



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MAY/JUNE 2024

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MARKS: 150

TIME: 2 hours

**This question paper consists of 12 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 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 the 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	MINUTES
1	Company Financial Statements	55	45
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	40	35
4	Corporate Governance	15	10
TOTAL		150	120

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

The information relates to DBN Ltd. The company sells household products. The financial year ended on 29 February 2024.

REQUIRED:

1.1 Refer to information A.

The bookkeeper has recorded all the entries regarding fixed assets in the books. Complete the amounts denoted by **(i)** to **(iii)** on the Fixed Asset Note. (12)

1.2 Refer to information C and D.

Calculate the correct net profit **after tax** for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease, next to each amount. (13)

1.3 Complete the Statement of Financial Position on 29 February 2024. (30)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Fixed assets:

	Buildings R	Vehicles R	Equipment R
Carrying value: (01/03/2023)		249 850	
Cost	(i)		436 000
Accumulated depreciation			
Movements:			
Additions (at cost)	0	260 000	0
Disposals (at carrying value)	(420 000)	0	(iii)
Depreciation		(ii)	(32 000)
Carrying value: (29/02/2024)	9 421 300		
Cost		786 000	356 000
Accumulated depreciation			

- Depreciation is calculated as follows:
 - Vehicles: 15% p.a. on cost
 - Equipment: 20% on the diminishing-balance method
- A new vehicle was bought on 1 October 2023.
- Extract from the Fixed Assets Register in respect of equipment sold:

KINOPA MWALIMU 234	
Cost price: R80 000	
Date purchased: 1 September 2021	
Date sold: 31 May 2023	Sold for: R53 000
	CARRYING VALUE
28 February 2022	R72 000
28 February 2023	R57 600
31 May 2023	?

B. Balances on 29 February 2024:

Fixed assets at carrying value	R9 952 480
Ordinary share capital	?
Retained income	?
Loan: PTA Bank	?
Fixed deposit	425 000
Trading stock	1 064 200
Net trade debtors	744 900
Creditors' control	518 950
SARS: Income tax (provisional tax payments)	322 800

- C.** The bookkeeper has calculated the net profit before tax as **R1 150 000**.
The pre-adjustment balances to be adjusted are:

Audit fees	R144 000
Trading stock	1 064 200
Rent income	287 300
Directors' fees	852 800

Only the adjustments listed below must still be taken into account.

- (i) Audit fees of R45 600 were still owing on 29 February 2024.
- (ii) A donation of 100 blankets was made to a children's hospital, but the donation has not been recorded. The business uses the weighted-average method for valuing blankets. The stock records for blankets reflect the following:

	Quantity (units)	Unit price	Total cost
Purchases during the year:	1 500		R603 000
15 April 2023	600	R330,00	198 000
22 June 2023	900	R450,00	405 000
Sales	1 220		
Stock on hand: 29 Feb. 2024	280		

- (iii) Rent was increased by R1 300 per month from 1 January 2024. Only the rent for the period 1 March 2023 to 31 January 2024 was received and recorded.
- (iv) The company had one director, Jenny, at the beginning of the financial year. Jenny had been paid in advance for two months. A second director, Frank, was appointed on 1 December 2023. His monthly fee is 20% lower than that of Jenny. Frank received the fees due to him.

D. Income tax:

The assessment from SARS indicated total income tax for the financial year as R351 000, after all adjustments had been made.

E. Share capital and dividends:

DATE	DETAILS
1 March 2023	2 120 000 shares in issue
30 June 2023	230 000 shares repurchased: The average share price was R5,90 at the date of the repurchase
29 February 2024	1 890 000 shares in issue

- Interim dividends were not declared during the financial year.
- Final dividends of 25c per share were declared on 29 February 2024 to all shares in the share register.

F. Transfer of debtor's balance to Creditors' Ledger:

A debtor with a debit balance of R8 400 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.

G. Loan: PTA Bank

Extract from the Loan Statement from PTA Bank:

Balance on 1 March 2023	R1 400 000
Repayments for the financial year (including interest)	?
Interest capitalised	168 000
Balance on 29 February 2024	1 004 000

NOTE:

- All entries for the repayments and interest have been made.
- Directors expect to maintain the capital repayments made this year, during the next financial year.

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

CONCEPTS

2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 The current ratio is a financial indicator which is relevant to the (liquidity/solvency) of a company.

2.1.2 An increase in a fixed deposit will lead to an (inflow/outflow) of cash in the Cash Flow Statement.

2.1.3 A decrease in inventories will lead to an (inflow/outflow) of cash in the Cash Flow Statement.

(3)

JINGLE LTD

The information relates to the financial year ended 29 February 2024.

