



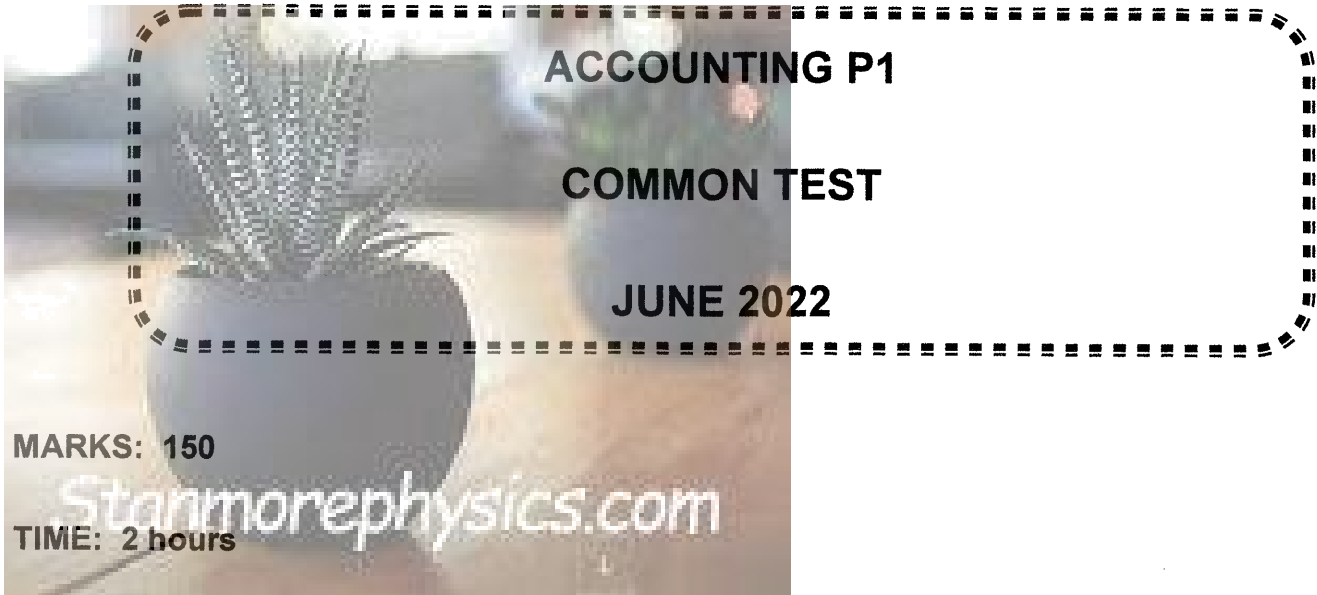
KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12



ACCOUNTING P1
COMMON TEST
JUNE 2022

MARKS: 150
TIME: 2 hours

Stanmorephysics.com

**This question paper consists of 9 pages,
a formula sheet and an 8-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 the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information and table below as a guide when answering the question. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income	50	40
2	Tangible note and Cash Flow Statement	50	40
3	Audit report and Interpretation	50	40
TOTAL		150	120

QUESTION 1**(50 Marks; 40 Minutes)****STATEMENT OF COMPREHENSIVE INCOME****PALM LTD**

You are provided with information taken from the financial records of Palm Ltd. The end of the financial year, 28 February 2022. All goods are sold at a fixed mark-up of 50% on cost.

REQUIRED:

- 1.1 Complete the Statement of Comprehensive income for the year ended 28 February 2022. Certain amounts have been entered in the Statement of Comprehensive income. (45)
- 1.2 Prepare the retained income note to the Statement of Financial Position on 28 February 2022. (5)

INFORMATION:

