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PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2023

ANSWER BOOK

QUESTION	MARKS	INITIAL	MODERATOR
1			
2			
3			
4			
TOTAL			

This answer book consists of 9 pages.

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 .1 THUTHUKANI LTD
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
28 FEBRUARY 2023

Sales		
Cost of sales		(1 845 000)
Gross profit		
Other income		
Rent income (92 736		
Bad debts recovered (3 850		
Gross operating income		
Operating expenses		
Salaries and wages (360 500		
Stationery (24 684		
Insurance (46 500		
Directors' fees (276 000		
Audit fees (24 600		
Bad debts		16 680
Depreciation		46 000
Operating profit		
Interest income (12 400		
Profit before interest expense		
Interest expense		
Profit before income tax		
Income tax		
Net profit for the year		422 450

41

1.2.2 CALCULATE

Net trade debtors	
Trade debtors (458 650	

4

1.2.3 RETAINED INCOME

Balance at the beginning of the year	1 682 458
Net profit after tax	422 450
Dividends	
Interim	21 600
Balance at the end of the year	

8

1.2.4 Calculate the amount for Non-current Liabilities in the Statement of Financial Position on 28 February 2023.

Mortgage loan: Westside Bank
(760 000

3

60

QUESTION 2**2.1****(i) The acid-test ratio**

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4

(ii) The debt/equity ratio

--

3

(iii) The return on average shareholders' equity

--

6

2.2**Use the given information in D (i) to confirm the value of the closing stock on 28 February 2023 as R1 350 000.**

--

5

2.3 Reconciliation between profit before taxation and cash generated from operations

Profit before tax	
Adjustments in respect of:	
Operating profit before changes in working capital	
Changes in working capital	
Cash generated from operations	

13

2.4 Calculate the amount used for the purchase of fixed assets.

--

5

2.5 Cash flows from financing activities

5

2.6 Complete the net change in Cash and Cash equivalents as it would appear in the Cash Flow Statement.

Net change	

4

45

QUESTION 3**3.1**

3.1.1	
3.1.2	
3.1.3	
3.1.4	
3.1.5	

5

3.2**Explain why the market value is so important in this regard.****If the company issued all its unissued shares the following year, how much capital could it expect to raise for the company?**

7

3.3

Rather than issue more shares, the directors are considering taking out additional loans. Quote TWO relevant financial indicators (actual ratios or percentages) to support their opinion.

6

3.4

John Davids, one of the shareholders, is currently the owner of 400 000 shares. What will happen to his shareholding if all the unissued shares are issued? Show calculations to support your answer.

6

3.5

On 1 March 2022 additional shares were issued at R3,00 each. Quote and explain relevant financial indicators with figures to show why the existing shareholders will be satisfied with this price.

6

30

QUESTION 4**4.1**

The board of directors wants to buy computers and IT systems from a certain computer company for R25 million. You find out the CEO's wife is a majority shareholder in the computer company.

Express your opinion on the scenario mentioned above. Provide ONE point.

How should this scenario be handled by a board of directors or by shareholders? Provide ONE point.

4

4.2

How should this scenario be handled by you as a non-executive director?

2

4.3

External independent auditors may charge high audit fees for their specialized work. What do you think will be the consequences for the auditor if it is proven that the auditor was negligent in the performance of his responsibilities? Name TWO consequences.

4

4.4

Refer to the information regarding Carpets Galore Ltd.**Do you think the share price of the company increased or dropped?****How will shareholders react to this? Provide TWO points.**

5

15

TOTAL: 150