



MARKING GUIDELINES
ACCOUNTING

ANALYSIS AND INTERPRETATION OF
FINANCIAL INFORMATION

GRADE 12

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6. CHECK YOUR ANSWERS

SOLUTION FOR ACTIVITY 1

(a) solvent ✓ (b) risk/gearing ✓ (c) profitable ✓ (d) return ✓ (e) liquid ✓ (5)

SOLUTION FOR ACTIVITY 2

2.1 2.1.1 Calculate the solvency ratio for 2014.
 $8\,839\,000 + 908\,000 + 2\,063\,700 : 908\,000 + 2\,063\,700$
 $11\,810\,700 ✓✓ : 2\,971\,700 ✓$
 3.97 : 1 or 4 : 1 one part correct

2.1.2 Calculate the net asset value per share for 2014.
 $\frac{8\,839\,000 ✓ \times 100}{1\,450\,000 ✓ \times 1}$
 = 610 cents one part correct R or c or 609,6 cents or R6,10

2.1.3 Calculate the debt-equity ratio for 2014.
 $908\,000 ✓ : 8\,839\,000 ✓$
 = 0,1 : 1 one part correct must be x10

2.2 Comment on the liquidity position of the company. Quote THREE relevant financial indicators (actual figures/ratios/percentages) and their trends.

Any THREE valid financial indicators:

Name of financial indicator ✓✓✓

Figure and trend: ✓✓✓

- Current ratio: 3,6 : 1 → 1,6 : 1 / decreased to 1,6 : 1
- Acid test ratio: 3,1 : 1 → 1,2 : 1 / decreased to 1,2 : 1
- Stock turnover rate: 5,1 → 6,8 times p.a. / increased to 6,8 times
- Debtors' collection period: 35 → 40 days / increased to 40 days

2.3 The directors decided to increase the loan during the current financial year. Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not.

ROTCE ✓

- This is 18,8% ✓

DEBT/EQUITY RATIO ✓

- This is 0,1 : 1 see 4.4.2

Explanation:

- It is positively geared as ROTCE is higher than interest rate ✓✓
- There is a low financial risk / It is not making much use of loans, as it relies more on funds from internal sources. ✓✓

2.4

The Bakker family owns 740 000 shares in this company. Explain the effect that the repurchase of shares on 31 December 2013 had on their control of the company. Give a calculation to support your answer.

Before the repurchase, the family's shareholding was:

$$\frac{740\,000}{1\,500\,000} \times 100 = 49,3\%$$

After the repurchase, the family's shareholding is:

$$\frac{740\,000}{1\,450\,000} \times 100 = 51,0\%$$

The family is now the majority shareholder. ✓

5

SOLUTION FOR ACTIVITY 3

3.1	3.1.1	Internal Auditor	✓	<table border="1" style="width: 40px; height: 40px; margin: auto;"> <tr><td> </td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
	4					
	3.1.2	Independent Auditor	✓			
3.1.3	Director	✓				
3.1.4	Balance Sheet	✓				

3.2 Calculate the acid-test ratio for 2015.

$\frac{340\ 300}{(662\ 300 \checkmark - 322\ 000 \checkmark) : 510\ 500 \checkmark}$
 OR $\frac{245\ 000 + 6\ 400 + 88\ 900}{\text{mark}}$
 = 0,7 : 1 **one part correct in the form x 1** OR 0,67:1 OR 0,66:1 NOT 0,6:1

4

Calculate the return on shareholders' equity (ROSHE) for 2015. (Use average equity in your calculation.)

$\frac{846\ 000 \checkmark \times 100}{\frac{1}{2} \checkmark (2\ 718\ 000 \checkmark + 3\ 439\ 500 \checkmark) \quad 1}$
 $3\ 078\ 750$ **(3 marks)**
 = 27,5% **one part correct**
 OR 27,47% OR 27,48%

5

Calculate the net asset value per share (NAV).

$3\ 439\ 500 \checkmark + 690\ 000 \checkmark \times 100 = 498,5 \text{ cents}$ **OR R4,99** **one part correct**
 OR 499 cents OR 498,47 cents OR 498,48 cents

3

3.3 DON LTD AND LAKAY LTD

3.3.1 Comment on the value of the shares of the two companies on the Johannesburg Securities Exchange (JSE). Explain how this will influence your choice of company.

