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# **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

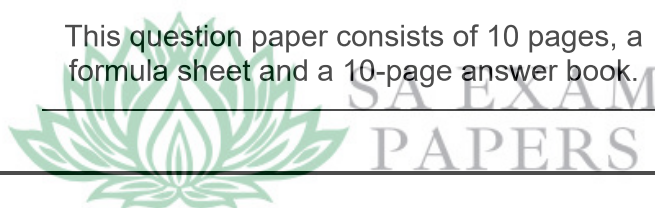
**SEPTEMBER 2024**

**ACCOUNTING P1**

**MARKS: 150**

**TIME: 2 hours**

This question paper consists of 10 pages, a  
formula sheet and a 10-page answer book.



**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
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 (minutes)
1	Company Financial Statements	55	45
2	Notes to Financial Statements, Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	40	30
4	Corporate Governance	15	15
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: COMPANY FINANCIAL STATEMENTS (55 marks; 45 minutes)****ZINO LIMITED**

The information relates to the financial year ended on 30 June 2024. The business sells grass cutting machines.

**REQUIRED:**

1.1 Refer to information B (ii).

Calculate the value of the stock that was stolen. (3)

1.2 Complete the Statement of Comprehensive Income for the year ended 30 June 2024. (29)

1.3 Complete the Statement of Financial Position as at 30 June 2024. (23)

**NOTE:** Some amounts are provided in the ANSWER BOOK.

**INFORMATION:****A. Extract: Balances and totals from the records on 30 June 2024.**

	R
Ordinary share capital (3 000 000 shares)	19 650 000
Retained income	?
Loan: OV Bank	1 304 000
Debtors' control	495 000
SARS: Income Tax (provisional tax payments)	300 000
Provision for bad debts	2 355
Creditors' control	529 800
Bank (favourable)	?
Trading stock	2 195 550
Shareholders for dividends	1 980 000
Sales	?
Cost of sales	15 660 000
Rent income	98 500
Commission income	626 400
Audit fees	81 000
Directors' fees	450 000
Advertising	36 000
Dividends on ordinary shares	1 010 000

**B. Adjustments and additional information:**

- (i) The business uses a mark-up of 75% on cost. Special customers were granted trade discounts amounting to R216 000.
- (ii) During a burglary at the warehouse, grass cutting machines were stolen. The business received and recorded R35 000 from the insurance company, being 80% of the value of the machines as they were under insured. No other entries were made.
- (iii) Audit fees still outstanding at the end of the financial year, R9 500.
- (iv) An annual advertising contract was signed with a local newspaper with effect from 1 October 2023. R24 000 was paid.
- (v) Provision for bad debts must be adjusted to R1 975.
- (vi) A customer who overpaid his account by R2 800 requested that the overpayment be transferred to his creditors account as he also supplies the office with stationery.
- (vii) Zino Ltd earns commission of R25 per unit sold from STIHL manufacturers. Commission on 900 units for June is still owed.
- (viii) The company paid their TWO directors up to 31 December 2023. They earn the same fees. A third director was appointed on 1 April 2024 on the same monthly rate as the other two directors. No directors' fees were paid in the second half of the year.
- (ix) Premises have been rented out since 1 August 2023 with an agreement that rent will be reduced by R800 per month with effect from 1 May 2024. Rent for June 2024 has not been received yet.
- (x) An additional provisional tax payment of R200 000 was made on 30 June 2024 (this was not recorded). After this, Income tax still owing to SARS at the end of the year was R60 000.

Tax is calculated at 28% of the net profit before tax.

- (xi) Loan from OV Bank:
  - The loan balance on 1 July 2023 amounted to R1 490 000.
  - Interest of R120 100 on the loan is capitalised.
  - A fixed monthly instalment (including interest) was paid in full and recorded.
  - Due to tough economic conditions, Zino Ltd negotiated with OV bank to extend the original term of the loan. The bank agreed to this request and thereby reducing the capital portion of the loan repayment by 5% over the next financial year.
- (xii) **The following financial indicators were calculated on 30 June 2024, after taking into account all adjustments:**

Net asset value per share	675 cents
Current ratio	1,3 : 1

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

The information relates to Shabba Ltd for the financial year ended 30 April 2024.

