



# education

Department:  
Education  
North West Provincial Government  
**REPUBLIC OF SOUTH AFRICA**

## PROVINCIAL ASSESSMENT

**GRADE 12**

**ACCOUNTING P1  
JUNE 2024**

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 10 pages and a formula sheet.**

**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. Show ALL workings 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 questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. A Financial Indicator Formula Sheet is attached at the end of this question paper.
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.

<b>QUESTION</b>	<b>TOPIC</b>	<b>MARKS</b>	<b>MINUTES</b>
<b>1</b>	Company Financial Statements and Notes	70	55
<b>2</b>	Cash Flow Statement and Financial Indicators	35	25
<b>3</b>	Interpretation of Financial Information	35	30
<b>4</b>	Corporate Governance	10	10
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: COMPANY FINANCIAL STATEMENTS AND NOTES****(70 marks; 55 minutes)****1.1 BROOKLYN LTD**

The information relates to the financial year ended 29 February 2024.

**REQUIRED:**

Prepare the Statement of Comprehensive Income for the year ended 29 February 2024.

**(50)****INFORMATION:****A. Information from the Pre-Adjustment Trial Balance on 29 February 2024:**

	<b>R</b>
Trading Stock	123 800
Debtors Control	88 640
Provision for Bad Debts	7 185
Loan: XY Bank	?
Sales	1 960 000
Cost of Sales	?
Discount received	15 500
Rent Income	277 300
Audit Fees	22 600
Depreciation	54 200
Salaries and wages	175 600
Employers Contribution	12 300
Directors Fees	225 400
Bad debts	4 565
Consumable Stores	16 900
Advertising	12 900
Sundry Expenses	?
Interest Income	9 600

**B. Additional information and adjustments:**

- (i) An invoice for R36 160, issued to a debtor, dated 27 February 2024, was not recorded.
- (ii) Stock count on 29 February 2024 revealed the following stock on hand:
  - Trading Stock                   R99 400
  - Consumable stores           R 4 350
- (iii) The advertising expense is for a three-month contract ending on 31 March 2024.

- (iv) The following adjustments involving debtors were not taken into account:
- The account of S Snyman, R2 580 must be written off.
  - Interest on overdue accounts totaling R280 must be recorded.
  - The provision for bad debts must be adjusted to 5% of outstanding debtors.
- (v) The company has two directors. They earn the same fee per month. One director did not take his fee for February 2024.
- (vi) The rent for March and April 2024 was received and deposited. Note that the rent increased by 15% from 1 December 2023.
- (vii) Loan statement showed the following. Interest was not taken into account.

Balance on 1 March 2023	555 000
Interest charged	?
Monthly instalments (including interest capitalised)	114 600
Balance on 29 February 2024	507 000

- (viii) An employee on leave was not entered in the Salaries Journal for February 2024. The details were as follows:

Net Salary	8 300
Deductions	?
Gross Salary	?

- The business contributes R1 008 (8%) of the gross salary to the Pension Fund and R126 to the UIF Fund.
- (ix) Interest income was received for 10 months only. There was no change during the year.
- (x) The following percentages must be used to calculate amounts not given:
- The profit mark-up % achieved was 60% on cost.
  - Operating profit on turnover was 20%.
  - Income tax for the financial year was 25% of the net profit.

**1.2 RAINBOW LTD**

The information relates to the financial year ended on 29 February 2024. Rainbow Ltd sells air conditioners.

**REQUIRED:**

1.2.1 Prepare the following notes to the Statement of Financial Position:

Ordinary share capital (6)  
Retained income (6)

1.2.2 Explain whether the Louw family was offered a fair value for their shares. Quote figures. (4)

1.2.3 Give TWO ways how repurchase of shares benefitted existing shareholders. (4)

**INFORMATION:**

A. **Balances/totals extracted from the accounting records:**

	<b>2024</b>	<b>2023</b>
Ordinary share capital	4 231 200	3 360 000
Retained income	1 304 100	?

B. **Share Capital and Dividends:**

- On 1 September 2023, an interim dividend of R192 500 was paid.
- On 31 October 2023, the business issued 150 000 shares at R12 per share.
- On 29 February 2024, 90 000 shares were repurchased from the Louw family at R11,50 per share. They were entitled to final dividend.
- A final dividend of 95 cents per share was declared on 29 February 2024.

C. **Financial indicators were calculated:**

	<b>29 February 2024</b>	<b>1 March 2023</b>
Net asset value per share	1030 cents	980 cents
Market price per share	925 cents	888 cents

D. Net profit after tax amounted to R996 000.

**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS**  
(35 marks; 25 minutes)

The information relates to Sparks Ltd for the financial year ended 30 June 2023.