	Financial indicators or explanations thereof, with figures	✓✓
Don Ltd	$\checkmark\checkmark$ JSE price 400c > NAV 310c	I would invest in Don Ltd, as the shares seem to be in good demand. OR I would not invest in Don Ltd, as the shares might be over-priced.
Lakay Ltd	$\checkmark\checkmark$ JSE price 645c < NAV 750c	I would invest in Lakay Ltd, as the shares seem to be under-valued. OR I would not invest in Lakay Ltd, as the shares might be in low demand.

6

3.3.2 Compare and comment on the dividend pay-out policies of the two companies.

Financial indicators or explanations thereof with figures		Comparison and comment
Don Ltd	DPS 360 cents ✓ EPS 420 cents ✓ OR Distributes 86% of earnings 2 marks	Don Ltd is distributing a higher percentage of income earned. Lakay Ltd has decided to retain half of EPS. OR Don Ltd appears to keep shareholders satisfied by giving them good dividends. Lakay Ltd appears to have plans for growth (better long-term benefits) / equalisation of dividends over time.
Lakay Ltd	DPS 490 cents ✓ EPS 980 cents ✓ OR Distributes 50% of earnings 2 marks	

6

3.3.3 Comment on the degree of risk and gearing. Explain how this will influence your choice of company.

Financial indicators or explanations thereof with figures		Comparison; must involve a choice
Don Ltd	D/E ratio 0,3 : 1 ✓ ROTCE 15,6% ✓ OR ROTCE >11,5%	I choose Don Ltd, as the financial risk is low and gearing is positive (ROTCE exceeds Interest). OR I choose Don Ltd for its positive gearing (ROTCE exceeds interest) but they are not making effective use of loans. OR
Lakay Ltd	D/E ratio 1,6 : 1 ✓ ROTCE 10,2% ✓ OR ROTCE < 11,5%	I do not choose Lakay Ltd, as there is high financial risk and negative gearing / Too much money was borrowed and it is not able to use the funds effectively. OR I choose Lakay Ltd, as there is high use of loans and, if they can improve efficiency (ROTCE), profit would improve significantly.

6

3.3.4 Apart from the points mentioned above, what other factors would you consider before deciding in which company you are going to invest? Explain TWO points.

Any two valid factors with explanation/ figures as explanation. ✓✓✓✓

- **ROSHE:** Don Ltd's return (17,2%) is much higher than that of Lakay Ltd (9,1%).
- **Liquidity:** Lakay Ltd has a better current ratio (1,5:1) / acid-test ratio (0,8:1).
- **Stock turnover:** Lakay Ltd is managing stock more efficiently (62 days).
- **Debtors' collection:** Lakay Ltd's collection period is good (26 days).
- **Corporate social responsibility:** This indicates the good reputation of company (King Code).
- **Directors:** Good professionalism will benefit the company and shareholders.
- **Audit report:** It indicates whether the auditors have detected any problems or not.

4

SOLUTION FOR ACTIVITY 4

4.1.1 Calculate the net asset value per share.

$$\frac{5\,950\,800 \checkmark}{1\,500\,000 \checkmark} \times \frac{100}{1} = 396,7 \text{ cents } \checkmark \text{ one part correct}$$

$$\text{OR } \frac{5\,950\,800}{1\,460\,000} \times \frac{100}{1} = 407,6 \text{ cents}$$

3

4.1.2 Calculate the return on average shareholders' equity.

$$\frac{892\,800 \checkmark}{\frac{1}{2} \checkmark (5\,950\,800 \checkmark + 4\,345\,000) \checkmark} \times \frac{100}{1} = 17,3\% \checkmark \text{ one part correct}$$

5 147 900 ~~3 marks~~

5

4.1.3 Calculate the debt-equity ratio.

$$\frac{1\,950\,000 \checkmark}{5\,950\,800 \checkmark} = 0,3 : 1 \checkmark \text{ one part correct}$$

3

4.2.1 The directors are not satisfied with the liquidity position. Quote and explain THREE relevant financial indicators (with figures) to support this statement.

Ratio ✓✓✓ Trend and figures ✓✓✓

- Current ratio increased from 1,8 : 1 in 2015 to 3,3 : 1 in 2016.
- Acid test ratio increased from 1,2 : 1 in 2015 to 1,6 : 1 in 2016.
- The stock turnover rate declined from 5 times in 2015 to 3 times in 2016.

Debtors' Collection and Creditors' Payment Period not accepted.

