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PREPARATORY EXAMINATION 2022

10711

ACCOUNTING

PAPER 1

ANSWER BOOK

12 pages

NAME OF SCHOOL:

NAME OF LEARNER:

QUESTION	ΤΟΡΙϹ	MARKS	MARKS OBTAINED
1	Concepts, Income Statement and Balance Sheet	60	
2	Financial Indicators and Cash Flow Statement	45	
3	Interpretation of Financial Statements	20	
4	Corporate Governance, Audit Report and Problem-solving	25	
TOTAL		150	

QUESTION 1: FINANCIAL STATEMENTS

1.1 CONCEPTS

1.1.1	
1.1.2	
1.1.3	
1.1.4	
1.1.5	

5

1.2 STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)

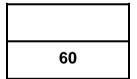
1.2.1 FEINT PPE LIMITED INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2022

Sales		
Cost of sales		
Gross Profit		
Other Operating Income		
Gross Operating Income		
Operating Expenses		
Salaries	601 450	
Directors' fees	470 850	
Depreciation	281 000	
Sundry expenses		
Operating Profit		
Net profit before interest expense		
Net profit before tax		
Income tax	(340 088)	
Net profit after tax		32

1.2.2 STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET

SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained income	468 000
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	
TOTAL EQUITY AND LIABILITIES	



ACCOUNTING	ANSWER BOOK	
(Paper 1)	10711/22	-

QUESTION 2: FINANCIAL INDICATORS AND CASH FLOW STATEMENT

2.1.1 ORDINARY SHAREHOLDERS' EQUITY NOTE

7 500 000	Ordinary shares in issue at the end of the	26 250 000	
	year		7

2.1.2 **RETAINED INCOME NOTE**

7 000 000

ACCOUNTING	ANSWER BOOK	5
(Paper 1)	10711/22	•

2.2 CASH FLOW STATEMENT

SEVERANCE LTD

CASH FLOW STATEMENT FOR YEAR ENDED 28 FEBRU	ARY 2022
CASH EFFECTS OF OPERATING ACTIVITIES	
Cash generated from operations	7 015 170
Interest paid	(219 700)
CASH EFFECTS OF INVESTING ACTIVITIES	
Fixed assets purchased	(6 956 560)
CASH EFFECTS OF FINANCING ACTIVITIES	
Proceeds of shares issued	
Repurchase of shares	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents (opening balance)	
Cash and cash equivalents (closing balance)	

2.3 CALCULATE THE FOLLOWING FINANCIAL INDICATORS

% operating expenses on sales	
Workings	Answer

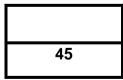
2.3.2

Workings	Answer

4

3

Return on shareholders' equity	
Workings	Answer



ACCOUNTING	ANSWER BOOK	
(Paper 1)	10711/22	-

QUESTION 3: ANALYSIS AND INTERPRETATION

Debt Equity Ratio		

3.2 Do you think it is a wise decision to borrow R1 000 000? Comment and quote TWO financial indicators with figures to support your answer.

6

3.3 Comment on the dividend policy of Zusa Limited. Quote figures.

3.4 Name TWO issues that will impact on the profitability of Zusa Limited and explain the effect they will have on the profit.

Problem	Effect

4

ACCOUNTING	ANSWER BOOK	
(Paper 1)	10711/22	•

3.5

3.5.1 Percentage of shares that the managing director would own after new shares are issued.



3.5.2 Why would the managing director be concerned about the issue of new shares?

20	

ACCOUNTING	ANSWER BOOK	10
(Paper 1)	10711/22	

QUESTION 4: CORPORATE GOVERNANCE, AUDIT REPORT AND PROBLEM-SOLVING

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4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2 **AUDIT REPORT**

.2.1	Why do the independent auditors refer to pages 12 – 30 of the annual report?

4.2.2 Complete the sentence "These financial statements are the responsibility of ..." in paragraph 1. Write only the missing word to complete the sentence.

4.2.3 What kind of audit report did Lexi Ltd receive from BB Auditors?

1

ACCOUNTING	ANSWER BOOK	11
(Paper 1)	10711/22	

As a sharehol report? Explai	n THREE points.	is would you	nave regard	aing this al	ıdit
Point 1:					
Point 2:					
Point 3:					
Refer to parag	raph 2. Explain the	role/respons	ibility of the		
Remuneration necessary.	s Committee and g	ive a reason	why this cor	nmittee is	

4.3 **PROBLEM-SOLVING: FIXED ASSETS**

Identify and explain THREE major problems (with figures) relating to the control of fixed assets. In EACH case, provide advice to improve control over these assets.

PROBLEM IDENTIFIED WITH FIGURES	ADVICE TO RESOLVE PROBLEM
VEHICLE A:	
VEHICLE B:	
VEHICLE C:	
	1
l	
	25

TOTAL: 150



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