REQUIRED:

2.2 Prepare the Retained Income Note for the financial year ended 29 February 2024.

(8)

2.3 Refer to the partially completed Cash Flow Statement provided. Calculate and/or provide the figures denoted by (i) to (v).

(17)

2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

- Acid-test ratio (4)
- Interim dividend per share (in cents) (4)
- % return on average shareholders' equity (ROSHE) (4)

INFORMATION:

A. Share capital:

Number of shares	Details
1 450 000	Shares in issue on 1 March 2023
30 000	Shares repurchased on 1 June 2023, at R3,70 above the average share price
250 000	Shares issued on 1 November 2023, at R17,20 per share
1 670 000	Shares in issue on 29 February 2024

B. Dividends:

- Interim dividends were paid on 31 August 2023 to all shares in the share register.
- A final dividend was declared on 29 February 2024.

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

Depreciation	R1 620 000
Operating profit	4 826 000
Interest on loans	966 000
Income tax (at a tax rate of 30%)	1 950 000

D. Extract from the Statement of Financial Position on 28/29 February:

	2024	2023
Fixed assets at carrying value	R43 095 000	R39 365 000
Current assets (Note 1)	9 623 000	8 029 000
Current liabilities (Note 2)	18 310 000	12 044 000
Shareholders' equity	28 248 000	25 729 000
Ordinary share capital	?	22 910 000
Retained income	?	2 819 000

Note 1: Items included under Current assets

	2024	2023
Inventories	R4 190 000	R3 883 000
Cash & cash equivalents	55 000	1 030 000

Note 2: Items included under Current liabilities

	2024	2023
Shareholders for dividends	R2 338 000	R2 320 000
SARS: Income tax	115 000	86 000
Bank overdraft	3 274 000	0

E. Fixed assets:

- A vehicle was sold at carrying value.
- Fixed assets were also purchased during the financial year.

F. Partially completed Cash Flow Statement on 29 February 2024:

Cash effects of operating activities	
Cash generated from operations	
Interest paid	(966 000)
Dividends paid	(5 728 000)
?	(i)
Cash effects of investing activities	
?	(ii)
Proceeds from sale of fixed assets	232 000
Change in investments	
Cash effects of financing activities	
?	(iii)
?	(iv)
Change in loans	
Net change in cash & cash equivalents	
Cash & cash equivalents on 1 March 2023	1 030 000
?	(v)

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(40 marks; 35 minutes)**

The information relates to Britesun Ltd. The company sells high-quality solar panels to businesses and homeowners to generate electricity. The financial year ends on 28/29 February each year.

REQUIRED:

NOTE: Where comments or explanations are required, you must:

- Quote financial indicators and trends, with figures
- Give a reason or an explanation on the relevant financial indicators

3.1 Mark-up percentage

Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.

(4)**3.2 Profitability and operating efficiency:**

Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.

(4)**3.3 Financial risk and gearing:**

3.3.1 One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide him with an explanation.

(2)

3.3.2 The chief financial officer (CFO) is of the opinion that the increase in the loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion, including ONE relevant financial indicator.

(4)**3.4 Returns, earnings and dividends:**

3.4.1 Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE financial indicator.

(4)

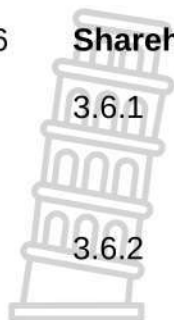
3.4.2 Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.

(4)**3.5 Share price on the stock exchange:**

Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.

(4)

3.6 Shareholding of Allan Ashwin:



3.6.1 Allan Ashwin owns shares in Britesun Ltd. He is pleased with his investment in the shares of this company. Provide TWO points, with figures or calculations, to support his opinion.

(4)

3.6.2 The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding. Provide a calculation or figures to support your explanation.

(6)

3.7 Bonuses for directors and other employees of Britesun Ltd:

Bonuses for directors and other employees are included in the company's budget. Shareholders will be required to vote at the AGM on whether these bonuses should be paid or not.

Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.