6

4.2.2 The directors decided to increase the loan during the current financial year. Explain why this was a good decision. Quote and explain TWO financial indicators (with figures) in your answer.

Ratio ✓✓

Figures and trend ✓✓

Comment beyond trend ✓✓✓✓

ROTCE

- This has increased from 21,2% to 24,2%.
- Positively geared, as ROTCE is higher than the interest rate (10,5%).

DEBT-EQUITY RATIO

- This has increased from 0,09 : 1 to 0,33 : 1 see 5.5.3.
- There is low financial risk./ It is not making much use of loans. It relies more on own funds.

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4.2.3

The directors were pleased with the price that the company paid to buy back the 40 000 shares. Give a suitable reason why the directors felt that way. Quote relevant financial indicators(with figures) to support your answer.

Reason ✓✓ Relevant figure ✓

The company paid R4,30 per share to buy back shares. This is lower than the market value per share (2015 – 480 cents; 2016 – 505 cents).

(Not a big difference compared to the NAV – 362 cents and 408 cents.)

Average issue price was R3,70.

The shares were purchased at a lower price than the issue price of the additional shares, i.e. (R4,50).

3

SOLUTION FOR ACTIVITY 5

5.1

5.1.1	C	✓	Solvency	4
5.1.2	D	✓	Liquidity	
5.1.3	B	✓	Return on equity	
5.1.4	A	✓	Gearing	

5.2.1

Calculate the acid-test ratio on 30 June 2016.
 $\frac{1\ 015\ 000 - 564\ 000}{451\ 000} = 0,7 : 1$ One part correct, must be v21

Calculate the debt-equity ratio on 30 June 2016.
 $8\ 000\ 000 : 10\ 050\ 750 = 0,8 : 1$ One part correct, must be v21. Accept 0,79 : 1.

Calculate the % return on average shareholders' equity (ROSHE) for the year ended 30 June 2016.
 $\frac{444\ 500}{9\ 795\ 375} \times 100 = 4,5\%$ One part correct, % sign not essential; cannot be Rands, cents, units, etc.

Calculate the net asset value per share (NAV) on 30 June 2016.
 $\frac{10\ 050\ 750}{950\ 000} \times 100 = 1058\ \text{cents}$ One part correct OR R10,58 OR 1057,9 cents.

5.2.2

The liquidity of the company has improved. Quote THREE financial indicators to support this statement. Provide figures and trends.

THREE valid indicators ✓✓✓ Figures and trends ✓✓✓

Current ratio – 0,3 : 1 to 1,6 : 1

Acid-test ratio – 0,1 : 1 to 0,7 : 1 See 4.2.4

Debtors' collection period – 43 days to 36 days.

5.2.3

Provide calculations to show the change in the dividend pay-out policy.

Comparison of DPS to EPS for 2015 ✓ Calculation / implied calculation ✓

Comparison of DPS to EPS for 2016 ✓ Calculation / implied calculation ✓

Possible calculations for two marks each:

- 2015: $35/58 = 60,3\%$ OR 0,6:1 OR It paid out most of its earnings/more than 50%.
- 2016: $55/51 = 107,8\%$ OR 1,1:1 OR It paid out more than its earnings.

Possible responses for one mark each:

- 2015: It paid out 35c of 58c earnings. / It retained 23c of 58c earnings.
- 2016: It paid out 55c of 51c earnings. / It paid out 4c from previous earnings.

Explain why the directors decided to change the policy. State ONE point and include figures.

Any ONE valid explanation ✓ Relevant figures ✓

Responses for two marks:

To satisfy shareholders, as:

- ROSHE decreased (from 6,2%) to 4,5%. **Req 4/2/4**
- Market price decreased (from 1030 cents) to 1000 cents.
- EPS decreased (from 58 cents) to 51 cents.

2

5.2.4

(a) Calculate Mary's % shareholding on 1 October 2015 after the repurchase of the shares.

$$\frac{420\,000 \checkmark}{(900\,000 \checkmark - 75\,000 \checkmark)} \times 100 = 50,9\% \quad \checkmark \text{ One part correct}$$

825 000 **Two marks**

4

(b) Explain how Mary has benefitted from the decision to repurchase the shares.

Explanation ✓✓

Mary became the majority shareholder.

2

(c) The independent auditor discovered that Mary had made the decision to repurchase the shares without informing the board of directors. Why should the independent auditor be concerned about this?

