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Name:

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GRADE 12

SEPTEMBER 2021

**ACCOUNTING P1
ANSWER BOOK**

QUESTION	MAX. MARKS	MARKS OBTAINED	MODERATED MARKS
1	15		
2	60		
3	40		
4	35		
	150		

This answer book consists of 9 pages.

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	

3

1.2 AUDIT REPORT

1.2.1 Identify the type of report and explain why this type of report was issued by the auditor.

2

1.2.2 Explain TWO points why shareholders will be concerned about the company receiving such a report.

4

1.2.3 The CEO requested that the auditor classifies this donation as a 'sundry expense' and adjust the audit opinion accordingly. Provide TWO reasons why the auditor would not agree with this suggestion.

4

1.2.4 Apart from the issues mentioned above, explain why the company would be accused of poor corporate governance.

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2

TOTAL	15	
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QUESTION 2

2.1 Statement of Comprehensive Income on 28 February 2021

Sales		
Cost of sales		
Gross profit		
Other income		
Discount received	14 000	
Gross income		
Operating expenses		
Depreciation	86 010	
Sundry expenses		
Operating profit		
Interest income	23 400	
Profit before interest expense		
Net profit before income tax		
Income tax		
Net profit after tax	689 310	36

2.2 RETAINED INCOME

Balance on 1 March 2020		
Net profit after tax	689 310	
Ordinary share dividends		
Interim dividends	126 000	
Balance on 28 February 2021		7

2.3 EQUITIES AND LIABILITIES SECTION

*show significant items separately under Current liabilities

SHAREHOLDERS EQUITY		
Ordinary share capital		
Retained income		
Non-current liabilities		
Current liabilities		
Trade and other payables		
TOTAL EQUITY AND LIABILITIES		17

TOTAL	60	
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QUESTION 3

3.1 Calculate the following for the Cash Flow Statement on 31 August 2021:

3.1.1 Change in payables (indicate inflow or outflow of cash)

WORKINGS	ANSWER

4

3.1.2 Income tax paid

WORKINGS	ANSWER

4

3.1.3 Dividends paid

WORKINGS	ANSWER

4

3.1.4 Proceeds from shares issued

WORKINGS	ANSWER

5

3.1.5 Funds used to repurchase shares

WORKINGS	ANSWER

3

3.1.6 Increase in loan

WORKINGS	ANSWER

4

3.2

NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

4

3.3

3.3.1

Calculate: Acid-test ratio	
WORKINGS	ANSWER

3

3.3.2

Calculate: % return on average shareholders' equity	
WORKINGS	ANSWER

5

3.3.3

Calculate: Dividend pay-out rate (%)	
WORKINGS	ANSWER

4

TOTAL	40	
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QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	

3

4.2.1

Identify the company that has the most efficient liquidity position. Quote and explain THREE financial indicators to support your choice.

COMPANY:

FINANCIAL INDICATORS AND EXPLANATION:

6

4.2.2

A director of Green Ltd feels that the company should pay back the loan as soon as possible Explain what you would say to him. Quote TWO financial indicators (with figures) to motivate your opinion.

6

4.2.3

Comment on the dividend pay-out rates of Green Ltd and Plaza Ltd, and provide a reason for the directors of each company deciding on those pay-out rates. Quote figures.

6

4.2.4 Shareholding of Sandi Charley:

Sandi Charley is a shareholder in two of these companies. She has R800 000 and intends to invest in new shares.

All three companies have decided to issue additional shares on 1 March 2021, at the existing market price on 28 February 2021.

Calculate Sandi's % shareholding in Green Ltd and comment on your findings.

CALCULATION:

COMMENT:

4

Calculate the minimum number of shares she should buy in Green Ltd and the amount she would have to spend.

6

What advice would you offer Sandi regarding her intentions to purchase shares in Plaza Ltd? Provide TWO points. Quote figures (financial indicators) to support your advice.

4

TOTAL	35	
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TOTAL: 150