(4)

INFORMATION:

A. Financial indicators and additional information:

	29 Feb. 2024	28 Feb. 2023
Current ratio	1,8 : 1	4,3 : 1
Acid-test ratio	0,9 : 1	2,5 : 1
Debt-equity ratio	0,2 : 1	0,3 : 1
Earnings per share (EPS)	224 cents	113 cents
Dividends per share (DPS)	90 cents	90 cents
Dividend pay-out rate	40%	80%
% return on average equity (ROSHE)	15,6%	8,0%
% return on total capital employed (ROTCE)	19,7%	11,0%
Net asset value per share (NAV)	1 543 cents	1 413 cents
Solvency ratio	2,5 : 1	3,6 : 1
% operating expenses on sales	22,0%	28,0%
% operating profit on sales	15,6%	10,2%
% net profit after tax on sales	13,5%	8,8%
% mark-up	60%	40%
Number of directors and other employees	38	43
Number of customers	245	280
Average sales per customer	R160 000	R120 000
Market price of shares on JSE	1 610 cents	1 342 cents
% interest rate on investments	7%	7%
% interest rate on loans	13%	13%

B. Extracts from Cash Flow Statement:

	29 Feb. 2024	28 Feb. 2023
Cash generated from operations	R6 785 000	R3 863 500
Proceeds of shares issued	R2 800 000	0
Increase in loan	R1 000 000	R4 000 000
Fixed assets purchased	0	R750 000
Fixed assets sold*	R1 100 000	0

*Unproductive fixed assets were sold.

C. Shareholding of Allan Ashwin in Britesun Ltd:

	Britesun Ltd
Shares in issue on 29 February 2024	700 000
Number of shares owned by Ashwin	360 000
Purchase price per share paid by Ashwin	780 cents
Dividends earned per share	90 cents

QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 10 minutes)**

You are provided with a media article relating to Gadram Ltd.

REQUIRED:**4.1 Refer to Paragraph 4.**

The three board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors each were able to avoid by selling their shares on 13 April 2023.

(3)**4.2 Refer to Paragraph 3.**

- Explain why the text message is so important to the investigators. **(2)**
- Explain why you think this crime is referred to as 'insider trading'. **(2)**

4.3 Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers. **(4)**

4.4 If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points. **(4)**

INFORMATION:

Use the information in the article and your knowledge on companies to answer the questions.

SOCIAL MEDIA LIFTS THE LID ON MAJOR INSIDER TRADING**Paragraph 1**

Bizmiz News reported last month on the disclaimer audit report received by Gadram Ltd and that a police investigation into the false financial statements had recently begun. But this is not the end of the company's problems.

Paragraph 2

In March 2024, the Financial Sector Conduct Authority (FSCA) imposed a penalty of R50 million on Loma Leonard, CEO (chief executive officer) of Gadram Ltd, for breaching the Financial Markets Act (Act 19 of 2012) when he sent text messages to two directors, warning them to sell their Gadram shares.

Paragraph 3

The incriminating message from Loma read: 'You always ask for my opinion. It will take a long time for Gadram to get rid of all the bad news. Sell your shares immediately at the current price. Delete this message now and don't tell anyone.'

Paragraph 4

In deciding on the fine, the FSCA noted that on 10 April 2023 Loma had sent the message and on 13 April 2023, the three board members, Loma and the two directors, sold their shares on the JSE at R105,00 per share. The subsequent rapid decline to R8,00 per share in the market price of the shares occurred in the following two days.

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales} \quad 1}$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales} \quad 1}$
$\frac{\text{Net profit before tax} \times 100}{\text{Sales} \quad 1}$	$\frac{\text{Net profit after tax} \times 100}{\text{Sales} \quad 1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales} \quad 1}$	$\frac{\text{Operating profit} \times 100}{\text{Sales} \quad 1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock} \times 365}{\text{Cost of sales} \quad 1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors} \times 365}{\text{Credit sales} \quad 1}$	$\frac{\text{Average creditors} \times 365}{\text{Cost of sales} \quad 1}$ (See Note 2 below)
$\frac{\text{Net income after tax} \times 100}{\text{Average shareholders' equity} \quad 1}$	$\frac{\text{Net income after tax} \times 100}{\text{Number of issued shares} \quad 1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity} \times 100}{\text{Number of issued shares} \quad 1}$	$\frac{\text{Dividends for the year} \times 100}{\text{Number of issued shares} \quad 1}$
$\frac{\text{Interim dividends} \times 100}{\text{Number of issued shares} \quad 1}$	$\frac{\text{Final dividends} \times 100}{\text{Number of issued shares} \quad 1}$
$\frac{\text{Dividends per share} \times 100}{\text{Earnings per share} \quad 1}$	$\frac{\text{Dividends for the year} \times 100}{\text{Net income after tax} \quad 1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: 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.	



STICKER

CENTRE NUMBER

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EXAMINATION NUMBER

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**SENIOR CERTIFICATE EXAMINATIONS /
NATIONAL SENIOR CERTIFICATE EXAMINATIONS**

ACCOUNTING P1

GRADE 12

MAY/JUNE 2024

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SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 10 pages.