Responses for two marks: ✓✓ **Req. mark for unclear / incomplete answer**

- This is not good corporate governance. / This is not in accordance with the King Code.
- The CEO cannot make these decisions without getting board approval.
- This is considered to be insider trading. / This is an abuse of position for personal benefit.
- Unethical. / Not transparent.

2

5.2.5

The Cash Flow Statement reflected fixed assets purchased in the amount of R4,5 million. **Source and decision must match source. Explanation must be relevant to the source.**

Major sources of funding with figures (over R1 000 000 each)	Good/Bad decision	Explanation with financial indicators/figure	
		Explanation ✓	Figures ✓
Source 1: Increase in loan - R3 500 000 Source ✓ Figures ✓	Bad ✓	The company is negatively geared. ROTCE (8,2%) is lower than the interest rate on loans (12%). OR Financial risk increased. The debt-equity ratio increased from 0,5 : 1 to 0,8 : 1. Req 4/2/4	
Source 2: Issue of shares - R1 350 000 Source ✓ Figures ✓	Good ✓	Shares were sold for R10,80 per share, which is greater than the market price of R10,30 (2015) or R10,00 (2016) or NAV of R10,60. OR If this amount were borrowed, interest of 12% would be payable. / It has reduced the risk, as the D/E ratio would have been higher than 0,8:1. OR Mary is no longer the majority shareholder. She owns 44% of the shares.	

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SOLUTION FOR ACTIVITY 6

6.1

6.1.1	Directors	✓
6.1.2	Internal auditor	✓
6.1.3	Shareholder	✓
6.1.4	External auditors	✓

4

6.2.1

Calculate the percentage operating profit on sales.

$$\frac{697\ 000 \checkmark}{8\ 652\ 000 \checkmark} \times 100 = 8,1\% \checkmark \text{ one part correct}$$

3

Calculate the debt-equity ratio.

$$985\ 000 \checkmark : (5\ 292\ 000 \checkmark + 250\ 000 \checkmark) = 0,2 : 1 \checkmark \text{ one part correct}$$

4

6.2.2

Calculate the dividends per share (DPS) of a shareholder who owned the same number of shares for the entire financial period.

$$\frac{900\ 000 + 150\ 000}{(168\ 000 \checkmark / 1\ 050\ 000 \checkmark \times 100) + 12 \text{ cents} \checkmark} = 28 \text{ cents} \checkmark \text{ one part correct}$$

16 cents **two marks**

4

6.3

CASTRO LTD

6.3.1

Comment on the price of R9,10 charged by Castro Ltd for the new shares issued.

Compare issue price to market price or NAV ✓✓
 Figures R12,00 or R10,73 ✓

Expected responses:

- The shares were issued at the average share issue price. The existing shareholders are being rewarded, as the price is lower than the R12,00 charged on the JSE and the NAV of R10,73.
- The shares could have been issued at the market price of R12,00 or the NAV of R10,73. (They have diluted the value of the shares.)

3

6.3.2

Explain how the issue of new shares has affected the financial gearing and risk of Castro Ltd. Quote TWO financial indicators.

Explanation ✓✓ Financial indicators ✓✓ Figures ✓✓

Expected responses:

- **Gearing** has improved – less risk (as there was an issue of new shares)
 Debt-equity ratio decreased from 0,8 : 1 to 0,5 : 1 (by 0,3 : 1)
- **ROTCE** improved (due to increased efficiency / profits on new branch)
 from 15 % to 20 % (by 5% or 33,3%)
 May also compare ROTCE to their estimate of current interest rate.

6

6.3.3

If Henry wanted to retain his 60% shareholding in the company, how many shares would he have had to buy?

one part correct

$$(700\ 000 \times 60\%) - (500\ 000 \times 60\%) = 120\ 000$$

420 000 300 000

OR **two marks one method mark** (if x 60%)

$$200\ 000 \times 60\% = 120\ 000$$

3

How much would he have had to pay?

one part correct

$$120\ 000 \text{ shares at R9,10 each} = \text{R1 092 000}$$

2

Henry decided NOT to buy these shares. Apart from the % shareholding, explain TWO reasons why he has made a mistake by not taking up this option.

