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GRADE 12

SEPTEMBER 2020

**ACCOUNTING P1
FINANCIAL REPORTING AND EVALUATION
ANSWER BOOK**

QUESTION	MAXIMUM MARKS	MARKS OBTAINED	MODERATED MARKS
1	15		
2	30		
3	30		
4	40		
5	35		
	150		

This answer book consists of 11 pages.

QUESTION 1: CORPORATE GOVERNANCE AND AUDIT REPORT

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 **AUDIT REPORT**1.2.1 **Where, why and when is this audit report expected to be presented?**

Where	
Why	
When	

3

1.2.2 **Provide TWO points why the independent auditors make reference to pages 12–30 of the Annual Report.**

--

4

1.2.3

Explain TWO points on the impact of this report on the company.

4

TOTAL MARKS
15

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020.**

Sales	6 720 000	
Cost of sales		
Gross profit		
Other operating income		
Gross operating income	2 662 080	
Operating expenses		
Audit fees	120 000	
Depreciation	340 000	
Sundry expenses	432 110	
Operating profit		
Interest income		
Operating profit before interest expense		
Interest expense		
Net profit before tax		
Income tax	(272 700)	
Net profit after tax		30

TOTAL MARKS**30**

QUESTION 3: STATEMENT OF FINANCIAL POSITION AND SHARE CAPITAL NOTE

3.1 Share Capital

Authorised Share Capital: 3 000 000 ordinary shares		
Issued Share capital:		
1 800 000	Shares in issue at beginning of year	
(120 000)		
	Shares in issue at the end of the year	

3.2 STATEMENT OF FINANCIAL POSITION ON 31 AUGUST 2020.

NON-CURRENT ASSET	
Fixed assets	8 121 000
Financial assets	830 200
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDER EQUITY	
Ordinary share capital	
Retained income	14 960
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	1 097 840
Trade and other payables	463 840
TOTAL EQUITY AND LIABILITIES	

21

TOTAL MARKS

30

QUESTION 4: CASH FLOW STATEMENT, FINANCIAL INDICATORS

4.1

4.1.1	
4.1.2	
4.1.3	

3

4.2.1

CASH GENERATED FROM OPERATIONS

Depreciation	390 000
Interest expense	452 000
Change in inventory	(915 100)
Change in receivables	
Change in payables	
Cash generated from operations	

9

4.2.2

CASH EFFECT FROM FINANCING ACTIVITIES

7

4.2.3 Calculate the following amounts for the Cash Flow Statement.

Income tax paid	
Workings	Answer

4

Dividends paid	
Workings	Answer

7

Proceeds on fixed assets sold	
Workings	Answer

4

4.2.4 Calculate the following financial indicators on 29 February 2020:

Return on average Shareholders' Equity	
Workings	Answer

4

Net asset value per share	
Workings	Answer

2

TOTAL MARKS
40

QUESTION 5: INTERPRETATION OF COMPANY INFORMATION

- 5.1 **Compare the liquidity position of both companies and comment on the company that is managing the short term assets more effectively.**

LOCK LTD	
DOWN LTD	
COMMENT	

6

- 5.2 **Compare the dividend pay-out policy of each company.**

LOCK LTD	
DOWN LTD	

4

Provide TWO possible reasons why one company decided to change their policy.

4

- 5.3 Lock Ltd decided to increase their loans during the current financial year, whilst Down Ltd decided to maintain their existing loans. Comment on the decisions of both companies. Make reference to the degree of risk and gearing

LOCK LTD	
DOWN LTD	

8

- 5.4 A shareholder of Down Ltd is concerned about the drop in the market price of the shares. Explain why they feels this way. Provide TWO points.

4

- 5.5 M. Mtolo owns 576 000 shares in Down Ltd, which represents 48% of the total issued shares. He wants to purchase another 25 000 shares.

- 5.5.1 Do a calculation to show how this would change his % shareholding in the company.

5

- 5.5.2 Provide TWO reasons why you think he is specifically interested in increasing his shareholding in Down Ltd.

4

TOTAL MARKS

35

TOTAL: 150