**REQUIRED:**

- 2.1 Calculate the following financial indicators for the financial year ended 30 April 2024:
- 2.1.1 Debt-equity ratio (3)
  - 2.1.2 Earnings per share (4)
  - 2.1.3 Dividend pay-out rate (%) (3)
  - 2.1.4 % return on average equity (ROSHE) (5)
- 2.2 Prepare the Retained Income note. (7)
- 2.3 Calculate the change in Trade and other receivables. Indicate whether it is an inflow or outflow of cash. (4)
- 2.4 Calculate the following amounts for the Cash Flow Statement:
- 2.4.1 Taxation paid (5)
  - 2.4.2 Proceeds from sale of fixed assets (5)
- 2.5 Complete the following section of the Cash Flow Statement:
- Net change in Cash and cash equivalents (4)

**INFORMATION:**

**A. Extract from the Statement of Comprehensive Income on 30 April 2024:**

	R
Depreciation	190 900
Interest expense	69 500
Net profit after tax	1 022 000

**B. Taxation is 30% of Pre-Tax profit.**

**C. Extract from the statement of financial position and notes:**

	30 April 2024 R	30 April 2023 R
Fixed assets (carrying value)	11 434 000	9 890 600
Fixed deposit	120 000	600 000
Current assets	1 202 400	906 000
Trade and other receivables (see Note 1)	568 700	459 400
Cash and cash equivalents	7 800	85 300
Shareholders' equity	12 624 400	9 319 200
Retained income	?	1 300 300
Non-current liabilities	1 294 000	1 560 000
Current liabilities	900 000	1 156 600
Trade and other payables	432 000	814 600
Bank overdraft	319 000	0
Shareholders for dividends	188 000	201 000

**Note 1: Trade and other receivables.**

	30 April 2024 R	30 April 2023 R
Net trade debtors	528 000	426 800
Accrued income	30 800	
SARS (Income tax)	9 900	32 600
	568 700	459 400

**D. Fixed assets:**

- The total cost for acquisition of a new vehicle and extensions to the buildings during the year amounted to R1 702 000.
- During the year equipment was sold at carrying value.

**E. Share capital and shares:**

- There were 1 340 000 shares in issue on 30 April 2023.
- Additional shares were issued on 1 November 2023.
- An interim dividend was paid on 31 August 2023.
- On 30 April 2024 shares were repurchased. The value of the shares as per the average issue price amounted to R28 000. The asking price was 15% more than the average issue price.

**F. Dividends and earnings per share:**

	30 April 2024	30 April 2023
Interim dividends (per share)	20 cents	45 cents
Final dividends (per share)	25 cents	15 cents
Earnings per share	?	109 cents



**QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION****(40 marks; 30 minutes)****LUKER LTD**

The financial year ends on the last day of February each year.

**REQUIRED:**

**NOTE:** Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures.
- Give a reason or an explanation for the financial indicators quoted.

- 3.1 Concepts relating to companies are given in COLUMN A and descriptions in COLUMN B. Choose the description in COLUMN B that matches a concept in COLUMN A. Write only the letter (A–D) next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

<b>COLUMN A (CONCEPT)</b>	<b>COLUMN B (EXPLANATION)</b>
3.1.1 Gearing	A indicates the benefit that the owners receive from their investment in the business
3.1.2 Solvency	B indicates the extent to which the business is financed by borrowed capital
3.1.3 Liquidity	C indicates whether the business will be able to pay off all its debts
3.1.4 Return on equity	D indicates whether the business can pay off short-term debt

(4 x 1) (4)

**3.2 Profitability**

Quote and explain TWO financial indicators which indicate that the company manages its expenses more efficiently. (4)

**3.3 Liquidity**

Suggest strategies that the company can employ to improve its net working capital. Quote TWO financial indicators. (6)

**3.4 Financing strategies and gearing**

- Comment on whether the company is making good use of loans. Quote ONE financial indicator with figures and trends. (4)
- The debt-equity ratio of the company decreased from 0,8 : 1 to 0,6 : 1. Mention TWO possible reasons that could have led to this change. (4)



