



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

JUNE 2024

ACCOUNTING P1

MARKS: 150

TIME: 2 hours

FONT SIZE: 18 PT

This question paper consists of 22 pages,
a formula sheet and a 17-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 questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
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	TIME (minutes)
1	Calculation of correct net profit and Statement of Financial Position	50	40
2	Notes to Financial Statements, Cash Flow Statement and Financial Indicators	45	35
3	Interpretation of Financial Statements	40	30
4	Corporate Governance	15	15
TOTAL		150	120

**QUESTION 1: CALCULATION OF NET PROFIT AND
STATEMENT OF FINANCIAL
POSITION (50 marks; 40 minutes)**

- 1.1 Choose the correct word or term from the list given which best suits each statement below. Write only the word or term next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

Directors' Report; Shares; Memorandum of Incorporation; Prospectus; Independent Auditor's Report
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- 1.1.1 Document offering shares to the public
- 1.1.2 Unit of ownership in a company
- 1.1.3 Reflects written information on the operations of the business
- 1.1.4 Reflects a fair view of the operating results of the Financial Statements of a company
- (4 x 1) (4)

1.2 LIYABONA LTD

The information relates to the financial year ended on 29 February 2024. The business sells generators.

REQUIRED:

1.2.1 Refer to Information B (i):

Calculate the value of closing stock of AI generators using the Specific Identification-method. (3)

1.2.2 Refer to Information A and B:

Use the table provided to calculate the correct net profit after tax for the year ended 29 February 2024.
Indicate '+' for increase and '–' for decrease at each adjusted amount. (14)

1.2.3 Complete the Statement of Financial Position on 29 February 2024.

NOTE:

- Some amounts have been entered in the ANSWER BOOK.
- Figures are NOT required in the shaded areas.
- Show workings. (29)

INFORMATION:

A. Extract: Balances and totals from the records on 29 February 2024:

	R
Loan: Naties Bank	859 100
Fixed deposit	225 000
Trading stock	1 350 000
Debtors' control	889 500
SARS: Income Tax (provisional tax payments)	990 000
Bank (favourable)	704 249
Creditors' Control	843 750
Shareholders for dividends	145 000
Provision for bad debts (1 March 2023)	51 180
Pension fund	?
Sales	12 128 250
Consumable stores	50 850
Insurance	73 125
Bad debts	49 890
Rent income	213 300
Directors' fees	1 237 500
Ordinary share dividends	356 250

B. The net profit before tax, R3 609 320, was calculated before taking the following into account:

- (i) The following stock-sheet relates to AI generators. It was recorded twice when the final stock figures were calculated.
- Liyabona Ltd sells AI generators at a standard rate of R22 400 per unit.
 - A mark-up of 40% on cost is applied.

NOTE: The SPECIFIC IDENTIFICATION valuation method is used.

	Units	Unit price	Total
Opening stock: 1 March 2023	15		
Purchases during the year	95		
Closing stock: 29 February 2024	?		?
Sales	89	22 400	1 993 600

- (ii) Debtors with credit balances of R12 350 on 29 February 2024 must be transferred to the Creditors Ledger. Provision for bad debts should be adjusted to 4% of debtors.
- (iii) A vehicle bought on 2 January 2019, cost R450 000, was sold for cash for R65 000 on 1 February 2024. No entries were made for the sale of the vehicle. Vehicles are depreciated at 20% p.a. on cost.
- (iv) Insurance includes an annual premium of R21 540 paid on 1 December 2023.

- (v) Rent is calculated on a fixed amount per m² per month. The business rented out 150 m² for the financial year ended 28 February 2023. An additional 30 m² was rented out from 1 August 2023. Rent was received up to 30 April 2024.
- (vi) Unused consumable stores amounted to R5 320.
- (vii) The company has four directors. They all receive the same fee. Two directors took an overseas trip and requested that their fees for January and February 2024 be paid in March. The committee agreed.
- C.** Income tax for the year is calculated at 30% of the net profit before tax.
- D.** The fixed deposit will mature on 31 August 2024.
- E.** The following financial indicators were calculated on 29 February 2024:
- Current ratio: 2 : 1
 - Net Asset Value per share 425 cents

F. Share Capital:

- The company is registered with an authorised share capital of 1 500 000 ordinary shares.
- 75% of the authorised shares were in issue on 1 March 2023. The average price per share at the time was R3,20.
- The directors issued all unissued shares on 30 April 2023. EFT payments totalling R900 000 were received.
- The company repurchased 250 000 shares at R3,75 per share on 29 February 2024.

