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**GAUTENG PROVINCE**

EDUCATION

REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2024

10711**ACCOUNTING****PAPER 1****ANSWER BOOK****10 pages****NAME OF SCHOOL:**

NAME OF LEARNER:

| QUESTION | TOPIC | MARKS | MARKS OBTAINED |
|--------------|--|------------|----------------|
| 1 | Company Financial Statements | 55 | |
| 2 | Cash Flow Statement and Financial Indicators | 40 | |
| 3 | Interpretation of Financial Statements | 40 | |
| 4 | Corporate Governance | 15 | |
| TOTAL | | 150 | |

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PAPERS**P.T.O.**

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 29 February 2024

| | |
|--------------------------------|--------------|
| Sales | 20 035 000 |
| Cost of sales | (11 409 700) |
| Gross profit | 8 625 300 |
| Other operating income | 2 086 500 |
| Bad debts recovered | |
| Sundry income | |
| | |
| | |
| | |
| Gross operating income | 10 711 800 |
| Operating expenses | |
| Insurance | |
| Depreciation | |
| Sundry expenses | |
| | |
| | |
| | |
| | |
| Operating profit | 6 317 500 |
| Interest income | 94 500 |
| Profit before interest expense | 6 412 000 |
| Interest expense | (162 000) |
| Profit before income tax | 6 250 000 |
| Income tax | (1 750 000) |
| Net profit after tax | 4 500 000 |

**ACCOUNTING
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**ANSWER BOOK
10711/24**

3

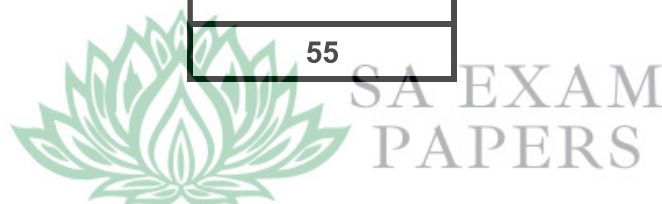
1.2 Statement of Financial Position for the year ended 29 February 2024

| | |
|--------------------------------------|------------------|
| ASSETS | |
| NON-CURRENT ASSETS | |
| Fixed assets | |
| | |
| CURRENT ASSETS | 3 429 700 |
| | |
| Trade and other receivables | |
| | |
| TOTAL ASSETS | |
| EQUITY AND LIABILITIES | |
| ORDINARY SHAREHOLDERS' EQUITY | |
| | |
| | |
| NON-CURRENT LIABILITIES | |
| | |
| CURRENT LIABILITIES | |
| Trade and other payables | |
| | |
| | |
| | |
| TOTAL EQUITY AND LIABILITIES | |

33

TOTAL MARKS

55



P.T.O.

QUESTION 2

JELICOE LIMITED

2.1 Ordinary share capital note on 29 February 2024

| | | |
|-----------|--|-----------|
| 1 900 000 | Ordinary shares at the beginning of the year | 5 320 000 |
| | | |
| | | |
| | | |

8

2.2 Calculate: Income tax paid

| WORKINGS | ANSWER |
|----------|--------|
| | |

4

Calculate: Dividends paid

| WORKINGS | ANSWER |
|----------|--------|
| | |

2

2.3 CASH FLOW OF FINANCING ACTIVITIES

| | |
|--|--|
| | |
| | |
| | |

7

NET CHANGE IN CASH AND CASH EQUIVALENTS

| | |
|--|--|
| | |
| | |

4



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5

- 2.4 The CEO is concerned about an increased amount of change in working capital. Identify TWO areas that affected the change and provide ONE solution to address each of the concerns. Quote figures and trends.

| CONCERN | SOLUTION |
|---------|----------|
| | |
| | |

4

- 2.5 Calculate: Net Asset value per share

| WORKINGS | ANSWER |
|----------|--------|
| | |

4

Calculate: Dividends per share

| WORKINGS | ANSWER |
|----------|--------|
| | |

4

Calculate: % return on average shareholders' equity

| WORKINGS | ANSWER |
|----------|--------|
| | |

3

TOTAL MARKS

40



| | | |
|-------------------------|-------------------------|---|
| ACCOUNTING (PAPER 1) | ANSWER BOOK 10711/24 | 6 |
|-------------------------|-------------------------|---|

QUESTION 3**BUHLE LIMITED**

| | | | |
|-----|-------|--|--|
| 3.1 | 3.1.1 | | |
| | 3.1.2 | | |
| | 3.1.3 | | |

3

- 3.2 Shareholders are complaining about the irresponsible price decrease during the 2024 financial year. The directors maintain that pricing is of significant importance when compared to competitors. Justify the directors' decision. Quote TWO financial indicators with figures.

