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**SA EXAM  
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# PREPARATORY EXAMINATION

## 2022

**10711**  
**ACCOUNTING**  
**PAPER 1**  
**ANSWER BOOK**

12 pages

NAME OF SCHOOL:

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NAME OF LEARNER:

QUESTION	TOPIC	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	
<b>TOTAL</b>		<b>150</b>	

**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**

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

32

1.2.2 STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET

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

23

60

**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 year	26 250 000

7

**2.1.2 RETAINED INCOME NOTE**

Balance at the beginning of the year	7 000 000

9

## 2.2 CASH FLOW STATEMENT

## SEVERANCE LTD

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

2.3 CALCULATE THE FOLLOWING FINANCIAL INDICATORS

2.3.1

% operating expenses on sales	
Workings	Answer

3

2.3.2

Current ratio	
Workings	Answer

4

2.3.3

Return on shareholders' equity	
Workings	Answer

4

45

**QUESTION 3: ANALYSIS AND INTERPRETATION**

3.1

**Debt Equity Ratio**

**3**

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**

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**

3.5

3.5.1

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

3

3.5.2

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

1

20

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

4.1

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2 **AUDIT REPORT**

4.2.1

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

2

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.**

1

4.2.3

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

1

4.2.4

**As a shareholder, what concerns would you have regarding this audit report? Explain THREE points.**

**Point 1:**

**Point 2:**

**Point 3:**

**6**

4.2.5

**Refer to paragraph 2. Explain the role/responsibility of the Remunerations Committee and give a reason why this committee is necessary.**

**2**

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:	

9

25

**TOTAL: 150**

**END**









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ANSWER BOOK

Accounting Answer Book P1



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