G. Loan: Naties Bank

The loan statement showed a closing balance of R928 700. The company plans to increase their loan repayments in order to settle 15% of the capital portion of the loan balance in the next financial year. A fixed interest of R5 800 per month is paid.

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

- 2.1 Give ONE accounting word/term for each of the following statements:
- 2.1.1 Shareholders' Equity plus non-current liabilities equals ...
- 2.1.2 A repayment of loan is shown as an ... of cash in the Cash Flow Statement.
- 2.1.3 The difference between current assets and current liabilities is referred to as ... (3 x 1) (3)
- 2.2 You are provided with information relating to Mimosoa Limited. The financial year-end is 30 September 2023. Information relates to the financial year ended 30 September 2023.
- REQUIRED:**
- 2.2.1 Complete the Cash Flow Statement for the year ended 30 September 2023. Show all workings in brackets. (25)
- 2.2.2 Complete the Retained Income note. (8)

2.2.3 The directors issued more shares to improve the cash flow. Thandi Manning, a shareholder, was against the decision and has raised her concerns at the annual general meeting (AGM).

- Provide a reason for Thandi's opinion. (2)

2.2.4 Calculate the following financial indicators on 30 September 2023:

NOTE: Round off to ONE decimal point.

- Debt-equity ratio (3)
- Acid-test ratio (4)

INFORMATION:

- A. The following information was extracted from the Statement of Comprehensive Income for the year ended 30 September 2023:**

Interest expense	195 750
Income tax	497 400

NOTE: The income tax rate is 30%.

- B. Extract from the Statement of Financial Position on 30 September:**

	2023	2022
Current assets	4 180 200	2 892 800
Inventories	1 228 600	1 437 700
Trade and other receivables (see D)	1 104 300	945 600
Cash and cash equivalents	1 847 300	509 500
Ordinary shareholder's equity	?	4 964 020
Ordinary share capital (see F)	4 240 000	4 250 000
Retained Income	?	914 020
Loan: Munchie Bank (12% p.a.)	2 400 000	1 850 000
Current liabilities	1 678 900	1 544 700
Trade and other Payables (see E)	1 678 900	1 399 000
Bank overdraft	0	145 700

C. Fixed assets on 30 September:

	2023	2022
Land and Buildings:		
Cost	2 750 000	3 000 000
Accumulated depreciation	0	0
Vehicles:		
Cost	725 000	950 000
Accumulated depreciation	498 800	386 000
Equipment:		
Cost	310 000	268 000
Accumulated depreciation	158 900	112 400

- Land and buildings were sold at cost during the year and a vehicle was sold at carrying value at the end of the year. Accumulated depreciation on the vehicle sold was R125 000 at the beginning of the year. Vehicles are depreciated at 20% p.a. on diminishing-balance method. No additions were made during the year to both.
- Equipment was bought at the beginning of the year. No equipment was sold during the year. Equipment is depreciated at 15% p.a. on cost.

D. Trade and other receivables include:

	2023	2022
SARS: Income Tax	48 090	0

E. Trade and other payables include:

	2023	2022
SARS: Income tax	0	53 200
Shareholders for dividends	530 000	390 000

F. Ordinary Share capital and dividends:

- 850 000 shares were in issue on 1 October 2022.
- On 1 December 2022, 150 000 additional shares were issued at R7,00 each.
- 200 000 shares were repurchased on 31 March 2023 at R1,70 above average price. These shares qualify for interim dividends.
- Interim dividends of 25c per share were paid on 30 April 2023.

QUESTION 3: INTERPRETATION OF FINANCIAL STATEMENTS

(40 marks; 30 minutes)

MABHABS LTD and LANDA LTD

The information relates to TWO companies. Tiger Simelane owns shares and is a director in both these companies. He recently invested another R375 000 in each company by buying shares on the JSE at market value.