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EXTRACT OF BALANCES/TOTALS ON 28 FEBRUARY 2022	
Balance Sheet Accounts Section	R
Retained income (1 March 2021)	700 000
Mortgage loan (interest rate: 12% p.a.)	975 000
Fixed deposit (interest rate: 8, 5% p.a.)	520 000
Trading stock	1 534 000
Debtors control	280 200
Provision for bad debts (1 March 2021)	18 524
SARS: income tax (provisional tax payments)	110 000
Nominal Account Section	
Sales	15 472 000
Cost of sales	?
Debtors allowances	70 000
Directors fees	2 983 500
Audit fees	79 000
Packing material	13 600
Advertising	123 000
Sundry expenses	292 330
Bad debts	12 100
Commission income	146 850
Bad debts recovered	3 005
Interest on fixed deposit	27 000
Interest on loan	?
Interest earned on current account	9 300
Depreciation	92 660
Dividends on ordinary shares	550 000

Adjustments and additional information:

- A. A credit note for R45 000 issued to a debtor for goods returned, dated 26 February 2022, was not recorded. Goods are sold at a profit mark-up of 50% on cost.
- B. A debtor, B Zulu, who owes the business R1 200, has been declared insolvent. His estate paid 40 cents in the rand. This amount was received and recorded. Write off the balance as irrecoverable.
- C. Adjust the provision for bad debts to 5% of good book debt.
- D. Stock counts on 28 February 2022 revealed the following on hand:
- Trading stock R1 500 000
 - Packing material R1 200



- E. Commission income for February amounted to R13 350 is still not yet received.
- F. There were three directors at the start of the accounting period. Directors fee for all three directors have been paid for the full accounting period.

On 1 September 2021 directors fees decreased by 5% p.a for all directors.

The new director was employed on 1 February 2022. She will earn the same fee with other directors. Her director's fee was not yet paid. Provide the outstanding fees owed to the director.

- G. Advertising includes a fee of R15 000 which was paid for a contract which start form 1 April 2021 to 31 March 2022.
- H. Outstanding interest on fixed deposit must be taken into account. A further fixed deposit of R60 000 was invested on 1 August 2021. This was properly recorded. Interest on fixed deposit is not capitalised.
- I. External auditors are owed a further R6 000 for the financial year ended 28 February 2022.
- J. The interest on mortgage loan must be brought into account.
- K. A final dividend of R350 000 was recommended on 28 February 2022.
- L. The Income tax rate is 30% of the net profit before tax

QUESTION 2**(50 Marks; 40 Minutes)****TANGIBLE NOTE AND CASH FLOW STATEMENT****2. ROYAL LTD**
1

You are provided with information relating to Royal Ltd for the financial year ended 30 April 2022.

REQUIRED:

- 2.1.1** Complete the Fixed/Tangible Asset Note for the year ended 30 April 2022. (16)
- 2.1.2** Complete the Cash Flow Statement Ltd for the year ended 30 April 2022. Some of the details and figures have been entered in the ANSWER BOOK. (25)
- 2.1.3** Calculate the following financial indicators on 30 April 2022:
- Percentage operating profit on sales (3)
 - Debt-equity ratio (3)
 - Net asset value per share (3)

INFORMATION:**A. Information extracted from the Income Statement on 30 April 2022:**

Sales	5 611 000
Operating profit	1 410 550
Interest on loan	86 760
Net profit before tax	1 323 790

B. Figures extracted from the Balance sheet and notes on 30 April:

	2022	2021
Shareholder's equity	R4 607 300	R3 808 100
Fixed assets	?	3 948 600
Mortgage loan	1 142 000	920 000
Inventories	759 600	589 500
Cash and cash equivalent	-	20 000
Bank overdraft	?	111 000
Shareholders for dividends	30 000	60 000



C. Fixed/Tangible assets

	Buildings	Vehicles	Equipment
Carrying value - 1 May 2021	3 452 000	413 400	83 200
Cost	3 452 000	872 000	340 000
Accumulated depreciation	0	(458 600)	(256 800)
Movement			
Additions at cost	(a)	0	116 000
Disposals at carrying value	0	(b)	0
Depreciation	0	(c)	(e)
Carrying value - 30 April 2022	4 522 800	(d)	
Cost	4 522 800		
Accumulated depreciation	0		

Additional information in respect of fixed assets:

- An extension to the office block was undertaken during the year.
- The business had three vehicles at the beginning of the year. The following details appeared in the Fixed Asset Register on 1 May 2021:

	Vehicle 1	Vehicle 2	Vehicle 3
Cost	240 000	352 000	280 000
Accumulated depreciation	(225 000)	(70 400)	(163 200)
Carrying value	15 000	281 600	116 800

NOTE: Vehicle 1 is old and is reaching the end of its useful life.

