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GRADE 12

PRE-TRIAL 2021

**ACCOUNTING P1
ANSWER BOOK**

QUESTION	MAXIMUM MARKS	MARKS OBTAINED	MODERATED MARK
1			
2			
3			
4			
TOTAL			

This Answer Book consists of 8 pages.

QUESTION 1:

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

5

1.2.1 Statement of Comprehensive Income on 28 February 2021

Sales	
Cost of sales	
Gross profit	
Other income	
Commission income	165 700
Gross income	
Operating expenses	
Salaries and wages	621 500
Depreciation	329 000
Sundry expenses	
Operating profit	1 240 000
Interest income	
Profit before interest expense	
Net profit before income tax	
Income tax	(348 000)
6 Net profit after tax	

26

1.2.2 RETAINED INCOME

Balance on 1 March 2021	209 000	
Ordinary share dividends		
Balance on 28 February 2021		8

1.2.3 EQUITIES AND LIABILITIES SECTION

SHAREHOLDERS EQUITY		
Ordinary share capital		
Non-current liabilities		
Current liabilities		
		21

TOTAL MARKS	60	
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QUESTION 2:

2.1 Calculate:

Income tax paid		
WORKINGS	ANSWER	
		5
Dividends paid		
WORKINGS	ANSWER	
		4
Fixed assets purchased		
WORKINGS	ANSWER	
		5

2.2

CASH EFFECTS OF FINANCING ACTIVITIES	
Proceeds from shares issued	
	11
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	4

2.3

2.3.1 Calculate: Debt/equity ratio

WORKINGS	ANSWER

3

2.3.2 Calculate: Dividend pay-out rate

WORKINGS	ANSWER

4

2.3.3 Calculate: % return on average shareholders' equity

WORKINGS	ANSWER

4

TOTAL MARKS	40	
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QUESTION 3:

3.1 Comment on the liquidity position of the business. Quote and explain **THREE** financial indicators (with figures) in your explanation.

8

3.2 Shareholders are concerned about the % returns and dividends for the year. Provide **TWO** possible reasons for their concern. Quote figures.

4

3.3 The directors decided to change the dividend pay-out policy for the current financial year. Provide **TWO** possible reasons for this decision. Quote figures.

6

3.4 The debt/equity ratio shows that the company has maintained a gearing ratio of 0,4 : 1 over the two financial years. Was this a good strategy? Explain. Quote a financial indicator (with figures) to motivate your answer.

6

3.5 Terro Kota, owns 360 000 shares which represents 45% of the total issued share capital. He wants to be the majority shareholder in the next financial year, and plans to buy the shares on the stock exchange on 1 March 2021.

Calculate the number of shares he would have to buy, and the total amount he would have to spend. Note that the company's shares are only available in batches of 100 shares.

CALCULATION:

AMOUNT HE MUST SPEND:

7

Provide **TWO** different reasons why he wants to be the majority shareholder.

4

TOTAL MARKS	35	
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QUESTION 4:

4.1 Identify the type of audit report that the company received, and provide a reason for your choice.

Type:

Reason:

3

4.2.1 Explain the difference between an internal auditor and an external auditor.

2

4.2.2 Provide THREE reasons for the concern expressed by shareholders.

6

4.3 Provide TWO suggestions on how good corporate governance can be achieved.

4

TOTAL MARKS	15	
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TOTAL: 150