REQUIRED:

NOTE: Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures
- Give a reason or explanation for the financial indicators quoted

Refer to information A to C.

3.1 Purchase of shares:

- Explain why directors should be interested in the price of their companies' shares on the JSE. (2)
- Calculate the number of additional shares in Mabhabs Ltd that Tiger was able to buy on the JSE in 2023. (3)
- Comment on the price that Tiger paid for the shares in each company, and give TWO reasons why he might have been satisfied to pay the price. (6)

3.2 Dividends, earnings and returns:

- Explain your opinion on which company has the better dividend pay-out policy. Give comparative figures. (6)
- Compare and comment on the % return on equity earned by each company. (4)
- Tiger feels that the earnings per share (EPS) of Landa Ltd is much better than that of Mabhabs Ltd. Explain why he feels this way. (5)

3.3 Refer to Information B and C:

Mabhabs Ltd was negatively affected more than Landa Ltd by the poor economy.

- (a) Explain TWO decisions taken by the directors of Mabhabs Ltd in response to the state of the economy, and how these decisions will affect the company in future. (6)
- (b) Explain TWO decisions taken by the directors of Landa Ltd that affect risk and gearing. Quote and comment on TWO financial indicators. (8)

INFORMATION:**A. Shareholding of Tiger Simelane in two companies:**

	MABHABS	LANDA
Number of shares bought in 2021	450 000	1 300 000
Total shares issued by each company on 28 February 2021	950 000	2 500 000
Additional shares bought by Tiger	?	100 000
Tiger's % shareholding before buying additional shares	47,4%	52%

B. Financial indicators, market prices and interest rates on 28 February 2023:

	MABHABS	LANDA
Earnings per share	92 cents	78 cents
Dividends per share	60 cents	75 cents
Debt-equity ratio	0,2 : 1	0,8 : 1
% return on average shareholders' equity	6,1%	17,9%
% return on average capital employed	10,3%	16%
Net asset value per share	660 cents	425 cents
Interest rate on loan	13,0%	13,0%
Interest on investment	7%	7%
Market price per share	750c	375c

C. Extracts from the Cash Flow Statement for the year ended 28 February 2023:

NOTE: Inflow and outflow of cash are NOT indicated on amounts below:

	MABHABS	LANDA
Tangible assets purchased	0	1 500 000
Tangible assets sold	2 000 000	0
New shares issued	450 000	400 000
Shares repurchased	940 000	0
Loan obtained	0	3 200 000
Loan repaid	1 700 000	0
Investment made	0	850 000
Investment matured	750 000	0

QUESTION 4: CORPORATE GOVERNANCE

(15 marks; 15 minutes)

4.1 Company directors are expected to identify and take account of legitimate expectations of stakeholders.

- Provide TWO consequences of neglecting the expectations of the stakeholders by the company. (4)

4.2 AUDIT REPORTS

Choose the audit opinion from COLUMN B that describes the audit report in COLUMN A. Write only the letter (A–C) next to the question numbers (4.2.1–4.2.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
4.2.1 Qualified audit report	A We were not able to obtain sufficient evidence to provide for an audit opinion. Accordingly, we do not express an opinion on the financial statements Stwee Ltd for the year then ended.
4.2.2 Unqualified audit report	B Except for the effect of the unauthorised bonus to the CEO, the annual financial statements present fairly, in all material respects, the financial position of Twibby Ltd.

4.2.3 Disclaimer of opinion	C The annual financial statements fairly present, in all material respects, the financial position of Natura Ltd.
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(3 x 1) (3)

- 4.3 (a) Which type of audit report will encourage shareholders to buy shares in a company? (1)
- (b) Explain why it is important for an independent auditor to be a member of a professional body. (1)

4.4 **Extract from an article in the *Saturday News*:**

The employees of Riavaia Ltd received a 10% increase in their salaries for the year 2022 while the CEO received an increase of 45%. The employees were not happy about the salary increase difference, and complained about it. Riavaia Ltd defended the decision pointing out that it was approved by the remunerations committee after careful considerations were made.

Explain the role of the remunerations committee.
Give THREE points. (6)

15

TOTAL: 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$

$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ <p>(*See note below)</p>
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<p>NOTE:</p> <p>*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.</p>	