Calculus

2

6

4

13

1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024**ASSETS**

NON-CURRENT ASSETS	10 377 480
Fixed assets	9 952 480
Investment: Fixed deposit	425 000
CURRENT ASSETS	
Cash and cash equivalents	1 956 220
TOTAL ASSETS	

EQUITY AND LIABILITIES

ORDINARY SHAREHOLDERS' EQUITY	
Retained income	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

30

TOTAL MARKS

55

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2 RETAINED INCOME NOTE

Balance at the beginning of the year	2 819 000
Ordinary share dividends	
Final dividends	2 338 000
Balance at the end of the year	

8

2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

Cash effects of operating activities	
Cash generated from operations	
Interest paid	(966 000)
Dividends paid	(5 728 000)
(i)	
Cash effects of investing activities	
(ii)	
Proceeds of sale of fixed assets	232 000
Change in investments	
Cash effects of financing activities	
(iii)	
(iv)	
Change in loans	
Net change in cash & cash equivalents	
Cash & cash equivalents on 1 March 2023	1 030 000
(v)	

17

- 2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

Acid-test ratio	
WORKINGS	ANSWER

4

Interim dividend per share (in cents)	
WORKINGS	ANSWER

4

% return on average shareholder's equity (ROSHE)	
WORKINGS	ANSWER

4

TOTAL MARKS
40

QUESTION 3

- 3.1** Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.

--

4

- 3.2** Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.

--

4

- 3.3.1** One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide an explanation for him.

--

2

- 3.3.2** The chief financial officer (CFO) is of the opinion that the increase in loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion, including ONE relevant financial indicator.

POINT 1	
POINT 2	

4

- 3.4.1** Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE relevant financial indicator.

POINT 1	
POINT 2	

4

- 3.4.2** Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.

EARNINGS PER SHARE	
DIVIDEND PAY-OUT POLICY	

4

- 3.5** Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.

POINT 1	
POINT 2	

4

- 3.6.1 Allan Ashwin owns shares in Britesun Ltd. He is pleased with his investment in the shares of this company. Provide TWO points, with figures or calculations, to support his opinion.

POINT 1	
POINT 2	

4

- 3.6.2 The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding. Provide a calculation or figures to support your explanation.

CALCULATION	
EXPLANATION	

6

- 3.7 Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.

POINT 1	
POINT 2	

4

TOTAL MARKS
40

QUESTION 4

- 4.1 The three board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors each were able to avoid by selling their shares on 13 April 2023.

WORKINGS	ANSWER

3

- 4.2 Explain why the text message is so important to the investigators.

--

Explain why you think this crime is referred to as 'insider trading'.

--

4

- 4.3 Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers.

Existing shareholders	
Workers	

4

4.4 If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points.

POINT 1	
POINT 2	



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4

TOTAL MARKS
15

TOTAL: 150



Approved T HALL DBE Internal moderator 14 May 2024	Approved P GOVENDER DBE Internal moderator 14 May 2024	Approved D WOODROFFE Umalusi External moderator 14 May 2024	Approved M VANNEER Umalusi External moderator 14 May 2024
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SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1 MAY/JUNE 2024 MARKING GUIDELINES

MARKING PRINCIPLES:

MARKS: 150

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). No double penalty applied.
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 a correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark for that figure (not the method mark for the answer). Note: if figures are stipulated in the marking guidelines for components of workings, these do not carry the method mark 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. These marking guidelines are not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
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 an operation, the marker must inspect reasonableness of the answer.
11. 'Operation' means check operation. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
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 at least in part. Indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1

1.1 FIXED ASSETS

(i)	Calculate: Cost price of buildings at the beginning of the year				
	<table border="1"> <thead> <tr> <th>WORKINGS</th><th>ANSWER</th></tr> </thead> <tbody> <tr> <td> $9\,421\,300 + 420\,000$ Concession: $9\,421\,300 + 420\,000$ one mark; for candidates who did not provide a final answer </td><td> $9\,841\,300$ ✓✓ </td></tr> </tbody> </table>	WORKINGS	ANSWER	$9\,421\,300 + 420\,000$ Concession: $9\,421\,300 + 420\,000$ one mark; for candidates who did not provide a final answer	$9\,841\,300$ ✓✓
WORKINGS	ANSWER				
$9\,421\,300 + 420\,000$ Concession: $9\,421\,300 + 420\,000$ one mark; for candidates who did not provide a final answer	$9\,841\,300$ ✓✓				

