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# Basic Education

KwaZulu-Natal Department of Education  
REPUBLIC OF SOUTH AFRICA

**ACCOUNTING**

**MEMORANDUM**

**APRIL 2021**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**MARKS: 100**

## **MARKING PRINCIPLES:**

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item. No double penalty applied.
2. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect.
3. Where penalties are applied, the marks for that section of the question cannot be a final negative.
4. Codes: f=foreign item; p=placement

**This memorandum consists of 6 pages.**

**QUESTION 1****1.1 Statement of Comprehensive Income for the year ended 28 February 2021.**

10	<b>Sales</b> (8 800 000 – 19 200✓ – 99 200✓) Operation one part correct	8 681 600	✓
	Cost of sales (8 681 600 + 360 000)100/160 Two or nothing	(5 651 000)	✓✓
	<b>Gross profit</b> Operation	3 030 600	✓
	<b>Other operating income</b> Operation one part correct	71 500	✓
	Rent income	70 500	✓
	Provision for bad debts adjustment (3 240 – 2 240) Two or nothing	1000	✓✓
	<b>Gross income</b>	3 102 100	
	<b>Operating expenses</b> Operation	(1 799 860)	✓
	<b>Salaries and wages</b> (681 600 – 20 000✓ – 4 000✓) Operation one part correct	657 600	✓
20	<b>Advertising</b> (60 000 – 2 880✓)	57 120	✓
	<b>Bad debts</b> ( 6 730 + 42 000✓)	48 730	✓
	<b>Packing material</b> (15 000 + 820✓ – 6 020✓) Operation one part correct	9 800	✓
	Directors fees	550 000	✓
	Audit fees	188 410	✓
	Insurance	14 700	✓
	Trading stock deficit (1 050 300 + 62 000 – 1 002 000) Two or nothing	110 300	✓✓
	Depreciation (119 999 ✓+ 14 800 ✓) 4 500 + 10 300 Operation one part correct	134 799	✓
	Sundry expenses Balancing figure	28 401	✓
7	Operating profit Candidate must use 15% on sales	1 302 240	✓
	Interest income 1.	80 000	✓
	Operating profit before interest expenses Operation	1 382 240	✓
	Interest expense 2.	(182 240)	✓
	Net profit before taxation	1 200 000	✓
	Taxation	(360 000)	✓
	Net profit after tax	840 000	✓

Foreign entry -1 max -2

**1.2 RETAINED INCOME**

balance at the beginning (1 480 000✓ + 140 000✓)	1 620 000	✓
Buy back of shares (100 000 x 1.40)	(140 000)	✓✓
Net profit after tax	840 000	✓
Ordinary share dividends	(500 000)	✓
Interim dividends (600 000 x 0.30)	180 000	✓
Final dividends (800 000 X 0.40)	320 000	✓
Balance at the end	1 820 000	✓

10

**1.3.1 To whom is the audit report addressed?**

Shareholders ✓

1

**1.3.2 Other than the shareholders list TWO other parties that will be interested in the audit report of the company. Briefly explain why each would be interested.**

PARTY	REASON
Party and a reason ✓	
Potential new investors	To determine whether they can rely on the information in the financial statements when making investments.
Banks	To determine whether they can rely on the information in the statements when making decisions relating to lending the company money.
SARS	To determine whether they can rely on the information in the financial statements when assessing the company's tax.
Competitors	To determine whether they can rely on the information in the financial statements when comparing their results with those of the company.

2

**TOTAL MARKS**

50

**QUESTION 2**

2.1

2.1.1	C ✓
2.1.2	E ✓
2.1.3	A ✓
2.1.4	D ✓

4

2.2.1

CACULATION	ANSWER
<b>INCOME TAX PAID</b>  $296\,600 \checkmark + 12\,700 \checkmark + 27\,200 \checkmark$  Award operation if one part correct, final answer must have brackets.	(336 500) ✓
<b>DIVIDENDS PAID</b>  $111\,000 \checkmark + 317\,400 \checkmark - 142\,400 \checkmark$ <b>Or</b> $111\,000 + 175\,000$ Award operation if one parts correct, final answer must have brackets.	(286 000) ✓
<b>FIXED ASSETS PURCHASED</b>  $1\,437\,200 \checkmark + 221\,400 \checkmark + 283\,500 \checkmark - 1\,120\,400 \checkmark$ <b>Or</b> $1\,120\,400 - 1\,437\,200 - 221\,400 - 283\,500$ Award operation if one parts correct, final answer must have brackets.	(821 700) ✓

4

4

5

2.2.3

Net change in cash and cash equivalent	185 550 ✓
Cash and cash equivalent at the beginning (15 500 – 124 300)	(108 800) ✓
Cash and cash equivalent at the end	76 750 ✓

3

**TOTAL MARKS**

20

**QUESTION 3****3.1**

3.1.1	D ✓
3.1.2	B ✓
3.1.3	A ✓

3

**3.2****3.2.1 Net asset value per share**

$$\frac{4\,488\,000 \checkmark}{880\,000 \checkmark} \times 100$$

510 cents ☒ Operation one part correct

3

**Return on shareholders' equity**

$$\frac{545\,600 \checkmark}{\frac{1}{2} \checkmark (4\,488\,000 \checkmark + 3\,724\,000 \checkmark)} \times \frac{100}{1}$$

$$\frac{545\,600}{4\,106\,000} \times \frac{100}{1}$$

Three marks

13.28% or 13.3% ☒ Operation one part correct

5

**3.2.2 Quote TWO financial indicators (with figures and trends) that indicate an improvement in the liquidity position of the business.**

Indicator ✓ ✓

trend ✓ ✓

Current ratio improved from 1.4 : 1 to 1.9 : 1 by 0.5

Average debtors collection period improved from 57 days to 30 days by 27 days

Do not accept acid test ratio and average creditors' payments period.

4

**3.2.3 The company paid back a large portion of the loan. Explain why this was a good decision. Quote TWO financial indicators (with figures).**

Indicator, trend ✓✓ ✓✓

Explanation ✓✓

Debt/equity ratio decreased/improved from 0.5 : 1 to 0.2 : 1 by 0.3  
This indicate a low risk

ROTCE is 20.8% above the interest rate of 11%, by 9.8%  
This indicate a positive gearing

6

**3.2.4 Comment on the dividend pay-out policy over the past two years. Provide a possible reason for the policy adopted. Quote figures.**

Comment on EPS and DPS for 2020 (with figures): ✓✓

The company paid 52 cents of 65 cents earned, the company distributed (80%).

OR Only 20% of the net profit was retained.

Comment on EPS and DPS for 2021 (with figures): ✓✓

The company paid 31 cents of 62 cents earned, the company distributed (50%).

OR 50% of the net profit was retained.

Reason for change ✓

Bigger % was retained for future expansion/growth.  
Efforts being made to increase profitability or to address cash flow problems.

5

**3.2.5 Explain whether the price paid for the share buy-back was fair. Quote TWO financial indicators (with figures) in your explanation.**

Indicator and trend ✓✓ ✓✓

The buy- back price was 510 cents per share equal to the NAV of 510 cents, the price was fair

Market price on JSE is 515 cents per share while shares have been bought back at 510 cents per share.

4

TOTAL MARKS
30