



**GRADE 12 ACCOUNTING: TERM 1 REVISION  
WORKSHEET 2:  
MARKING GUIDELINE**

**1.1 DUFF LTD  
CASH FLOW STATEMENT FOR YEAR ENDED 29 FEBRUARY 2020**

<b>Cash effects of operating activities</b>	
<b>Cash generated from operations</b>	
Interest paid ✓	(156 000) ✓
Dividends paid 180 000 ✓ + 490 000 ✓ – 240 000 ✓	(430 000) ☑
Income tax paid 6 800 ✓ + 403 200 ✓✓ – 22 400 ✓	(387 600) ☑
10	
<b>Cash effects of investing activities</b>	(475 800) ☑
Purchase of fixed assets 8 275 600 ✓ + 322 200 ✓ + 252 000 ✓ – 7 722 000 ✓	(1 127 800) ☑
Proceeds of sale of fixed asset	252 000 ✓
Investments 500 000 – 100 000	400 000 ✓✓
9	
<b>Cash effects of financing activities</b>	122 000 ☑
Proceeds of issue of share capital 7 182 000 ✓ + 378 000 ✓✓ – 6 200 000 ✓	1 360 000 ☑
Repurchase of share capital 378 000 ☑ + 60 000 ✓✓	(438 000) ☑
loans 1 700 000 – 900 000	(800 000) ✓✓
11	
<b>Net change in cash &amp; cash equivalents</b>	65 800 ☑
<b>Cash &amp; cash equivalents at beginning of year</b>	(40 200) ✓✓
<b>Cash &amp; cash equivalents at end of year</b>	25 600 ✓
4	

1.2 Calculate:

<p><b>1.2.1 % operating expenses on sales</b></p> <p><math>1\,020\,000 \checkmark / 6\,720\,000 \checkmark \times 100 = 15,2\% \checkmark</math></p>	<table border="1"> <tr><td> </td></tr> <tr><td>3</td></tr> </table>		3
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<p><b>1.2.2 Acid test ratio</b></p> <p><math>(1\,121\,600 \checkmark - 461\,000 \checkmark) : 752\,400 \checkmark = 0,9 : 1 \checkmark</math></p>	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
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<p><b>1.2.3 Debt/equity ratio</b></p> <p><math>900\,000 \checkmark : 7\,844\,800 \checkmark = 0,1 : 1 \checkmark</math></p>	<table border="1"> <tr><td> </td></tr> <tr><td>3</td></tr> </table>		3
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<p><b>1.2.4 % return on average shareholders' equity</b></p> <p><math>\frac{940\,800 \checkmark}{\frac{1}{2} \checkmark (6\,472\,000 \checkmark + 7\,844\,800 \checkmark)} \times 100 = 13,1\% \checkmark</math></p>	<table border="1"> <tr><td> </td></tr> <tr><td>5</td></tr> </table>		5
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<p><b>1.2.5 net asset value per share</b></p> <p><math>7\,844\,800 \checkmark / 1\,140\,000 \checkmark \times 100 = 688 \text{ cents} \checkmark</math></p>	<table border="1"> <tr><td> </td></tr> <tr><td>3</td></tr> </table>		3
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1.3 Comment on the liquidity of the business. Quote TWO financial indicators (with figures).

<p>Comment <math>\checkmark\checkmark</math> financial indicators <math>\checkmark\checkmark</math> and figures <math>\checkmark\checkmark</math></p> <p>Current ratio increased from 0,9 : 1 to 1,5 : 1</p> <p>Acid test ratio increased from 0,6 : 1 to 0,9 : 1</p> <p>Stock turnover rate decreased from 11,6 times to 10,8 times</p> <p>A general improvement noted. The business would be able to pay short term debts.</p> <p>Stock turnover rate dropped, suggesting that stock is not being sold at a desired rate.</p> <p>The improvement in current ratio could be a result of holding too much stock.</p>	<table border="1"> <tr><td> </td></tr> <tr><td>6</td></tr> </table>		6
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1.4 Provide TWO reasons why directors decided to change the dividend pay-out policy. Quote figures to support your opinion.

<p>Reasons <math>\checkmark\checkmark</math> figures <math>\checkmark\checkmark\checkmark\checkmark</math></p> <p>Retained more profits this year to finance growth, address liquidity issues; concentrate on improving profitability</p> <p>Distributed 77% of EPS last year but only 50,1% this year.</p>	<table border="1"> <tr><td> </td></tr> <tr><td>6</td></tr> </table>		6
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1.5 Did the company pay a fair price to buy back the shares? Explain. Quote figures.

<p>Yes / No <math>\checkmark</math> Explanation <math>\checkmark\checkmark</math> figures <math>\checkmark\checkmark</math></p> <p>Paid R7,30</p> <p>NAV improved from 647 cents to 688 cents (upward trend)</p> <p>Market price improved from 650 cents to 660 cents.</p> <p>The shareholder would not have received far more than the market related prices.</p> <p>Possible that directors paid too much (compromised the resources of the company)</p> <p>Possibly to compensate for loss of dividends.</p> <p>Downsizing would contribute to improved financial indicators if profitability remains constant</p>	<table border="1"> <tr><td> </td></tr> <tr><td>5</td></tr> </table>		5
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**TOTAL: 70**