2

(ii)	Calculate: Depreciation on vehicles				
	<table border="1"> <thead> <tr> <th>WORKINGS</th><th>ANSWER</th></tr> </thead> <tbody> <tr> <td> $(786\,000 - 260\,000)$ two marks Old $526\,000$ ✓✓ $\times [15\% \times 12/12]$ ✓ or 15% $78\,900$ three marks New $260\,000$ ✓ $\times [15\% \times 5/12]$ ✓ $16\,250$ two marks </td><td> $78\,900$ three marks $+ 16\,250$ two marks $95\,150$ ✓ one part correct both parts to be added </td></tr> </tbody> </table>	WORKINGS	ANSWER	$(786\,000 - 260\,000)$ two marks Old $526\,000$ ✓✓ $\times [15\% \times 12/12]$ ✓ or 15% $78\,900$ three marks New $260\,000$ ✓ $\times [15\% \times 5/12]$ ✓ $16\,250$ two marks	$78\,900$ three marks $+ 16\,250$ two marks $95\,150$ ✓ one part correct both parts to be added
WORKINGS	ANSWER				
$(786\,000 - 260\,000)$ two marks Old $526\,000$ ✓✓ $\times [15\% \times 12/12]$ ✓ or 15% $78\,900$ three marks New $260\,000$ ✓ $\times [15\% \times 5/12]$ ✓ $16\,250$ two marks	$78\,900$ three marks $+ 16\,250$ two marks $95\,150$ ✓ one part correct both parts to be added				

6

(iii)	Calculate: Carrying value on equipment sold				
	<table border="1"> <thead> <tr> <th>WORKINGS</th><th>ANSWER</th></tr> </thead> <tbody> <tr> <td> $57\,600$ ✓ $\times [20\% \times 3/12]$ $- 2\,880$ ✓✓ one component (of workings above) correct OR $80\,000$ one mark $- (8\,000 + 14\,400 + 2\,880)$ one mark one mark one mark </td><td> $54\,720$ ✓ one part correct </td></tr> </tbody> </table>	WORKINGS	ANSWER	$57\,600$ ✓ $\times [20\% \times 3/12]$ $- 2\,880$ ✓✓ one component (of workings above) correct OR $80\,000$ one mark $- (8\,000 + 14\,400 + 2\,880)$ one mark one mark one mark	$54\,720$ ✓ one part correct
WORKINGS	ANSWER				
$57\,600$ ✓ $\times [20\% \times 3/12]$ $- 2\,880$ ✓✓ one component (of workings above) correct OR $80\,000$ one mark $- (8\,000 + 14\,400 + 2\,880)$ one mark one mark one mark	$54\,720$ ✓ one part correct				

4

1.2 CORRECT NET PROFIT AFTER TAX FOR YEAR

Incorrect net profit before tax	1 150 000
Audit fees	$- 45\,600$ ✓
Donation $100 \times R\,402$ ✓✓ ($603\,000 \div 1500$)	$- 40\,200$ ✓* If $\times 100$
Rent income $286\,000 / 11$ $26\,000$ ✓✓ $+ 1\,300$ ✓	$+ 27\,300$ three marks If wrong, mark workings. Cannot get full marks if there is superfluous working
Directors fees $852\,800$ ✓ $\times [200 / 1\,640]$ ✓ OR $52\,000 \times 2$ OR $852\,800 \times [2 \div 16,4]$ OR $83\,200 \times [100 \div 80]$ one mark one mark one mark one mark one mark one mark	$+ 104\,000$ ✓*
Net profit before tax operation, one part correct Must include R1 150 000	$1\,195\,500$ ✓
Income tax accept if no brackets	$- 351\,000$ ✓
Net profit after tax NPbT – Income tax	$844\,500$ ✓

13

*one part correct, with correct sign; accept brackets for negative amounts
If sign incorrect, award two marks for workings

1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024

ASSETS		
NON-CURRENT ASSETS		10 377 480
Fixed assets		9 952 480
Investment: Fixed deposit		425 000
CURRENT ASSETS	operation, one part correct	3 848 020 <input checked="" type="checkbox"/>
Inventories	1 064 200 ✓ – 40 200 <input checked="" type="checkbox"/> see 1.2	1 024 000 <input checked="" type="checkbox"/> *
Trade and other receivables	see 1.2 see 1.2 744 900 ✓ + 27 300 <input checked="" type="checkbox"/> + 104 000 <input checked="" type="checkbox"/> – 8 400 ✓ Rent inc. Dir. fees	867 800 <input checked="" type="checkbox"/> *
Cash and cash equivalents		1 956 220
TOTAL ASSETS	10 NCA + CA	14 225 500 <input checked="" type="checkbox"/>
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS' EQUITY	TE & L – CL – NCL	12 164 650 <input checked="" type="checkbox"/>
Ordinary share capital		11 151 000 ✓✓
Retained income	4 Balancing figure accept negative amount	1 013 650 <input checked="" type="checkbox"/>
NON-CURRENT LIABILITIES		608 000
Loan: PTA Bank	564 000 two marks – 168 000 one mark 1 004 000 ✓ – 396 000 ✓✓✓ 5	608 000 <input checked="" type="checkbox"/> *
CURRENT LIABILITIES	operation	1 452 850 <input checked="" type="checkbox"/> *
Trade and other payables	audit fees 518 950 ✓ + 45 600 <input checked="" type="checkbox"/> – 8 400 ✓	556 150 <input checked="" type="checkbox"/> *
Shareholders for dividends		472 500 ✓✓#
Current portion of loan	see NCL	396 000 <input checked="" type="checkbox"/> #
SARS Income tax		28 200 ✓✓#
TOTAL EQUITY AND LIABILITIES	11 See Total Assets	14 225 500 <input checked="" type="checkbox"/>