**REQUIRED:**

- 2.1 Complete the Note for Reconciliation between net profit before tax and cash generated from operations for the year ended 30 June 2023: (4)
- 2.2 Calculate the following figures in the 2023 Cash Flow Statement:
- 2.2.1 Taxation paid (4)
- 2.2.2 Fixed assets purchased (6)
- 2.2.3 Net change in financial assets (2)
- 2.2.4 Shares issued (2)
- 2.2.5 Net change in cash and cash equivalents (4)
- 2.3 Calculate the following:
- 2.3.1 Current ratio (3)
- 2.3.2 Debt-equity ratio (3)
- 2.3.3 Return on average capital employed (7)

**INFORMATION:**

**A. Information from the financial statement on 30 June:**

	2023 R	2022 R
Depreciation	235 600	196 000
Interest expenses	125 000	125 800
Fixed assets (carrying value)	2 241 940	2 344 800
Financial assets	225 000	290 000
Shareholders' equity	4 800 800	3 600 500
Loan	850 000	700 000
Total current assets	1 415 900	1 309 400
Inventory	225 000	155 000
Trade and other receivables N1	1 115 000	1 143 000
Cash and cash equivalents	75 900	11 400
Trade and other payables N2	820 940	796 800
Bank overdraft	-	128 700

**B. NOTES TO THE STATEMENT OF FINANCIAL POSITION:**

	<b>2023</b> <b>R</b>	<b>2022</b> <b>R</b>
<b>N1</b>		
<b>TRADE AND OTHER RECEIVABLES</b>	1 115 000	1 143 000
Debtors Control	1 102 000	1 125 000
Accrued Income	13 000	7 000
SARS: Income Tax	0	11 000

<b>N2</b>		
<b>TRADE AND OTHER PAYABLES</b>	820 940	796 800
Creditors Control	536 565	647 300
Accrued Expenses	7 000	9 500
SARS: Income Tax	17 375	0
Shareholders for dividends	260 000	140 000

**ADDITIONAL INFORMATION:****(i) Share capital**

- Additional 100 000 shares were issued at R15 on 1 January 2023.

**(ii) Sale of equipment**

Cost price	R140 000
Accumulated depreciation to date sold	R72 500

**(iii) Income tax**

- Net profit before tax, R530 600.
- Income tax for the year amounted to R185 600.
- Net profit after tax, R345 000.

**QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION (35 marks; 30 minutes)****3.1 CONCEPTS****REQUIRED:**

Choose a description from COLUMN B that matches a concept in COLUMN A. Write only the letter (A–D) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

<b>COLUMN A (CONCEPT)</b>	<b>COLUMN B (EXPLANATION)</b>
3.1.1 Liquidity	A Indicates the extent to which a business is financed by borrowed capital.
3.1.2 Solvency	B Indicates the benefit that the owners receive from their investment in the business.
3.1.3 Gearing	C Indicates whether the business can pay off immediate debts.
3.1.4 Return on equity	D Indicates whether the business will be able to pay off all its debts.

(4 x 1)

(4)

**3.2 OMEGA LTD**

The information presented relates to the financial year ended 29 February 2024.

**REQUIRED:**

- 3.2.1 Comment on the overall liquidity position of the company. Quote THREE relevant financial indicators (with figures). (8)
- 3.2.2 One of the directors feels that the company should pay back the loan as soon as possible. What are your views about this? Quote and explain TWO relevant financial indicators with figures to support your view. (6)
- 3.2.3 The directors decided to change the dividend pay-out policy in 2024.
- Provide calculations that indicate the policy change. (4)
  - Explain the effect of this change of policy on the company. State TWO points. (4)
- 3.2.4 Explain why the shareholders are satisfied with:
- The market price of the shares on the JSE. (6)
  - The price at which the 75 000 shares were repurchased. (3)

In EACH case, quote figures/financial indicators.



**INFORMATION:****Financial indicators were calculated on 29 February 2024:**

	<b>2024</b>	<b>2023</b>
Current ratio	2,7 : 1	2,2 : 1
Acid-test ratio	1,2 : 1	1,5 : 1
Debtors' collection period	32 days	39 days
Creditors' payment period	41 days	51 days
Debt-Equity ratio	0,4 : 1	0,6 : 1
Return on total capital employed	9%	15%
Return on average shareholders' equity	16,5%	17,5%
Earnings per share	160 cents	200 cents
Dividends per share	160 cents	50 cents
Net asset value per share	770 cents	760 cents
Market price per share (JSE)	960 cents	800 cents
Repurchase price per share	850 cents	0 cent
Interest rate on loan	14%	14%

**QUESTION 4: CORPORATE GOVERNANCE****(10 marks; 10 minutes)**

- 4.1 What is the difference between the roles of an internal auditor and an independent external auditor? Provide TWO points. (4)
- 4.2 External independent auditors may charge high audit fees for their specialized work. What do you think will be the consequences for the auditor if it is proven that the auditor was negligent in the performance of his responsibilities? Name TWO consequences. (4)
- 4.3 A Chief Executive Officer (CEO) of a company has prior knowledge that the company will be sued for R500 million due to faulty products they market once the relevant investigations are complete. The CEO decides to sell his shares as soon as possible, before the news reaches the general public.
- Give ONE possible consequence of the CEO's unethical behaviour. (2)

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**TOTAL: 150**

<b>GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET</b>	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sale}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed cost}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE:</b>	
* 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.	