4

- 3.3 Comment on the net working capital of the company. Quote TWO financial indicators with figures.

6



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3.4

Explain how the issue of new shares has affected the financial risk and gearing of Buhle Ltd. Quote TWO financial indicators and figures.

6

3.5

Explain why directors should be interested in the price of their company's shares on the JSE.

2

**Comment on the price of the new shares issued in February 2024.
Give a reason why shareholders should not be satisfied with this price.
Quote TWO financial indicators and figures to support your opinion.**

5



| | | |
|---------------------------------|---------------------------------|----------|
| ACCOUNTING (PAPER 1) | ANSWER BOOK 10711/24 | 8 |
|---------------------------------|---------------------------------|----------|

Calculate the maximum number of shares that F. Nxumalo will be able to sell without losing his majority status (assume that all other shares stay unchanged).

| WORKINGS | ANSWER |
|----------|--------|
| | |

3

3.6

Explain how the company managed to fund the high dividends without using the borrowed money to make the shareholders happy. Provide ONE point with figures.

| Point Number | Point Description | Point Type | Point Value |
|--------------|-------------------|------------|-------------|
| 1 | Point 1 | Point 1 | 1 |
| 2 | Point 2 | Point 2 | 2 |
| 3 | Point 3 | Point 3 | 3 |
| 4 | Point 4 | Point 4 | 4 |
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| 70 | Point 70 | Point 70 | 70 |
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| 81 | Point 81 | Point 81 | 81 |
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| 84 | Point 84 | Point 84 | 84 |
| 85 | Point 85 | Point 85 | 85 |
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| 88 | Point 88 | Point 88 | 88 |
| 89 | Point 89 | Point 89 | 89 |
| 90 | Point 90 | Point 90 | 90 |
| 91 | Point 91 | Point 91 | 91 |
| 92 | Point 92 | Point 92 | 92 |
| 93 | Point 93 | Point 93 | 93 |
| 94 | Point 94 | Point 94 | 94 |
| 95 | Point 95 | Point 95 | 95 |

2

Explain the change in the dividend payout rate and give a reason for this change. Quote figures.

[illegible]

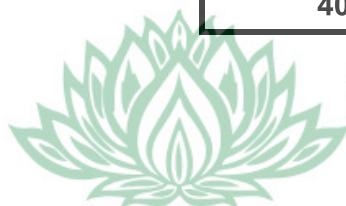
3

Explain whether the shareholders should be satisfied with the earnings and returns of the company. Quote TWO financial indicators.

[illegible]

6

| |
|--------------------|
| TOTAL MARKS |
| 40 |



QUESTION 4

- 4.1 The shareholders of Ekurhuleni Ltd will not be happy with the audit reports of the past 5 years after the recent findings.

Explain what an unqualified audit report is.

Explain why the shareholders will not be happy.

| |
|---|
| |
| 3 |

- 4.2 Watchdog (Gatekeeper)

An auditor serves as a watchdog regarding several important functions to ensure transparency, accountability and compliance within the company. Explain TWO key functions of an auditor in the company.

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| |
| 4 |

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|---------------------------------|---------------------------------|-----------|
| ACCOUNTING (PAPER 1) | ANSWER BOOK 10711/24 | 10 |
|---------------------------------|---------------------------------|-----------|

4.3 Shareholders concern and company reputation:

As a shareholder, explain TWO effects that will be of concern based on the findings in the article.

| |
|---|
| |
| 4 |

4.4 The CFO of Ekurhuleni Ltd has emphasised that maintaining financial data integrity is crucial for the company to ensure accurate reporting and compliance with regulations. State TWO practices that can help to maintain the integrity of accounting records within the company.

| | |
|--|--|
| | |
|--|--|

4

| |
|--------------------|
| TOTAL MARKS |
| 15 |

TOTAL: 150