Explanation Figures

Expected responses:

- His dividends would have increased by R61 200 (51c x 120 000 shares). This is more than the interest he earned on the savings account, i.e. R54 600 (1 092 000 see above x 5%).
- He could have bought the shares for capital growth: he could have bought the shares for R9,10 and then sold them on the JSE for R12,00. / Total profit would have been R348 000. / It would have been a good buy, as R12,00 exceeds NAV R10,73.
- He would have earned more dividends on the bigger investment (51c/910c = 5,6%).
- ROSHE would be 23% on a bigger investment.
- He would lose 120 000 votes at the AGM.

6

PETER LTD

6.3.4

Comment on the liquidity of Peter Ltd. Quote TWO financial indicators.

Explanation:

The liquidity situation has improved. / It is able to meet its current debts. / Liquidity ratios have decreased. / Liquidity ratios are more efficient.

Financial indicators **any two** Figures

- Current ratio has improved/decreased (from 3,5 : 1) to 1,9 : 1.
- The acid-test ratio has improved/decreased (from 1,7 : 1) to 1,1 : 1.
- The stock-holding period appears to be efficient at 54 days (less than 2 months).

6

6.3.5

Comment on the price paid by Peter Ltd for the repurchase (buy-back) of shares.

Expected response:

✓✓

The company is paying a premium above the average share price in order to entice shareholders to give up their shares. / They wanted to increase returns by decreasing equity. / This is a fair value – it is the same as the price on the JSE.

Compare price paid (R15,00) to

Any one figure

- market value R15,00
- net asset value R13,30
- average issue price of shares R10,20

3

6.3.6

Explain THREE ways in which Henry has benefited from the repurchase of the shares by Peter Ltd.

Explanation ✓✓✓ Figures ✓✓✓

Expected responses: Three different responses

- He has now become a majority shareholder. His 300 000 shares are 51,7% of the total shares (33,3% before the share buy-back).
- Due to the reduced number of shares, his return has improved, i.e. EPS has increased by 95c / from 171c to 266c / ROSHE increased from 13% to 16%. **(NOTE: EPS and ROSHE reinforce the same point).**
- The reduced number of shares could have contributed to an increase in the DPS by 57c / by 55,3% / from 103c to 160c, (The directors may have maintained the dividend pay-out policy).

6

7. Message to Grade 12 learners from the writers

"Begin with the end in mind."

Stephen Covey

At the end of your journey in the GET phase, you were required to choose a subject set that will shape your career path. Hopefully, your choice was based on your aptitude, ambition and desire to become a successful individual, with a comfortable standard of living.

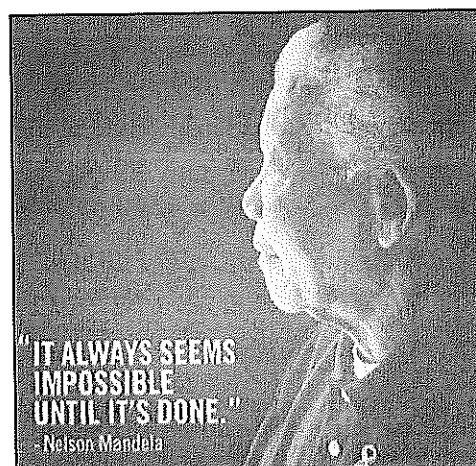
Let's be frank! Accounting is not for the faint-hearted. There are NO short-cuts. Success in Accounting demands hard work and dedication, but the rewards are satisfying.

The questions and topics covered in the examination papers are very predictable. You need to just extract the NSC papers for the last three years from the internet and compare the questions. If you do this, you will become familiar with the commonly asked questions and the style and format of the paper. You will also gain insight into the different ways in which questions can be asked.

Practice every day, do not be afraid to ask questions, engage in group studies and attend the many intervention programmes organized by your school and your Department of Education.

Effective planning ensures that you:

Know the rules of the game, and play it better than others.



8. Thank you


This Accounting module on the Analysis and Interpretation of financial information was developed by Mr P Govender, Mr A Leeuw, Mr M.P Shabalala, Mr Dorian Olifant and Ms ZJM Mampana (Subject Specialists, PED)

A special mention must be made of Mr Mzikaise Masango, the DBE curriculum specialist who, in addition to his contribution to the development of the guide, also coordinated and finalised the process.

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Look out for more modules that deal with other topics of the Grade 12 syllabus.



