



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

NOVEMBER 2024

MARKS: 150

TIME: 2 hours

**This question paper consists of 12 pages,
a formula sheet and an 11-page answer book.**

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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. 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 the 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	MINUTES
1	Company Financial Statements	55	45
2	Cash Flow Statement and Financial Indicators	35	25
3	Interpretation of Financial Information	45	35
4	Corporate Governance	15	15
TOTAL		150	120

QUESTION 1: COMPANY FINANCIAL STATEMENTS (55 marks; 45 minutes)

The information relates to Ivory Park Ltd for the financial year ended 29 February 2024.

REQUIRED:**1.1 Refer to Information B (i) for fixed assets:**

Calculate the following:

- 1.1.1 Depreciation on equipment on 29 February 2024 (2)
- 1.1.2 Cost price of vehicles on 29 February 2024 (4)
- 1.1.3 Depreciation on vehicles on 29 February 2024 (5)
- 1.1.4 Profit/Loss on vehicle traded in on 1 September 2023 (5)
- 1.2 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (39)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:**A. Balances/totals, among others, that appeared in the books on:**

	29 Feb. 2024 R	28 Feb. 2023 R
Mortgage loan: Phambili Bank	744 100	987 700
Equipment at cost	852 000	852 000
Accumulated depreciation on equipment	472 500	344 700
Vehicles at cost	?	1 250 000
Accumulated depreciation on vehicles	?	420 000
Trading stock	654 500	
Debtors' control	516 600	
Provision for bad debt	?	29 520
SARS: Income tax (provisional tax payments)	340 000	
Sales	?	
Cost of sales	4 780 900	
Audit fees	79 000	
Service fee income	1 757 700	
Sundry operating expenses	119 900	
Bad debts	24 780	
Packing material	66 550	
Salaries and wages (including contributions)	1 425 600	
Insurance	100 800	
Rent income	158 100	
Interest income	?	
Directors' fees	?	
Interest on loan	149 400	
Dividends on ordinary shares	250 000	

B. Adjustments and additional information:**(i) Fixed assets:****Equipment:**

- No equipment was bought or sold during the year.

Vehicles:

- An old vehicle was traded in on 1 September 2023 for a new vehicle, costing R320 000. The trade-in value received was R153 660. The following extract of the vehicle sold was taken from the Fixed Asset Register:

Cost price: R240 000		Date purchased: 1 July 2021
Rate of depreciation:		20% p.a. on the diminishing-balance method
FINANCIAL YEAR END	DEPRECIATION	ACCUMULATED DEPRECIATION
28 February 2022	R32 000	R32 000
28 February 2023	R41 600	R73 600
1 September 2023	?	?

- Vehicles are depreciated at 20% p.a. on the diminishing-balance method.
 - Depreciation on the old remaining vehicles was R132 720.
- (ii) The company maintains a mark-up of 60% on cost. Note that goods costing R115 000 (included in cost of sales) were sold at a mark-up of 40% on cost to internal employees.
- (iii) Physical stocktaking on 29 February 2024 revealed the following:
- Trading stock, R647 100
 - Packing material used during the financial year, R58 700
- (iv) Provision for bad debts must be adjusted to 5% of the outstanding debtors.
- (v) Monthly insurance premiums were fixed for the past three years and were paid up to 31 May 2024.
- (vi) A tenant is renting an office from Ivory Park Ltd. Rent for this office has been received up until 30 April 2024. Rent was decreased by 8% on 1 December 2023 on the office rented.
- (vii) One employee was omitted from the Salaries Journal of February 2024. His net monthly salary was R19 340 after 35% deductions were made for his pension and personal tax and R2 500 deducted for medical aid. The employer contributes 10% of his gross salary on behalf of employees towards pension.
- (viii) The company had two directors who received a combined annual fee of R1 065 200 after their monthly fees were increased by R5 800 each on 1 August 2023. A third director joined the company on 1 November 2023 and received the same monthly fee as the other directors, excluding the increase of R5 800 per month.
- (ix) Net profit after tax, R992 160, was calculated after taking into account all the adjustments above. Income tax is calculated at 28% of the net profit.

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

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

REQUIRED:

- 2.1 Prepare the Retained Income Note for the year ended 29 February 2024. (8)
- 2.2 Complete the Cash Flow Statement for the year ended 29 February 2024. (17)
- 2.3 Calculate the following financial indicators for the year ended 29 February 2024:
- % operating expenses on sales (3)
 - Stock turnover rate (4)
 - Interim dividend per share (3)

INFORMATION:

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

	R
Sales	8 240 600
Cost of sales	5 060 000
Gross operating income	3 020 480
Operating expenses	1 360 950
Operating profit	1 659 530
Income tax	462 000
Net profit after tax	?

