



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING
COMMON TEST
MARCH 2024**

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MARKS: 100

TIME: 1½ Hours

This question paper consists of 9 pages including a formula sheet and a 7-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 workings in order 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 paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Retained income note and Statement of Financial Position	45	40
2	Cash Flow Statement and Financial Indicators	35	30
3	Interpretation of Financial Statements	20	20
TOTAL		100	90

QUESTION 1: COMPANY FINANCIAL STATEMENTS**(45 Marks; 40 Minutes)****MGM LIMITED**

The information relates to the financial year ended on 28 February 2024.

REQUIRED:

- 1.1 Retained Income Note on 29 February 2024. (10)
- 1.2 Prepare Statement of Financial Position for the year ended 29 February 2024. (35)

Note: show workings, certain figures are provided in the Answer Book.

INFORMATION:**A. List of balances, before taking into account all adjustments below:**

	2023 R	2022 R
Ordinary share capital	?	8 060 000
Retained Income (8 February 2024)	2 500 000	?
Loan: Super Bank	2 750 000	3 000 000
Fixed assets	?	
Fixed deposit	1 200 000	
Trading stock	?	
Net trade debtors	950 000	
Cash and cash equivalent	1 500 700	
Creditors control	420 000	
Accrued expenses	9 600	

B. Shares and dividends

- 1 September 2023 Interim dividends of 40 cents per share was paid
- 8 February 2024 50 000 shares were repurchased at R1,50 above the average share price. This transaction was properly recorded.
- 29 February 2024 A final dividend of 60 cents per share was declared to all shares on the share register on 29 February 2024.
- 29 February 2024 1 800 000 shares were in issue

NB: No new shares were issued during the financial year.

C. Loan: Super Bank

A fixed monthly instalment of R50 000 (to cover loan repayments and interest) has to be paid over the full period of the loan. The repayment and interest for 2024 has been paid and properly recorded.

Interest will decline over the life of the loan by 10% each year.

D. Rent Income

Rent of R94 000 was received from a tenant for the period 1 March 2023 to 30 April 2024. This has been recorded.

The monthly Rent was decreased by R800 from 1 December 2023.

E. Directors' fee

Directors fees paid for the year amounted to R1 665 000. The company has three directors who received the same fee.

- The first director received her full fee for the current year.
- Second director did not received his fees for February 2024.
- Third director requested the company to pay his fees for March and April 2024.

F. Provision for bad debts

Provision for bad debts must decreased by R7 000.

G. Debtors control

Debtor with a credit balance of R9 000 must be transferred to creditors ledger.

H. Trading stock

On 28 February 2024 MGM Ltd sold 20 Lap tops for cash, a trade discount of R10 000 was granted. The cost price was R19 000 each.

The mark – up was 25% on cost. No entry has been made.

I. SARS – Income tax

- SARS – Income tax for the previous year (2023) indicate a credit balance which amounted to R80 000.
- Tax paid for 2024 amounted to R628 000.
- Income tax for the year amounted to R648 000.

J. The following financial indicators were calculated on 29 February 2024 after taking the above information into account:

Current ratio	2.5 : 1
Net asset value per share (NAV)	650 cents
Earns per share (EPS)	120 cents

QUESTION 2**CASH FLOW STATEMENT AND FINANCIAL INDICATORS (35 marks; 30 minutes)**

You are provided with information relating to Tholeni Limited, a public company, for the financial year ended 29 February 2024.