MARKING GUIDELINES

ACCOUNTING

CASH FLOW STATEMENT

GRADE 12

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5. Check your Answers

ACTIVITY 1 (1.1)

Note 1: Cash generated from operations	
Net Profit <i>before</i> tax	✓100 000
Add: Depreciation	✓58 000
Add: Interest expense	✓27 380
Sub-total	☑185 380
Net change in working capital	☑(37 870)
Change in inventory	✓✓12 000
Change in receivables	✓✓(59 720)
Change in payables	✓✓9 850
Cash generated from operations	☑147 510

1.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CASH EFFECT OF OPERATING ACTIVITIES	29 130	☑
Cash generated from operations	147 510	
Interest paid	(27 380)	✓
Dividends paid (60 000✓ + 22 000✓ – 28 000✓)	(54 000)	☑
Income tax paid (10 000✓ + 4 000✓ + 23 000✓)	(37 000)	☑
CASH EFFECT OF INVESTING ACTIVITIES	(187 000)	☑
Fixed assets purchased (549 000✓ + 58 000✓ + 17 000✓ – 420 000✓)	(204 000)	☑
Proceeds from disposal of fixed assets	17 000	✓
CASH EFFECT OF FINANCING ACTIVITIES	198 000	☑
Proceeds from shares issued	638 000	✓
Repurchase of shares	(400 000)	✓
Decrease in loan	(40 000)	✓
NET CHANGE IN CASH AND CASH EQUIVALENTS	40 130	✓
Cash and cash equivalents at beginning of year (-10 000✓ + 1 000✓)	(9 000)	✓
Cash and cash equivalents at end of year	31 130	☑

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ACTIVITY 2

2.1

Provide the missing figures indicated by A to F in the Cash Flow Statement. Show workings to earn part-marks.

A	188 000 ✓
B	(1 600 000 – 1 120 000) 480 000 ✓ + 28 000 ✓ + 14 000 ✓ = (522 000) <input checked="" type="checkbox"/> <input type="checkbox"/>
C	200 000 ✓ + 270 000 ✓ = (470 000) <input checked="" type="checkbox"/> <input type="checkbox"/> Or 495 000 + 200 000 – 225 000 = (470 000)
D	7 350 000 ✓ + 425 000 ✓ + 86 000 ✓ – 6 931 000 ✓ = (930 000) <input checked="" type="checkbox"/>
E	86 000 ✓
F	150 000 × 8 = 1 200 000 ✓ ✓
G	57 500 × 6 = (345 000) ✓ ✓
H	2 800 000 – 2 100 000 = (700 000) ✓ ✓
I	99 000 ✓ + 120 000 ✓ = 219 000 <input checked="" type="checkbox"/>
J	2 000 ✓ – 122 000 ✓ = (120 000) <input type="checkbox"/> <input checked="" type="checkbox"/>
K	99 000 ✓

ACTIVITY 3

MPUMALANGA LIMITED

NOTES TO THE CASH FLOW STATEMENT		
RECONCILIATION BETWEEN NET PROFIT BEFORE TAXATION AND CASH GENERATED FROM OPERATIONS		
	Net profit before tax	✓ 625 000
	Adjustment in respect of:	
	Depreciation	✓187 500
	Interest on Loan	✓115 000
	Operating profit before change in working capital	927 500
	Net change in working capital	123 600
	Decrease in inventory	✓✓ 5 000
	Increase in Trade and other receivables(1125000 – 1139000)	✓✓14 000
	Increase in Trade and other payables(955 000 – 850 400)	✓✓104 600
	Cash generated from operations	<input checked="" type="checkbox"/> 1 051 100

	Calculate the figure for Income Tax that appeared in the Cash Flow Statement on 30 June 2018
	- 187 500 ✓ - 5 000 ✓ - 18 000 ✓ = 210 500 <input checked="" type="checkbox"/> + 187 500 + 5 000 + 18 000 = 210 500

	Calculate the figure for Dividends that appeared in the Cash Flow Statement on 30 June 2018
	74 000 ✓ + 96 000 ✓ = (170 000) ✓ 326 000 + 74 000 – 230 000 = 170 000

	Cash flow from investing activities	
	Fixed assets purchased (1 039 500✓+18 500✓ + 19 430✓- 774 800✓)	(302 630)
	Proceeds from the sale of fixed assets	19 430✓
	Fixed deposit matured	50 000✓
		(233 200) ✓

	Cash flow from financing activities	
	Proceeds from the sale of shares (80 000 x R15)	1 200 000✓✓
	Repurchase of shares (20 000 x R14)	(280 000) ✓✓
	Repayment of loan (970 000 – 450 000)	(520 000) ✓✓
		400 000✓

