:

	2022	2021
% gross profit on cost of sales	68%	52%
Operating expenses on sales	25%	32%
Operating profit on sales	22%	15,8%
Current ratio	1,6 : 1	0,3 : 1
Acid-test ratio	0.7 : 1	0,1 : 1
Stock turnover rate	8,5 times	10 times
Debtors' collection period	30 days	43 days
Creditors' payment period	63 days	63 days
Solvency ratio	?	2,6 : 1
Debt-equity ratio	?	0,5 : 1

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3.4 **AUDIT REPORT**

You are provided with an extract from the audit report of Iniwe Limited.

3.4.1 What type of audit opinion is provided by the independent auditor? (1)

3.4.2 To whom is the audit report addressed? (1)

3.4.3 What is the responsibility of the directors with regards to the audit report? (1)

INFORMATION:

Extract from the audit report:

Because of the significance of the matters described in the *opinion* paragraph, we do not express an opinion on the financial statements as to whether they have been properly prepared, in all material respects, in accordance with the IFRS. In addition, we do not express an opinion on the Statement of Financial Position together with the notes thereon as to whether they are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 28 February 2022 according to the best of our information and explanations given to us.

14

TOTAL MARKS: 100

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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 and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income after tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$.	
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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ACCOUNTING

ANSWER BOOK

MARCH 2022

COMMON TEST

NATIONAL SENIOR CERTIFICATE

GRADE 12

Name:_____ _____ **Grade:**_____

Question	MARKS	MOD.
1		
2		
3		
TOTAL		

N.B. This answer book consists of 5 pages

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QUESTION 1

1.1 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2022.

	Other operating income	
	Gross income	
	Operating expenses	
	Salaries (1 049 300	
	Employers contributions (81 000	
	Bad debts (25 000	
	Packing material (78 000	
	Advertising (57 500	
	Operating profit	
	Interest expenses	**(204 000)**

40

QUESTION 2

2.1 RETAINED INCOME

		16

2.2 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2022.

ASSETS		
NON CURRENT ASSETS		
CURRENT ASSETS		
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY		
NON CURRENT LIABILITIES		
CURRENT LIABILITIES		
TOTAL EQUITY AND LIABILITIES		30

TOTAL MARKS
46

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QUESTION 3

3.1.1 Solvency ratio

3

3.1.2 Debt-equity ratio

3

3.2 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion.

2

3.3 The liquidity of the company has improved. Quote THREE financial indicators to support this statement.

3

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3.4.1	What type of audit opinion is provided by the independent auditor?	1
3.4.2	To whom is the audit report addressed?	1
3.4.3	What is the responsibility of the directors with regards to the audit report?	1

TOTAL MARKS
14

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