REQUIRED:

- 2.1 Prepare the ordinary share capital Note to the statement of financial position. (8)
- 2.2 Calculate the following amounts for the Cash Flow Statement. Show workings.
- 2.2.1 Dividends paid (4)
- 2.2.2 Income tax paid (4)
- 2.3 Complete the following sections of the Cash Flow Statement.
- 2.3.1 Investing activities (8)
- 2.3.2 Net change in cash and cash equivalents (4)
- 2.4 Calculate the following financial indicators for the year ended 29 February 2024:
- 2.4.1 Debt/equity ratio (3)
- 2.4.2 % return on average shareholders' equity (ROSHE) (4)

INFORMATION:

- A. Extract from the Statement of Comprehensive Income for the year ended 29 February 2024:

Depreciation :	
Equipment	247 200
Vehicles	164 800
Net profit before tax	2 730 000
Net profit after tax	1 911 000

C. Extract from the Statement of Financial Position on 29 February:

	2023	2022
Fixed assets (carrying value)	12 154 000	8 031 000
Shareholders' equity	9 335 000	8 040 000
Ordinary share capital	6 835 000	7 350 000
Non-current liabilities	1 773 650	2 600 000
SARS: Income Tax	Cr 74 000	Dr 15 000
Shareholders for dividends	155 200	280 000
Bank overdraft	0	135 000
Cash and cash equivalent	410 000	5 000
Investment in fixed deposit	625 000	600 000

D. Shares

- The business has an authorised share capital of 600 000 shares.
- 70% of the shares were in issue on 1 March 2023.
- 50 000 ordinary shares were repurchased from a dissatisfied shareholder on 1 August 2023. The company paid R37 per share.
- A further 10% of the un-issued shares were issued.

E. Dividends

- Interim dividends of 30 cents per share were declared and paid on 1 September 2023
- A final dividend of 40 cents per share was declared on 29 February 2024. Only shares in the share register qualify for final dividends.

F. Fixed assets

- Old equipment was sold at carrying value during the accounting year.
- Extension to buildings were completed during the financial year amounted to R4 840 000.

QUESTION 3 INTERPRETATION**(20 Marks; 20 Minutes)****SOUTH LTD**

You are provided with information relating to South Ltd for the financial year ended 29 February 2024. South Ltd issued new shares to the existing shareholders at 850 cents per share.

REQUIRED:

- 3.1 The directors are happy about the liquidity of the company. Quote TWO financial indicators with figures to support this statement. (4)
- 3.2 Shareholders are satisfied with the issue price of the new shares. Quote TWO financial indicators with figures to support this statement. (4)
- 3.3 One of the directors feel that the loan should be paid as soon as possible. Do you agree? Explain. Quote TWO financial indicators with figures to support your answer. (4)
- 3.4 Shareholders are not satisfied with the return on their investment and the dividends they received. Explain and quote TWO financial indicators with figures to support this opinion. (4)
- 3.5 **Share capital and % shareholding: Refer to Information C.**
- 3.5.1 Njabulo and Dunford decided that they would combine their votes at the upcoming annual general meeting (AGM). Explain ONE possible reason for this decision, with figures. (2)
- 3.5.2 As an existing shareholder, explain why you would be concerned about the strategy of Njabulo and Dunford. Provide TWO points. (2)

INFORMATION:**A. Financial Indicators calculated on 28 February:**

INDICATORS	28 February 2024	28 February 2023
% gross profit on cost of sales	42%	39%
% operating expenses on sales	19%	25%
Return on shareholders' equity	9.1%	8.6%
Return on capital employed	24%	14%
Debt/equity ratio	0.06 : 1	0.28 : 1
Earnings per share	49 cents	45 cents
Dividends per share	30 cents	45 cents
Net Asset Value per share	695 cents	572 cents
Debtors collection period	30 days	28 days
Creditors payment period	20 days	35 days
Rate of stock turnover	5 times	3 times

B. Additional information on 28 February:

	28 February 2024	28 February 2023
Interest rate on loan	16%	12%
Interest rate on investment	10%	9.2%
Market value per share on JSE	810 cents	720 cents

C. Extract from shareholders' register.

Njabulo and Dunford are shareholders in the company but not directors.

	NJABULO	DUNFORD	TOTAL
% shareholding on 1 March 2023	22%	16%	38%
% shareholding on 29 February 2024	27%	25%	52%

20

TOTAL MARKS: 100

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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	

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.