Vehicle 3 was sold at its carrying value of R102 800 during the year.

- Equipment of R116 000 was purchased on 1 October 2021. No equipment was sold.
- Depreciation policy: Vehicles: 20% on cost
Equipment: 15% on carrying value

**D. Loan**

The company took out an additional loan on 30 April 2022. Repayments on the old loan, including interest totalled R164 760. Interest on loan is capitalised.

E. Shares

- Sfiso Mthembu, a shareholder, is very concerned about the liquidity and profitability situation of the company and has decided to sell his shares. The directors repurchased all 80 000 ordinary shares from him at a price of R4,20 per share. The average issue price on this date was R3,05.
- No new shares were issued.
- Number of shares in issue on 30 April 2022 was R750 000.

F. Dividends

Total dividends paid and declared for the financial year ended 30 April 2022 amounts to R170 000.

QUESTION 3**(50 Marks; 40 Minutes)****AUDIT REPORT AND INTERPRETATION**

- 3.1** Choose an accounting concept from **Column B** that best matches the analysis questions in **Column A**. Write only the letter (A – D) next to the number (3.1.1 – 3.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	To what extent does the business rely on borrowed funds?	A.	Liquidity
3.1.2	Can the business pay off all its debts?	B.	Solvency
3.1.3	Is the business able to pay its short-term debts in the next financial year?	C.	Profitability
		D.	Risk and gearing

(1x3)

(3)

3.2 AUDIT REPORT

You are provided with an extract from the audit report of MEVAS Limited.

REQUIRED:

- 3.2.1** What type of audit opinion is provided by the independent auditor?
- 3.2.2** To whom is the audit report addressed?
- 3.2.3** What is the responsibility of the directors with regards to the audit report?
- 3.2.4** Other than the shareholders of MEVAS Limited, list TWO other parties that will be interested in the audit report of the company. Briefly explain why each would be interested.

INFORMATION:**Extract from the audit report:**

Because of the significance of the matters, we do not express an opinion on the financial statements as to whether they have been properly prepared, in all material respects, in accordance with the IFRS. In addition, we do not express an opinion on the Statement of Financial Position together with the notes thereon as to whether they are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 28 February 2022 according to the best of our information and explanations given to us.

3.3 MQHELE LTD

You are provided with information relating to Mqhele Limited for the financial year ended 28 February 2022. Mqhele is authorised to issue 2 000 000 shares

REQUIRED:

- 3.3.1** Ordinary share capital note to the Statement of Financial Position on 28 February 2022. (10)
- 3.3.2 Liquidity**
Comment on the liquidity position of the company. Quote THREE financial indicators (with figures) in your answer and explain the change in each trend. (6)
- 3.3.3 Dividends**
- Do a calculation to show the change in the dividend pay-out policy. Provide ONE reason why the directors took this decision. (5)
 - Comment on the dividend per share over the past two years. Quote figures. (2)
- 3.3.4 Returns and earnings**
Comment on the % return and earnings per share of the company. Quote TWO financial indicators with figures. (6)
- 3.3.5 Shareholding**
A shareholder is not satisfied with the dividend received, as it is less than that of last year. Explain why you agree with him. Quote figures. (3)
- 3.3.6 Risk and gearing**
Explain how the loan affected the risk and gearing and whether or not it was a good idea to increase the loan. Quote TWO financial indicators with figures (6)

INFORMATION:**A. Share Capital**

1 March 2021	885 000 shares were in issue
1 September 2021	500 000 additional shares were issued.
31 December 2021	150 000 were repurchased at R1.40 above the average share price.

