KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

COMMON TEST

MARCH 2024

MARKS: 100

TIME: 1½ Hours

This question paper consists of 9 pages including a formula sheet and a 7-page 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 paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Retained income note and Statement of Financial Position	45	40
2	Cash Flow Statement and Financial Indicators	35	30
3	Interpretation of Financial Statements	20	20
TOTAL		**100**	**90**

QUESTION 1: COMPANY FINANCIAL STATEMENTS (45 Marks; 40 Minutes)

MGM LIMITED

The information relates to the financial year ended on 28 February 2024.

REQUIRED:

1.1 Retained Income Note on 29 February 2024. (10)

1.2 Prepare Statement of Financial Position for the year ended 29 February 2024. (35)

Note: show workings, certain figures are provided in the Answer Book.

INFORMATION:

A.

List of balances, before taking into account all adjustments below:		
	2023 R	**2022 R**
Ordinary share capital	?	8 060 000
Retained Income (8 February 2024)	2 500 000	?
Loan: Super Bank	2 750 000	3 000 000
Fixed assets	?	
Fixed deposit	1 200 000	
Trading stock	?	
Net trade debtors	950 000	
Cash and cash equivalent	1 500 700	
Creditors control	420 000	
Accrued expenses	9 600	

B. Shares and dividends

1 September 2023	Interim dividends of 40 cents per share was paid
8 February 2024	50 000 shares were repurchased at R1,50 above the average share price. This transaction was properly recorded.
29 February 2024	A final dividend of 60 cents per share was declared to all shares on the share register on 29 February 2024.
29 February 2024	1 800 000 shares were in issue

NB: No new shares were issued during the financial year.

C. Loan: Super Bank

A fixed monthly instalment of R50 000 (to cover loan repayments and interest) has to be paid over the full period of the loan. The repayment and interest for 2024 has been paid and properly recorded.

Interest will decline over the life of the loan by 10% each year.

D. Rent Income

Rent of R94 000 was received from a tenant for the period 1 March 2023 to 30 April 2024. This has been recorded.

The monthly Rent was decreased by R800 from 1 December 2023.

E. Directors' fee

Directors fees paid for the year amounted to R1 665 000. The company has three directors who received the same fee.

- The first director received her full fee for the current year.
- Second director did not received his fees for February 2024.
- Third director requested the company to pay his fees for March and April 2024.

F. Provision for bad debts

Provision for bad debts must decreased by R7 000.

G. Debtors control

Debtor with a credit balance of R9 000 must be transferred to creditors ledger.

H. Trading stock

On 28 February 2024 MGM Ltd sold 20 Lap tops for cash, a trade discount of R10 000 was granted. The cost price was R19 000 each.

The mark – up was 25% on cost. No entry has been made.

I. SARS – Income tax

- SARS – Income tax for the previous year (2023) indicate a credit balance which amounted to R80 000.
- Tax paid for 2024 amounted to R628 000.
- Income tax for the year amounted to R648 000.

J. The following financial indicators were calculated on 29 February 2024 after taking the above information into account:

Current ratio	2.5 : 1
Net asset value per share (NAV)	650 cents
Earns per share (EPS)	120 cents

QUESTION 2

CASH FLOW STATEMENT AND FINANCIAL INDICATORS (35 marks; 30 minutes)

You are provided with information relating to Tholeni Limited, a public company, for the financial year ended 29 February 2024.

REQUIRED:

2.1 Prepare the ordinary share capital Note to the statement of financial position. (8)

2.2 Calculate the following amounts for the Cash Flow Statement. Show workings.

2.2.1 Dividends paid (4)

2.2.2 Income tax paid (4)

2.3 Complete the following sections of the Cash Flow Statement.

2.3.1 Investing activities (8)

2.3.2 Net change in cash and cash equivalents (4)

2.4 Calculate the following financial indicators for the year ended 29 February 2024:

2.4.1 Debt/equity ratio (3)

2.4.2 % return on average shareholders' equity (ROSHE) (4)

INFORMATION:

A. Extract from the Statement of Comprehensive Income for the year ended 29 February 2024:

Depreciation :	
Equipment	247 200
Vehicles	164 800
Net profit before tax	2 730 000
Net profit after tax	1 911 000

C. Extract from the Statement of Financial Position on 29 February:

	2023	2022
Fixed assets (carrying value)	12 154 000	8 031 000
Shareholders' equity	9 335 000	8 040 000
Ordinary share capital	6 835 000	7 350 000
Non-current liabilities	1 773 650	2 600 000
SARS: Income Tax	Cr 74 000	Dr 15 000
Shareholders for dividends	155 200	280 000
Bank overdraft	0	135 000
Cash and cash equivalent	410 000	5 000
Investment in fixed deposit	625 000	600 000

D. Shares

- The business has an authorised share capital of 600 000 shares.
- 70% of the shares were in issue on 1 March 2023.
- 50 000 ordinary shares were repurchased from a dissatisfied shareholder on 1 August 2023. The company paid R37 per share.
- A further 10% of the un-issued shares were issued.

E. Dividends

- Interim dividends of 30 cents per share were declared and paid on 1 September 2023
- A final dividend of 40 cents per share was declared on 29 February 2024. Only shares in the share register qualify for final dividends.

F. Fixed assets

- Old equipment was sold at carrying value during the accounting year.
- Extension to buildings were completed during the financial year amounted to R4 840 000.

35

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QUESTION 3 INTERPRETATION (20 Marks; 20 Minutes)

SOUTH LTD

You are provided with information relating to South Ltd for the financial year ended 29 February 2024. South Ltd issued new shares to the existing shareholders at 850 cents per share.

REQUIRED:

3.1 The directors are happy about the liquidity of the company. Quote TWO financial indicators with figures to support this statement. (4)

3.2 Shareholders are satisfied with the issue price of the new shares. Quote TWO financial indicators with figures to support this statement. (4)

3.3 One of the directors feel that the loan should be paid as soon as possible. Do you agree? Explain. Quote TWO financial indicators with figures to support your answer. (4)

3.4 Shareholders are not satisfied with the return on their investment and the dividends they received. Explain and quote TWO financial indicators with figures to support this opinion. (4)

3.5 **Share capital and % shareholding: Refer to Information C.**

3.5.1 Njabulo and Dunford decided that they would combine their votes at the upcoming annual general meeting (AGM). Explain ONE possible reason for this decision, with figures. (2)

3.5.2 As an existing shareholder, explain why you would be concerned about the strategy of Njabulo and Dunford. Provide TWO points. (2)

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INFORMATION:

A. Financial Indicators calculated on 28 February:

INDICATORS	28 February 2024	28 February 2023
% gross profit on cost of sales	42%	39%
% operating expenses on sales	19%	25%
Return on shareholders' equity	9.1%	8.6%
Return on capital employed	24%	14%
Debt/equity ratio	0.06 : 1	0.28 : 1
Earnings per share	49 cents	45 cents
Dividends per share	30 cents	45 cents
Net Asset Value per share	695 cents	572 cents
Debtors collection period	30 days	28 days
Creditors payment period	20 days	35 days
Rate of stock turnover	5 times	3 times

B. Additional information on 28 February:

	28 February 2024	28 February 2023
Interest rate on loan	16%	12%
Interest rate on investment	10%	9.2%
Market value per share on JSE	810 cents	720 cents

C. Extract from shareholders' register.

Njabulo and Dunford are shareholders in the company but not directors.

	NJABULO	DUNFORD	TOTAL
% shareholding on 1 March 2023	22%	16%	38%
% shareholding on 29 February 2024	27%	25%	52%

20

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)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average Shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

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.