*one part correct

Inspect: if included in T&OP

- 1 foreign item (max -2); presentation -1 (max -1); misplaced items, award marks for workings only

Note Principle 11 when awarding method marks: Operation as per candidate's operation, unless specified.

TOTAL MARKS

55

30

QUESTION 2

2.1	2.1.1	Liquidity	✓
	2.1.2	Outflow	✓
	2.1.3	Inflow	✓

3

2.2 RETAINED INCOME NOTE

*one part correct

Balance at the beginning of the year	2 819 000
Net profit after tax (1 950 000 x 70/30) OR 6 500 000 – 1 950 000	4 550 000 ✓✓*
Buy back of shares ignore brackets	(111 000) ✓✓
Dividends Int Div + Final Div ignore brackets	(5 746 000) ✓
Interim dividend (5 728 000 – 2 320 000)	3 408 000 ✓✓*
Final dividend	2 338 000
Balance at the end of the year Inspect operation from top, must subtract SBB and OSD	1 512 000 ✓*

8

2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

Be aware of signs reversed & use of brackets or ledger account formats

Cash effects of operating activities	
Cash generated from operations	
Interest paid	(966 000)
Dividends paid	(5 728 000)
Income tax paid (86 000 ✓ + 1 950 000 ✓ – 115 000 ✓) OR – 86 000 – 1 950 000 + 115 000	(i) 4 (1 921 000) ✓*#
Cash effects of investing activities	
Fixed assets purchased 43 095 000 ✓ + 232 000 ✓ + 1 620 000 ✓ – 39 365 000 ✓ OR – 43 095 000 – 232 000 – 1 620 000 + 39 365 000	(ii) 5 (5 582 000) ✓*#
Proceeds of sale of fixed assets	232 000
Change in investments	
Cash effects of financing activities	
Proceeds of shares issued (30 000 x 15,80) (30 000 x 3,70)	(iii) 4 300 000 ✓✓
Shares repurchased 474 000 ✓✓ + 111 000 ✓ see 2.2 OR (30 000 x 19,50) three marks	(iv) 6 (585 000) ✓*
Change in loans	
Net change in cash & cash equivalents	
Cash & cash equivalents on 1 March 2023	1 030 000
Cash & cash equivalents on 29 February 2024 one mark if figure correct but no brackets	(v) 2 (3 219 000) ✓✓

17

*One part correct and in brackets; if no brackets, award marks to workings only

2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

Acid-test ratio	
WORKINGS	ANSWER
$\frac{[9\ 623\ 000 - 4\ 190\ 000]}{5\ 433\ 000} \times 100$ <p>[9 623 000 – 4 190 000] two marks 5 433 000 ✓✓ : 18 310 000 ✓</p>	<p>0,3 : 1 ✓ one part correct In the form x : 1 Accept 0,29 : 1</p>

4

Interim dividend per share (in cents)	
WORKINGS	ANSWER
$\frac{3\ 408\ 000}{1\ 420\ 000} \times 100$ <p>See 2.2 3 408 000 ✓ 1 420 000 ✓✓ (1 450 000 – 30 000) two marks</p>	<p>240 cents ✓ one part correct cents is not necessary accept R2,40</p>

4

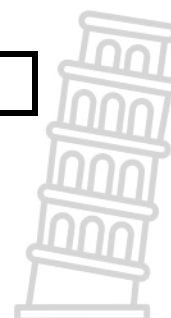
% return on average shareholder's equity (ROSHE)	
WORKINGS	ANSWER
$\frac{4\ 550\ 000}{\frac{1}{2}(28\ 248\ 000 + 25\ 729\ 000)} \times 100$ <p>See 2.2 4 550 000 ✓ 1/2 (28 248 000 ✓ + 25 729 000 ✓) 53 977 000 two marks 26 988 500 two marks</p>	<p>16,9% ✓ one part correct, must use average (1/2) % sign not necessary; Accept 17%</p> <p>Do not accept 0,169 or 0,17</p>

4

2.4 All calculations

- The 'x 100' is not deemed as 'one part correct'
- Numerators and denominators must be marked as such.
- Do not award marks for any operations done to stand-alone figures e.g. no tick if anything else added to R3 408 000 or R4 550 000.