**3.5 Dividends, earnings and returns:**

- Comment on the dividend pay-out policy of the company. Provide TWO reasons why the directors decided to change the policy in 2024. (4)
- Explain whether the shareholders should be satisfied with their return on investment in the company. Quote ONE financial indicator, with figures, in your explanation. (4)
- Calculate the dividends that were earned by your friend who owns 40 000 shares in the company on 29 February 2024. (2)

**3.6 Value of shares:**

The CEO wants to sell his 60 000 shares back to the company at 1 250 cents per share on 29 February 2024. As a shareholder in the company, how would you react to this decision? Explain and quote ONE financial indicator. (4)

**3.7 Shareholding:****Refer to information B:**

- Calculate the number of shares that John Khan purchased from the 250 000 new shares issued on 1 February 2024 to retain his majority status. (4)

**INFORMATION:****A. Financial indicators calculated on the last day of financial year:**

	29 Feb. 2024	28 Feb. 2023
% operating expenses on sales	21,6%	23,2%
% mark-up achieved	60%	50%
% operating profit on sales	21%	19%
Current ratio	2 : 1	1,9 : 1
Acid-test ratio	0,6 : 1	1,3 : 1
Average debtors' collection period	42 days	29 days
Average creditors' payment period	60 days	56 days
Debt-equity ratio	0,6 : 1	0,8 : 1
Earnings per share	70 cents	78 cents
Dividends per share	72 cents	40 cents
Dividend pay-out rate	103%	51%
% return on shareholders' equity	12,8%	11%
% return on capital employed	19,8%	20,3%
Interest on fixed deposit	8%	8%
Interest on loan	13%	13%
Net asset value per share	950 cents	955 cents
Market price per share at JSE	934 cents	968 cents

**B. Share capital and shareholding of John Khan:**

	29 Feb. 2024	28 Feb. 2023
Number of shares in issue:	?	650 000
Shares owned by John Khan	(50,1%)	(51%)

**QUESTION 4: CORPORATE GOVERNANCE AND AUDITING****(15 marks; 15 minutes)**

You are provided with an article relating to Nicole Ltd. Use the information presented and your knowledge of companies to answer the questions.

**REQUIRED:**

- 4.1 Explain why Nicole Ltd needs the services of both the internal and external auditors. (4)
- 4.2 Identify and explain the accounting principle that the directors of Nicole Ltd violated when they recognised revenue in earlier accounting periods. (2)
- 4.3 Explain what corporate governance is and how the former CEO, Peter Moore did not conduct himself according to the King Code. (4)
- 4.4 What type of audit report did Nicole Ltd receive in 2023? Provide a reason for your answer. (3)
- 4.5 As a shareholder in the company, what concerns would you have regarding what happened? Mention TWO points. (2)

**NICOLE LTD: THE COMPANY LOST MILLIONS OF RANDS BECAUSE OF LACK OF GOOD CORPORATE GORVENANCE**

In April 2023 Nicole Ltd announced that its 2022 financial results could not be relied on. This was after the external auditors from Dion stated that they were unable to express an opinion on the reliability of the company's financial statements.

They found that 10 executives, including former CEO, Peter Moore, inflated profits to boost their own financial incentives resulting in the company's equity being overstated by R4,5 billion. Among other things, they recognised revenue (income) in earlier accounting periods than it should have been, and they inappropriately capitalised expenses to assets.

The Kuga Investigation identified problems including governance practices, record keeping, system usage and financial reporting.

Nicole Ltd asked that its listing be suspended to protect its investors against speculative trading. The JSE then suspended their listing (no one could buy or sell shares) from 10 June 2023 onwards. The JSE started trading Nicole shares again in February 2024, and they fined them R7,5 million.

Since then, Nicole Ltd hired ZENTEC to be their internal auditor. Dion was Nicole's external auditors for more than 15 years.

[Adapted from [www.sharedata.co.za](http://www.sharedata.co.za).]

15
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**TOTAL: 150**

**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 and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of Sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholder's equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE:</b> 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. 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.	