ACTIVITY 4

TAMBO LIMITED

4.1 Calculate the amount that would appear in the Cash Flow Statement for:

4.1.1 Taxation paid

$+ 33\ 800\ \checkmark + 303\ 880\ \checkmark + 8\ 400\ \checkmark = 346\ 080\ \checkmark$ $- 33\ 800 - 303\ 880 - 8\ 400 = -346\ 080$ $(33\ 800) (303\ 880) (8\ 400) = (346\ 080)$	4
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---

4.1.1 Dividends paid

$98\ 000\ \checkmark + (202\ 000\ \checkmark - 130\ 000\ \checkmark) = 170\ 000\ \checkmark$ OR $98\ 000 + 72\ 000\ \text{two marks} = 170\ 000$	4
---------------------------------------------------------------------------------------------------------------------------------------------------------------	---

4.1.2 Prepare the following note to the Cash Flow Statement

Net profit before tax	995 900
Adjustment for :	
Depreciation	135 700
Interest on loan/expense	✓ 76 500
Profit before change in working capital	<input checked="" type="checkbox"/> 1 208 100
Change in Working capital	<input checked="" type="checkbox"/> 58 000
Decrease in inventory (174 000 – 112 000)	✓✓ 62 000
Decrease in debtors (119 600 ✓ – [122 000 ✓ + 34 000 ✓])	<input checked="" type="checkbox"/> 36 400
Decrease in creditors ([94 600 ✓ + 9 000] ✓ – 144 000 ✓)	<input checked="" type="checkbox"/> (40 400)
Cash generated from operations	<input checked="" type="checkbox"/> 1 266 100

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4.1.3

Cash flow from investing activities	<input checked="" type="checkbox"/> (408 390)
Purchase of fixed assets	✓ (680 000)
Proceeds from sale of non-current assets (1 101 500 ✓ + 680 000 ✓ – 135 700 ✓ – 1 584 190 ✓)	<input checked="" type="checkbox"/> 61 610
Decrease in investments (960 000 – 750 000)	✓✓ 210 000
Cash flow from financing activities	<input checked="" type="checkbox"/> 278 000
Proceeds from the issue of share capital	✓ 383 000
Repurchase of shares (10 000 x R2,50)	✓✓ (25 000)
Repayment of long-term borrowings	✓ (80 000)
Net change in cash equivalents	✓ 334 100
Cash and cash equivalents – beginning (5 400 – 203 500)	✓✓ (198 100)
Cash and cash equivalents – end	✓ 136 000

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6. Message to grade 12 learners from the writers

“Begin with the end in mind.”

At the end of your journey in the GET phase, you were required to choose a subject set that will shape your career path. Hopefully, your choice was based on your aptitude, ambition and desire to become a successful individual, with a comfortable standard of living.

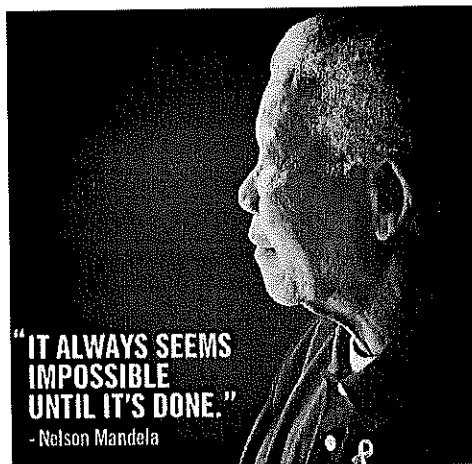
Let's be frank! Accounting is not for the faint-hearted. There are NO short-cuts. Success in Accounting demands hard work and dedication, but the rewards are satisfying.

Questions and topics covered in the examination papers are very predictable. You need to just extract the NSC papers for the last three years from the internet and compare the questions. If you do this, you will become familiar with the commonly asked questions and the style and format of the paper. You will also gain insight into the different ways in which questions can be asked.

Practice every day, do not be afraid to ask questions, engage in group studies and attend the many intervention programmes organized by your school and your Department of Education.

Effective planning ensures that you:

Know the rules of the game and play it better than others.z



7. Thank you

This Accounting module on the Cash Flow Statement was developed by Mr P Govender, Mr A Leeuw, Mr M.P Shabalala, Mr Dorian Olifant and Ms ZJM Mampana (Subject Specialists, PED)

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Look out for more modules that deal with other topics of the Grade 12 syllabus.