TOTAL MARKS	40
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QUESTION 3

3.1

Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.

TWO valid points (with figure) ✓✓ ✓✓

part marks for incomplete or unclear response

- Average spending of clients increased (from R120 000) to R160 000 / by R40 000.
- Sales revenue increased (from R33,6m) to R39,2m.
- Customers still supported the business although the % mark-up increased (from 40%) to 60%.
- Drop in customer numbers (from 280) to 245 / by 35 / by 12,5%.

4

3.2

Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.

TWO financial indicators ✓ ✓ figures and trends ✓ ✓

- % operating expenses on sales improved/decreased (from 28%) to 22% / by 6% points / by 21,4%.
- % operating profit on sales improved/increased (from 10,2%) to 15,6% / by 5,4% points / by 52,9%.
- % net profit on sales improved/increased from 8,8% to 13,5% / by 4,7% points / by 53,4%

Do not accept mark-up %

4

3.3.1

One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide an explanation for him.

Reason ✓✓

The company increased the share capital / The company increased the loan.

2

3.3.2

The chief financial officer (CFO) is of the opinion that the increase in loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion including ONE relevant financial indicator.

Financial indicator ✓ figures and trend ✓
Explanation (comparing interest) ✓✓

POINT 1

- % ROTCE improved / increased from 11% to 19,7% / by 8,7% points / by 79%.

POINT 2

- The degree of gearing has moved (from negative) to positive. Now exceeds the interest rate on loans (13% p.a.).

4

3.4.1 Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE relevant financial indicator.

Financial indicator ✓ figures and trend ✓
Explanation (compare alternative investment) ✓✓

POINT 1	% ROSHE improved significantly from 8% to 15,6% / by 7,6% points / by 95%.
POINT 2	This greatly exceeds the returns on most other investments (7% p.a.).

4

3.4.2 Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.

EPS: figures and trend ✓ Explanation on EPS ✓
DPR: figures and trend ✓ Explanation on DPR ✓
part marks for incomplete or unclear response

EARNINGS PER SHARE	<ul style="list-style-type: none"> • EPS increased (from 113 cents) to 224 cents / by 111 cents / by 98%. • This shows improved profits in the company.
DIVIDEND PAY-OUT POLICY	<ul style="list-style-type: none"> • The dividend pay-out rate decreased from 80% to 40% / by 40% points / 100%. • The business retained more earnings that would be used to benefit the business in the future.

4

3.5 Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.

POINT 1	<ul style="list-style-type: none"> • The market price of the share improved from 1 342c to 1 610c / by 268c.✓ • due to the good returns earned / positive image of the company.✓
POINT 2	<ul style="list-style-type: none"> • In 2024 the market price (1 610c) exceeded the NAV of (1 543c) by 67c ✓ indicates good demand for shares.✓ <p>OR</p> <ul style="list-style-type: none"> • In 2023 NAV (1 413c) was higher than the market price (1 342c) by 71c; This indicates poor demand for shares <p>NB: Do not award marks if only the NAV for both years were compared.</p>

4

3.6.1

The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding and provide a calculation or figures to support your explanation.

Be aware of combined explanation with figures/calculations

TWO valid points ✓✓ ✓✓ with figures ✓✓ Part marks for incomplete or unclear response

POINT 1	<ul style="list-style-type: none"> His return (dividends) is 11,5% of the price he paid for the shares; $(90 / 780) /$ He earned R324 000 $(360\ 000 \times 90/100)$.
POINT 2	<ul style="list-style-type: none"> He paid 780c per share that is now worth 1 610c. This is 830c more than he paid for the shares, or 106,4%. His return increased from 8% to 15,6% / by 7,6% points / by 95%.

NOTE: Contact the DBE IMs if candidates used Dividend Yield (DPS/MP) as an answer.

4

3.6.2

The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding and provide a calculation or figures to support your explanation.

Be aware of combined explanation with figures/calculations

Part marks for incomplete or unclear response

CALCULATION figures or calculation	<ul style="list-style-type: none"> He is currently a majority shareholder as he owns 51,4% ✓✓ $(360\ 000/700\ 000)$ of the shares. His % shareholding will drop to 42,9% ✓✓ $(360\ 000/840\ 000)$.
EXPLANATION Any ONE point ✓✓ Be alert to valid explanations in calculations column	<ul style="list-style-type: none"> He will no longer be the majority shareholder in the company. He cannot fully influence decision-making in the company. He cannot make a difference in the company anymore.

