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| **ACCOUNTING GRADE 12 TEST 5 SELF-STUDY (LOCKDOWN)**  **TOPIC : CASH FLOW STATEMENT AND INTERPRETATION** |  |

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| **QUESTION 1: CASH FLOW STATEMENT AND INTERPRETATION**  **(63 MARKS; 35 MINUTES)** | | | | | | | |
|  |  |  | | | |  |
| 1.1 | Choose the accounting term from **Column** B that will fit the best with the question in **Column A**. Write only the letter (A – E) next to the question number (1.1.1  –  1.1.3) in the ANSWERBOOK. | | | | | (3) |
|  |  | **COLUMN A** | **COLUMN B** | | |  |
|  | 1.1.1 | To what extent does the business rely on borrowed funds? | A. | Liquidity | |  |
|  | 1.1.2 | Can the busines pay all their debt? | B. | Solvency | |  |
|  | 1.1.3 | Will the shareholders be satisfied with the benefit they receive for their investment in the company? | C. | Profitability | |  |
|  |  |  | D. | Risk and gearing | |  |
|  |  |  | E. | Return on equity | |  |
|  |  |  | | | |  |
| 1.2 | You are proviced with the information regarding **DUBULA LTD** for the financial year ending 30 June 2019. | | | | | |
|  |  | | | | |  |
|  | **REQUIRED:** | | | | |  |
|  | 1.2.1 | Prepare the Ordinary Share Capital note in the Balance Sheet on 30 June 2019. | | | | (8) |
|  |  |  | | | |  |
|  | 1.2.2 | Calculate the following amounts that will appear in the Cash Flow Statement: | | | |  |
|  |  | * Income tax paid | | | | (5) |
|  |  | * Dividends paid | | | | (4) |
|  |  | * Purchase of fixed assets | | | | (5) |
|  |  |  | | | |  |
|  | 1.2.3 | Calculate the following financial indicators on 30 June 2019: | | | |  |
|  |  | * Debt-equity ratio | | | | (4) |
|  |  | * Return on total capital employed (ROTCE) | | | | (8) |
|  |  | * Net asset value per share (NAV) | | | | (4) |
|  |  |  | | | |  |
|  | 1.2.4 | **Refer to information C**  The CEO, I. Matshayana holds 48% of the issued shares on 1 July 2018. The board has decided to repurchase some shares and to issue all unissued shares. | | | |  |
|  |  | * Calculate the minimum number of shares Matshayana must buy when the unissued shares are issued, to then be the majority shareholder. | | | | (4) |
|  |  | * Matshayana wants to buy the additional shares at R3,00 per share without advertising it to the public. Give TWO reasons (with numbers) why you do not approve. | | | | (4) |
|  | 1.2.5 | The directors think that the liquidity of the business weakened. Quote THREE financial ratios with figures to support your opinion. | | | | (6) |
|  |  |  | | | |  |
|  | 1.2.6 | The directors purchased Land and Buildings during the financial year. | | | |  |
|  |  | * How was the purchased of the building financed? (Quote figures) | | | | (2) |
|  |  | * Expain how this decision influences the Financial risk and gearing of the company. (Quote TWO financial indicators to support your answer.) | | | | (6) |
|  | | **INFORMATION:** | | | | |  | | |
|  | |  |  | | | |  | | |
|  | | **A.** | **Information taken from the Income Statement on 30 June 2019:** | | | |  | | |
|  | |  | Depreciation | | 525 500 | |  | | |
|  | |  | Interest on loan | | 103 110 | |  | | |
|  | |  | Net profit after tax (Income tax is 28% of the net profit) | | 1 080 000 | |  | | |
|  | |  |  | | | |  | | |
|  | | **B.** | **Information taken from the Balance sheet on 30 June 2019:** | | | |  | | |
|  | |  |  | | **2019** | **2018** |  | | |
|  | |  | Fixed Assets (at carrying value) | | 4 450 000 | 2 348 000 |  | | |
|  | |  | Shareholders equity | | 6 099 000 | 3 587 000 |  | | |
|  | |  | Ordinary share capital | | 5 768 000 | 3 150 000 |  | | |
|  | |  | Retained income | | 331 000 | 437 000 |  | | |
|  | |  | Loan | | 610 000 | 1 108 500 |  | | |
|  | |  | SARS: Income Tax | | Cr 14 900 | Dr 10 400 |  | | |
|  | |  | Shareholders for dividends | | ? | 70 000 |  | | |
|  | |  |  | | | |  | | |
|  | | **C.** | **Shares:** | | | |  | | |
|  | |  | * Authorised share capital are 1 500 000 ordinary shares. | | | |  | | |
|  | |  | * On 30 June 2018, 900 000 ordinary shares were in issue. | | | |  | | |
|  | |  | * On 1 January 2019, 20 000 were bought back at R4,10 from the insolvent estate of a shareholder. (There shares do not qualify for final dividends) | | | |  | | |
|  | |  | * On 30 June 2019, all the remaining shares, as on 30 June 2018, were issued. All the money were received and the new shareholders names were added to the shareholders register. | | | |  | | |
|  | |  |  | | | |  | | |
|  | | **D.** | **Dividends:** | | | |  | | |
|  | |  | * Interim dividends of 40 cents per share were declared and paid on 31 December 2018. | | | |  | | |
|  | |  | * Final dividends of 55 cents per share were declared. | | | |  | | |
|  | |  |  | | | |  | | |
|  | | **E.** | **Fixed Assets** | | | |  | | |
|  | |  | * Fixed assets were sold at carrying value for cash, R159 110. Land and Buildings were bought during the financial year. | | | |  | | |
|  | | **F.** | **The following financial indicators were calculated for the last two financial years:** | | | |  | | |
|  | |  |  | | **2019** | **2018** |  | | |
|  | |  | Current ratio | | 0,9 : 1 | 2 : 1 |  | | |
|  | |  | Acid test ratio | | 0,5:1 | 0,9:1 |  | | |
|  | |  | Debtors collection period | | 21 days | 38 days |  | | |
|  | |  | Stock turnover rate | | 11 times | 15 times |  | | |
|  | |  | Debt-equity ratio | | ? | 0,3:1 |  | | |
|  | |  | Return on total capital employed (ROTCE) | | ? | 35% |  | | |
|  | |  | Return on shareholders equity (ROSHE) | | 22% | 27% |  | | |
|  | |  | Earnings per share (EPS) | | 73 cent | 133 cent |  | | |
|  | |  | Dividends per share (DPS) | | 80 cent | 60 cent |  | | |
|  | |  | Net asset value per share (NAV) | | ? | 399 cent |  | | |
|  | |  | Interest rate on loan | | 12% | 12% |  | | |
|  | |  | Market value (JSE) | | 420 cent | 390 cent |  | | |
|  | |  | Interest rate on investments | | 9% | 9% |  | | |

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