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ACCOUNTING MARKING GUIDELINES MARCH COMMON TEST 2024

MARKS: 100

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item).
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark the workings.
4. If a pre-adjustment figure is shown as the final figure, award part-mark as a working mark for that figure (not the method mark for the answer). **Note:** if figures are stipulated in memo for components of workings, these do not carry the method for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in a certain question.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
11. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a .
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f=foreign item; p=placement.

This marking guideline consists of 7 pages.

QUESTION 1**1.1 Retained Income Note on 29 February 2024**

Balance at the beginning (2 500 000 ✓ + 75 000 ✓)		2 575 000 ✓
Net profit after tax (120X1800000)/100 ✓		2 160 000 ✓
Buy- back of shares (50 000 X 1.50)		(75 000) ✓
Dividends	Operation	(1 820 000) ✓
Paid (1 850 000 X 0.40)		740 000 ✓
Final (1 800 000 X 0.60)		1 080 000 ✓
Balance at the end	Operation one part correct	2 840 000 ✓

10

1.2 Statement of Financial Position on 29 February 2024.

Asset			
Non-current assets	TA – CA	11 223 500	✓
Tangible assets	(non current assets – fixed deposit)	10 023 500	✓
Fixed deposit		1 200 000	
Current assets	CL X 2.5	4 902 500	✓✓
Inventory	Balancing figure	1 880 800	✓
Trade and other receivables			
(90 000✓ + 9 000✓ + 7 000✓ + 950 000✓)		1 056 000	✓
Cash and cash equivalent (465 000✓ + 1 500 700✓)		1 965 700	✓
Total assets	(Total equity + liabilities = Total asset)	16 126 000	✓
Equity and liabilities			
Shareholders' equity	(1 800 000 X 650)/100	11 700 000	✓✓
Ordinary share capital	(shareholders equity – retained income)	8 860 000	✓
Retained income	see 1.1	2 840 000	✓
Non-current liabilities		2 465 000	
Loan (2 750 000✓ – 285 000✓)		2 465 000	✓
Current liabilities	operation one part correct	1 961 000	✓
Trade and other payables		496 000	✓
(420 000✓ + 12400✓ + 9 600✓ + 45 000✓ + 9000✓)			
Current portion of loan	see NCL	285 000	✓
Shareholders for dividends	see 1.1	1 080 000	✓
SARS-Income tax (80 000✓ + 648 000✓ – 628 000✓)		100 000	✓
Total equity and liabilities	operation one part correct	16 126 000	✓

2

12

4

3

14

35

TOTAL MARKS
45

QUESTION 2

2.1 Ordinary share capital Note for the year ended 29 February 2024.

Authorised shares			
600 000 shares			
ISSUED SHARES:			
420 000 ✓	Shares issued	7 350 000 ✓	
(50 000) ✓	Shares brought back @ R17.50	(875 000) ✓	
18 000 ✓	Additional shares issued @ R20	360 000 ✓	
388 000 ✓	Shares issued	6 835 000 ✓	

8

2.2.1 Dividends paid

WORKINGS	ANSWER
280 000 ✓ + 111 000 ✓✓ OR 280 000 + 266 200 – 155 200	(391 000) ✓ Operation One part correct

4

2.2.2 Tax paid

WORKINGS	ANSWER
819 000 ✓ - 15 000 ✓ - 74 000 ✓ One part correct or 74 000 + 15 000 – 819 000	(730 000) ✓ Operation One part correct

4

2.3.1 Cash flow from Investing activities Operation one part correct	(4 560 000) ✓
Purchases of Fixed assets	(4 840 000) ✓
(12 154 000 ✓ + 412 000 ✓ - 4 840 000 ✓ – 8 031 000 ✓) Or 8 031 000 – 4 840 000 – 412 000 – 12 154 000	305 000 ✓ one part correct
Proceeds from sale of fixed assets	
Changes in financial assets (600 000 – 625 000)	(25 000) ✓

