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Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

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

**ACCOUNTING P1**

**MAY/JUNE 2024**

**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
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**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:**

	<b>Buildings R</b>	<b>Vehicles R</b>	<b>Equipment R</b>
Carrying value: (01/03/2023)		249 850	
Cost	<b>(i)</b>		436 000
Accumulated depreciation			
Movements:			
Additions (at cost)	0	260 000	0
Disposals (at carrying value)	(420 000)	0	<b>(iii)</b>
Depreciation		<b>(ii)</b>	(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:

<b>KINOPA MWALIMU 234</b>	
Cost price: R80 000	
Date purchased: 1 September 2021	
Date sold: 31 May 2023	Sold for: R53 000
	<b>CARRYING VALUE</b>
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
<b>Purchases during the year:</b>	1 500		R603 000
15 April 2023	600	R330,00	198 000
22 June 2023	900	R450,00	405 000
<b>Sales</b>	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)

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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
<b>Shareholders' equity</b>	<b>28 248 000</b>	<b>25 729 000</b>
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:**

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

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