B. Financial indicators:

	2022	2021
Current ratio	2.0 : 1	1.6 : 1
Acid test ratio	1.6 : 1	0.8 : 1
Stock turnover rate	6 times	4 times
Debtors collection period	30 days	35 days
Earnings per share	63 cents	135 cents
Dividends per share	63 cents	81 cents
Dividend payout rate	?	60 %
Debt-equity ratio	0.4 : 1	0.3 : 1
Return on average shareholders' equity (ROSHE)	6.1 %	9%
Return on total capital employed (ROTCE)	7.5 %	8%
Net asset value per share	1229 cents	1017 cents

C. Additional information:

	2022	2021
Market price of shares on stock exchange	900	1030
Ordinary shareholders equity	15 179 600	9 000 450
Retained income	3 076 600	2 927 450
Interest rate on loan	11%	12%
Interest rate on fixed deposit (Investment)	8.5%	8.5%

50

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income after tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE	
<ul style="list-style-type: none"> 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. 	



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GRADE 12

ACCOUNTING P1

ANSWER BOOK

COMMON TEST

JUNE 2022

Name: _____ Grade: _____

QUESTION	MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE PROVINCE
1				
2				
3				
TOTAL				

N.B. This answer book consists of 8 pages.

QUESTION 1

1.1 Statement of Comprehensive income for the year ended 28 February 2022

Sales	
Cost of Sales	
Gross profit	
Operating expenses	
Operating profit	

44

1.2 RETAINED INCOME

Balance at the beginning	
Balance at the end	

6




TOTAL MARKS
50

QUESTION 2

2.1	NO.	CALCULATION	ANSWER
	(a)		
	(b)		
	(c)		
	(d)		
	(e)		

**2.2 ROYAL LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2022**

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	1 295 760
Interest paid	(86 760)
Dividends paid	
Income tax paid	(625 000)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed asset	
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds of new loans	
Repayment of loan	
Net change in cash and cash equivalents	
Cash and cash equivalents beginning of year	
Cash and cash equivalents at the end of year	

2.3	Calculate the following financial indicators on 30 April 2022				
	Calculate the percentage operating profit on sales	<table border="1"><tr><td></td></tr><tr><td>3</td></tr></table>		3	
3					
Calculate the debt-equity ratio	<table border="1"><tr><td></td></tr><tr><td>3</td></tr></table>		3		
3					
	Calculate the net asset value per share	<table border="1"><tr><td></td></tr><tr><td></td></tr><tr><td>3</td></tr></table>			3
					
3					

TOTAL MARKS
50

QUESTION 3

Choose an accounting concept from Column B that best matches the analysis questions in Column A. Write only the letter (A – D) next to the number (3.1.1 – 3.1.3) in the ANSWER BOOK.

3.1.1	
3.1.2	
3.1.3	3

3.2.1 What type of audit opinion is provided by the independent auditor?	
	2

3.2.2 To whom is the audit report addressed?	
	1

3.2.3 What is the responsibility of the directors with regards to the audit report?	
	2

3.2.4 Other than the shareholders of MEVAS Limited, list TWO other interested parties that will be interested in the audit report of the company. Briefly explain why each would be interested.					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%; padding: 5px;">PARTY</th> <th style="padding: 5px;">REASON</th> </tr> </thead> <tbody> <tr> <td style="height: 150px;"></td> <td></td> </tr> </tbody> </table>	PARTY	REASON			4
PARTY	REASON				

3.3.1 Ordinary share capital
Authorised 2 000 000 shares
Issue

10

1.3.2 Liquidity

Comment on the liquidity position of the company. Quote THREE financial indicators (with figures) in your answer and explain the change in each trend

--

6

3.3.3 Dividends

- **Do a calculation to show the change in the dividend pay-out policy. Provide ONE reason why the directors took this decision.**

--

5

- **Comment on the dividend per share over the past two years. Quote figures.**

--

2

3.3.4 Returns and earnings

Comment on the % return and earnings per share of the company. Quote TWO financial indicators with figures.

6

3.3.5 Shareholding

A shareholder is not satisfied with the dividend received, as it is less than that of last year. Explain why you agree with him. Quote figures.

3

3.3.6 Risk and gearing

Explain how the loan affected the risk and gearing and whether or not it was a good idea to increase the loan. Quote TWO financial indicators with figures.

6

TOTAL MARKS
50