8

2.3.2 Net change in cash and cash equivalent Operation one part correct	540 000 ✓
Cash and cash equivalent at the beginning (5 000 – 135 000)	(130 000) ✓✓
Cash and cash equivalent at the end	410 000 ✓

4

2.4.1 Debt/equity ratio

WORKINGS	ANSWER
1 773 650 ✓ : 9 335 000 ✓	0.19 : 1 ✓ one part correct

3

2.4.2 % return on average shareholders' equity (ROSHE)

WORKINGS	ANSWER
$\frac{1\,911\,000 \checkmark}{\frac{1}{2}(9\,335\,000 \checkmark + 8\,040\,000 \checkmark)} \times \frac{100}{1}$	21.99% ✓ or 22% one part correct x 100 and ½ is not considered as one part correct

4

TOTAL MARKS
35

QUESTION 3

3.1

The directors are happy about the liquidity of the company. Quote TWO financial indicators to support this statement.

Response for figures/calculation and financial indicator ✓✓ ✓✓

Rate of stock turnover improved from 3 times to 5 times by (2 times) 66.66%

- Debtors collection increased from 28 days to 30 days by 2 days. 30 days is still within a month

Do not accept creditors payment period.

Award one mark for financial indicator without figures

4

3.2

Shareholders are satisfied with the issue price of the new shares. Quote TWO financial indicators with figures to support this statement.

Financial indicators and figures ✓ ✓

Valid comment ✓ ✓

New shares have been sold at 850 cents above the NAV of 695 cents (2024)

New shares have been sold at 850 cents above the market value per share of 810 cents

4

3.3

One of the directors feel that the loan should be paid as soon as possible. Do you agree? Explain. Quote TWO financial indicators with figures to support your answer.

Financial indicators and figures

Explanation

Debt equity ratio decreased from 0.28 : 1 to 0.06 : 1 by 0.22. 0,06 : 1 indicate low risk, which means the business is in position to borrow more monies. ✓✓

The return on total capital employed (ROTCE) increased from 14% to 24% by 10%. ROTCE of 24% is greater than the interest rate of 16%. This indicates positive gearing. ✓✓

Award one mark for financial indicator with a trend without comparing it with interest rate

4

3.4

Shareholders are not satisfied with the return on their investment and the dividends they received. Explain TWO financial indicators with figures to support this opinion.

Explanation with figures. ✓✓ ✓✓

Return on shareholders' equity improved from 8,6% to 9.1%. 9.1% is below the return on alternative investment of 10% by 0.9%.

Dividend received decreased by 38.77% compared last year

DPS decreased by 33.33%

Response for ✓ ✓

Return on shareholders' equity improved from 8,6% to 9.1% by 0.5%

DPS decreased from 45 cents to 30 cents by 15 cents.

4

3.5.1

Njabulo and Nqatayi decided that they would combine their votes at the upcoming annual general meeting (AGM).

Explain ONE possible reason for this decision, with figures.

Figures ✓ explanation ✓ (mention whether their combined shares are above 50% or not

Combining their shares gives them a clear majority of 52% the other shareholders own 48% of the shares / they would enjoy more than 50% of the voting rights / they will be in a position to have more control over major decisions / influence decisions.

2

3.5.2

As an existing shareholder, explain why you would be concerned about the strategy of Njabulo and Nqatayi. Provide TWO points.

Very open-ended: accept any valid points

TWO different possible concerns ✓ ✓

- Whether they will use their powers to benefit the company / have other unethical motives (e.g corruption)
- Their past experience in directing a company : their skills and knowledge
- Their understanding of the responsibility/ powers of majority shareholders
- Quality of their contributions / issues they might have raised at AGMs
- Effect on the company if one of them discontinues the coalition / sells shares and is no longer a shareholder / possibility of instability in decision making

2

TOTAL MARKS

20

TOTAL MARKS: 100