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**OFFICE OF THE SUB-DISTRICT MANAGER: MAHIKENG SUB-DISTRICT OFFICE
NGAKA MODIRI MOLEMA DISTRICT**

GRADE: 12

ACCOUNTING

TEST: 2

DATE: 10 MARCH 2023

TOTAL: 100 MARKS

DURATION: 1H30

NSC GRADE: 12 (Question paper)

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings to earn part-marks.
4. You may ~~use~~ use a non-programmable calculator.
5. You may use a blue/black ink to answer questions.
6. Where applicable, show ALL calculations to TWO decimal points.
7. You may use the Financial Indicator Formula Sheet attached at the end of this question paper.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1.	Concepts, Notes and Statement of financial position	55	60 minutes
2.	Concepts, Ratios and Cash flow statement	45	30 minutes
	TOTAL	50	90 minutes

QUESTION 1: CONCEPTS AND FINANCIAL STATEMENTS**(55 marks: 60 minutes)**

- 1.1. Choose the correct word from COLUMN B to match the description in COLUMN A. Write **only** the letter (A – E) next to the question number (1.1.1 to 1.1.5) in the ANSWER BOOK.

NO	COLUMN A		COLUMN B
1.1.1.	Sets out the rights, duties and responsibilities of shareholders and directors.	A	Matching concept
1.1.2.	The total number of shares that a company can issue.	B	International Financial Reporting Standards (IFRS)
1.1.3.	Revenue generated during an accounting period should be in line with the expenses during the same period.	C	Memorandum of Incorporation (MOI)
1.1.4.	Guidelines for the preparation of financial statements to ensure consistency.	D	Shareholders
1.1.5.	The.....are the owners of the entity	E	Authorised share capital

(5)

1.2. TWO-WAY LIMITED

You are provided with the information relating to Two-Way Ltd, for the year ended 28 February 2022.

REQUIRED:

- 1.2.1. Prepare the following note to the balance sheet for the financial year ended 28 February 2022.
- ❖ Trade and other receivables (12)
 - ❖ Ordinary share capital (11)
- 1.2.3. Prepare the Balance Sheet (Statement of Financial Position) of Two-Way Ltd as at 28 February 2022. (Where notes are not required, show your workings in brackets in order to earn part marks) (27)

INFORMATION:

A. The following figures were extracted from the accounting records at the end of the financial year on 28 February 2022.

Ordinary share capital	?
Retained income (28 February 2022)	910 000
Fixed assets (at carrying value on 28 February 2022)	5 180 652
Loan: Canara Bank (28 February 2022)	622 800
Fixed deposit: Fargo Bank (1 March 2021)	504 000
Bank (Dr)	?
Creditors' control	?
Debtors' control	64 800
Inventory	757 800
Provision for bad debts	3 420
SARS: Income tax (Provisional tax payments)	524 520

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B. Share Capital

- ❖ The company has an authorised share capital of 1 000 000 shares.
- ❖ 60% of the authorised share capital was issued at the beginning of the financial year.
- ❖ On 31 March 2021, the directors received R1 100 000 on additional shares issued of 200 000 shares.
- ❖ On 31 December 2021, the directors decided to buy back 100 000 shares from the estate of the deceased shareholder.

C. Dividends

- ❖ An interim dividend of 45 cents per share was declared and paid on 1 August 2021. The new shareholders qualified for the interim dividend.
- ❖ A final dividend of 81 cents per share was declared on 28 February 2022. The shareholder whose shares were bought back are not entitled to the final dividend.

D. The loan statement received from Canara bank showed the following:

Opening balance (01/03/2021)	R 846 000
Repayment during the year (interest included)	223 200
Closing balance (28/02/2022)	709 200

- ❖ Provide for interest on loan.
 - ❖ The capital repayment of the loan will remain the same as the previous financial year
- E. Interest on fixed deposit is earned at 10% per annum and is not capitalised. No interest has been received. 40% of the fixed deposit will mature on 30 June 2022.
- F. Provision for bad debts must be adjusted to 5% of the outstanding debtors.
- G. Trading stock, R25 200 was damaged by a storm during the year. The insurance company accepted the claim and will cover 70% of the claim. The insurance claim will be processed during May 2022.
- H. Insurance included an annual policy of R15 120 paid on 1 August 2021.
- I. Income tax for the year amounted to R483 120.