6

3.7

Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.

Any TWO valid points ✓✓ ✓✓
 Figures not required.

Part marks for incomplete or unclear response;

POINT 1	<ul style="list-style-type: none"> Liquidity / working capital is more efficiently controlled (CR 1,8:1 & ATR 0,9:1). Unproductive fixed assets were sold (R1 100 000) and this will improve the cash flow in the company.
POINT 2	<ul style="list-style-type: none"> Cash generated from operations has improved (by R2 921 500 / by 75,6%). Performance of the company improved with lesser employees and directors as compared to 2023 (from 43 to 38).

4

TOTAL MARKS

40

QUESTION 4

- 4.1 The three Board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors were able to each avoid by selling their shares on 13 April 2023.

WORKINGS	ANSWER
$\begin{aligned} & (R105 - R8) \\ & 150\,000 \checkmark \times R97 \checkmark \\ & \text{OR } 15\,750\,000 - 1\,200\,000 \\ & \text{OR } (47\,250\,000 - 3\,600\,000) / 3 \\ & \text{Be alert to alternative arrangements for workings} \end{aligned}$	$\begin{aligned} & R14,55\text{-million} \checkmark \\ & \text{OR} \\ & R14\,550\,000 \end{aligned}$

3

- 4.2 Explain why the text message is so important to the investigators.

Any valid point ✓✓

Part marks for incomplete or unclear response

It provided evidence that a crime had been committed / they would know which directors to charge / the person who leaked the information can be easily traced / It will provide evidence of parties involved / Investigators will establish the intent knowledge / It provides consistency between different sources of evidence which strengthens the case against individuals implicated.

Explain why you think this crime is referred to as 'insider trading'.

Any valid point ✓✓

Part marks for incomplete or unclear response

Because it is fraud based on private information regarding the trading (buying / selling) of shares which is not yet known to others who affected / The directors (insiders) did have access to this privileged information / Using of sensitive information to one's benefit – abuse of power.

4

- 4.3 Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers.

Part marks for incomplete or unclear response

Existing shareholders ✓✓	They will lose their investment in the company / loss of life savings (Financial loss) / loss of dividends / will be likely to sell their shares / there may not be a demand for shares.
Workers ✓✓	Employees would be retrenched / lose their jobs / no job security (job insecurity) / increase in unemployment in the country / Employee's morale and productivity / Change on compensation and benefits (reduced salary/benefits/bonus) / Cost cutting measures (layoffs).

4

4.4

If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points.

Any TWO valid points. ✓✓ ✓✓

Part marks for incomplete or unclear response

POINT 1

- Were any checks done into the background of culprits before they were appointed to the Board?
- What disciplinary action will be taken by the company or the Board against the culprits?
- Is it possible to rescue the company / who will take over the running of the company?
- Is there any way in which the losses can be recovered from the culprits e.g. confiscate and sell their possessions?
- How will the board intervene to rectify this situation?
- What action will be taken against the directors?
- How will this impact on the image of the company and the share price in long term?

POINT 2

- Will the matter be reported to the relevant professional bodies for disciplinary action against these directors?
- What specific actions is the company taking to address the allegations of false financial statements / Disclaimer report?
- Can the board provide a detailed explanation for the circumstances leading to the disclaimer report?
- What measures are being implemented to ensure the accuracy and transparency of future financial reporting?
- Can shareholders expect timely and transparent communication regarding the investigation's progress and findings?
- What impact, if any, do the allegations and investigation have on the company's long-term strategic plan?

4

TOTAL MARKS

15

TOTAL: 150



TOLERANCE RANGE: 2024 MAY/JUNE EXAMINATION

Subject: ACCOUNTING		Paper: P1			
QUESTION NUMBER		Q1	Q2	Q3	Q4
MAXIMUM MARK		55	40	40	15
Sub-Question at which tolerance range applies				3.4.2	4.4
TOLERANCE RANGE				1	1
Sub-Question at which tolerance range applies				3.5	
TOLERANCE RANGE				1	
Sub-Question at which tolerance range applies				3.6.1	
TOLERANCE RANGE				1	
Sub-Question at which tolerance range applies				3.6.2	
TOLERANCE RANGE				1	
Sub-Question at which tolerance range applies				3.7	
TOLERANCE RANGE				1	
OVERALL TOLERANCE RANGE PER QUESTION				5	1

APPROVED

DBE:	T. HALL	P. GOVENDER	UMALUSI:	D. WOODROFFE	M. VANNEER
DATE:	15 May 2024	15 May 2024	DATE:	15 May 2024	15 May 2024