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

	29 Feb. 2024 R	28 Feb. 2023 R
Cash and cash equivalents	?	36 000
Trading stock	174 000	193 000
SARS: Income tax	66 650 Dr	44 675 Cr
Ordinary shareholders' equity	?	8 733 720
Ordinary share capital	?	8 160 000
Retained income	?	573 720
Loan: Smiley Bank	5 440 000	?
Shareholders for dividends	?	?
Bank overdraft	0	142 680

C. Share capital:

- On 1 March 2023, there were 1 200 000 shares in issue.
- 400 000 shares were issued at R10 per share on 30 June 2023.
- On 30 November 2023, 34 000 shares were repurchased at R1,90 (per share) above the average share price.

D. Dividends and dividend pay-out rate:

- Dividends paid and declared:

DIVIDENDS			
Final	28 February 2023	Paid	17 cents per share
Interim	1 September 2023	Paid	R416 000
Final	29 February 2024	Declared	?

- Total dividends paid and declared for the year ended 29 February 2024, R744 860.
- The dividends pay-out rate for the year ended 29 February 2024 was 40% after all transactions were correctly recorded.

E. Loan: Smiley Bank

- Monthly instalments of R97 120, including interest, were paid.
- Interest capitalised amounted to R685 440.

F. Net change in cash and cash equivalents, R296 460 inflow.

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QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(45 marks; 35 minutes)****WINSTON LTD**

The information relates to Winston Ltd for the year ended 29 February 2024.

REQUIRED:

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

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

3.1 Profitability:

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well.

(4)

3.2 Dividend pay-out policy:

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point.

(3)

3.3 Earnings and returns:

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures.

(4)

3.4 Financing strategies and gearing:

- **Refer to information C.**

The directors decided to buy new fixed assets in 2024 to enhance the company.

Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures.

(4)

- Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures.

(6)

3.5 Grant Waters' % shareholding, rights issue and shares repurchased:

- **Refer to Information B.**

Calculate the number of shares that Grant bought through the rights issue on 31 October 2023. (3)

- Calculate Grant's % shareholding after the rights issue on 29 February 2024. (5)

- Calculate the total amount that Grant spent on the shares he acquired through the rights issue. (4)

NOTE: No shares were repurchased during the financial year. (4)

- Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures). (4)

3.6 Role of the CEO:

- Explain TWO characteristics that shareholders would expect of a good CEO. (4)

- Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures. (4)

INFORMATION:**A. Background information:**

- The chief executive officer (CEO), Shakira Solomon, was appointed on 1 October 2023.
- She was awarded a one-year contract, on probation.
- Grant Waters, the majority shareholder, was instrumental in appointing the CEO on 1 October 2023.

B. Share capital and rights issue:

- 3 000 000 shares were already in issue on 1 March 2023.

- **Grant Waters' shareholding:**

He is the majority shareholder and owned 1 620 000 of the issued shares on 1 March 2023.

Rights issue:

- On 31 October 2023, each shareholder was offered 10 shares for every 50 shares that they owned at a reduced price. All shareholders exercised this right. **No other shares were issued or repurchased during the financial year.**

C. Extract from the Notes and Statement of Financial Position as at:

	29 Feb. 2024	28 Feb. 2023
Fixed assets purchased	R8 235 000	R4 180 000
Fixed assets sold	710 000	0
Fixed deposit: Caledon Bank	550 000	250 000
Ordinary share capital	31 770 000	28 800 000
Loan: Main Bank	12 913 000	9 400 000

D. Financial indicators, market prices of shares, interest rates and other financial data:

	29 Feb. 2024	28 Feb. 2023
Mark-up percentage	45%	40%
% operating expenses on sales	14%	19%
% operating profit on sales	18%	12%
% net profit before tax on sales	19%	11%
Solvency ratio	3,8 : 1	2,8 : 1
Current ratio	2,5 : 1	1,6 : 1
Acid-test ratio	1,9 : 1	1,2 : 1
Net asset value per share	564 cents	460 cents
Dividends per share	67 cents	89 cents
Earnings per share	112 cents	104 cents
Dividend pay-out rate	60%	86%
Return on average shareholder's equity	20%	11%
Debt-equity ratio	0,2 : 1	0,5 : 1
% return on average capital employed	24%	15%
Market value per share	950 cents	820 cents
% growth (drop) in net asset value per share	+15,9%	- 8,9%
Interest rate on loans	12%	12%
Interest rate on fixed deposits	7,5%	6,5%

QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 15 minutes)**

You are provided with an extract of the independent external audit report of Valiant Ltd, presented to the shareholders at the Annual General Meeting.

REQUIRED:

NOTE: In your answers, do NOT repeat your responses in the different questions.

4.1 Explain the role of an independent external auditor. Provide ONE point. (2)

4.2 Choose the correct word from those in brackets. Write the answer in the ANSWER BOOK and explain your choice.

Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report. (2)

4.3 What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points. (4)

4.4 What are the implications of this audit report for the following:

- Directors
- Shareholders

State ONE point in each case. (4)

4.5 State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report. (3)

INFORMATION:

Extract from the independent external auditor's report on the financial statements of Valiant Ltd:

Audit Opinion:

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 29 February 2024 ...

Basis for Audit Opinion:

... and the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

15**TOTAL: 150**

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 & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 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: 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. 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.	