J. Financial indicators:

Current ratios	2.5:1
Debt Equity ratios	0.1: 1
Net asset value per share (NAV)	880 cents

QUESTION 2: FINANCIAL INDICATORS AND CASH FLOW STATEMENT**(45 marks; 30 minutes)**

2.1. Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1. ~~Unused~~ consumable stores at the end of the financial year are classified as a (current asset/financial asset).

2.1.2. Interest on loans is regarded as a/an (operating activity/financing activity).

2.1.3. The (Cash Flow Statement / Bank Statement) reflects the effect of business activities on the CASH resources of a company.

(3 x 1)(3)

DIGITAL GIANTS LTD

The information relates to Digital Giants Ltd. The financial year ends on 31 March.

REQUIRED:

2.2. Calculate the following financial indicators for the financial year ended 31 March 2021:

2.2.1. Debt-equity ratio (3)

2.2.2. Net asset value per share (3)

2.2.3. Dividend pay-out rate (4)

2.2.4. Return on average shareholders' equity (ROSHE) (4)

2.3. Complete the table in the ANSWER BOOK for the following items for the 2021 Cash Flow Statement. Indicate in EACH case whether it is an inflow or an outflow of cash.

2.3.1. Change in Inventory (3)

2.3.2. Change in receivables (3)

2.3.3. Change in payables (3)

2.4. Calculate the following figures for the 2021 Cash Flow Statement:

2.4.1. Taxation paid (4)

2.4.2. Dividends paid (4)

2.4.3. Proceeds from sale of fixed assets (5)

2.4.4. Funds used for the repurchase of shares (2)

2.5. Complete the Net change in cash and cash equivalents (4)

INFORMATION:**A. Extract from the Statement of Comprehensive Income for the year ended 31 March 2021:**

Depreciation:	R 785 000
On vehicles	475 000
On equipment	310 000
Net profit before tax	3 955 000
Income tax	1 085 000
Net profit after tax	2 870 000

B. Extract from the Statement of Financial Position:

	31 March 2021 R	31 March 2020 R
Fixed assets at carrying value	8 865 000	8 878 000
Inventories	585 700	391 200
Debtors' control	418 000	390 000
Creditors' control	520 000	359 200
Income received in advance	16 000	0
Cash and cash equivalents	120 000	28 000
SARS: Income tax	354 000 (Cr)	124 000 (Dr)
Ordinary shareholders' equity	10 387 600	6 910 000
Ordinary share capital	7 280 000	5 950 000
Retained income	3 107 600	960 000
Mortgage loan	2 450 000	2 800 000
Shareholders for dividends	262 400	210 000
Bank overdraft	-	250 000

C. Shares:

- ❖ 700 000 shares were in issue on 31 March 2020.
- ❖ 120 000 new shares were issued at R12,60 per share on 1 April 2020.
- ❖ 20 000 shares were repurchased on 31 March 2021 for 50% more than the average issue price of R9,10 per share. These shares qualified for final dividends.

D. Dividends paid/declared were as follows for the financial year:

	DATE	DIVIDEND PER SHARE	AMOUNT
Interim	15 August 2020	45 cents	R?
Final	31 March 2021	32 cents	R262 400

E. Fixed assets:

- ❖ Extensions to the buildings were completed at a cost of R1 360 000 during the financial year.
- ❖ Equipment was sold at carrying value during the financial year.
- ❖ No other fixed assets were purchased or sold.

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F. Extract: Financial indicators:

	31 March 2021	31 March 2020
Debt-equity ratio	?	0,4 : 1
Earnings per share (EPS)	350 cents	314 cents
Current ratio	2,7 : 1	1,8 : 1

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GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: * In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.	