

**ACCOUNTING GRADE 12 TEST 2 SELF-STUDY (LOCKDOWN PERIOD)**

**COMPANY FINANCIAL STATEMENTS & AUDIT REPORT**

**NOTE**

* Accounting is a principle-based subject and therefore it is method marked.
* It is important that learners familiarise themselves with the MARKING PRINCIPLES given below as they have been used in these Marking Guidelines.
* Concepts relating to the Marking Principles will be understood easily as they have applied in these Marking Guidelines.
* Learners should read the fine print in these Marking Guidelines as it is an implementation of Marking Principles.

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| **MARKING PRINCIPLES:** | |
| 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. |
| Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item. |
| Full marks for correct answer. If the answer is incorrect, mark the workings provided. |
| If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working 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 mark for final answer as well. |
| 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. |
| Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates. |
| This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions. |
| Where penalties are applied, the marks for that section of the question cannot be a final negative. |
| Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. |
| 'Operation' means 'Check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, ×, ÷, or per memo. |
| In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios. |
| In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with ⌧. |
| Be aware that some candidates provide valid alternatives beyond the marking guideline. |
| Codes: f = foreign item; p = placement/presentation. |

**QUESTION 1: COMPANY FINANCIAL STATEMENTS AND AUDIT REPORT**

**1.1 CONCEPTS**

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| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Match the concepts in Column A with the descriptions in Column B.** | |  | | --- | |  | | **5** | | |  | |  |  |  | | --- | --- | --- | | **1.1.1** | **C** | **✓** | | **1.1.2** | **E** | **✓** | | **1.1.3** | **B** | **✓** | | **1.1.4** | **A** | **✓** | | **1.1.5** | **D** | **✓** | | |  |

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| **1.2** | **ISTAIN LIMITED** |

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| **1.2.1** | **Calculate the Net Profit after Tax.** |  |
|  | |  |  | | --- | --- | |  | **R** | | **Incorrect Net Profit before Tax** | **1 024 400** | | Telephone | **✓** (3 000) | | Insurance | **✓** 4 500 | | Rent Income | **✓✓✓** (26 400) | | Stationery | **✓** 500 | | **Net profit before tax** one part correct | **🗹**1 000 000 | | **Income Tax** NPBT X 0,28 | **✓🗹** (280 000) | | **Net Profit after tax tax must be deducted** one part correct | **🗹**720 000 | | |  | | --- | |  | | **10** | |

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| **1.2.2** | **ORDINARY SHARE CAPITAL** |  |
|  | |  | | --- | | **AUTHORISED** | | **Number of authorised ordinary shares: 400 000 shares** |  |  |  | | --- | --- | | **ISSUED** | **R** | | **160 000 Ordinary shares at the beginning of the year** | **4 000 000** | | 50 000**✓**  Ordinary shares repurchased at the average  share price \*R25**✓✓ any one part correct** | **🗹** (1 250 000) | | 100 000 **✓** Ordinary shares issued during the financial  year at @R17,50 each**✓ operation** | **🗹**1 750 000 | | 210 000**🗹** Ordinary shares in issue at the end of the year  **one part correct** **operation** | **🗹** 4 500 000 | |  |  | | |  | | --- | |  | | **9** | |

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|  | |  |  | | --- | --- | | **RETAINED INCOME** | **R** | | Balance at the beginning of the year | **540 000** | | Net profit after tax for the year see 1.2.1 | **🗹** 720 000 | | Repurchase of 50 000 ordinary shares @R5,00 **✓✓**  **one part correct** | **🗹** (250 000) | | Dividends on ordinary shares **operation** | **🗹** (264 000) | | Paid | **✓** 96 000 | | Recommended **one part correct** | **🗹** 168 000 | | Balance at the end of the year **one part correct** | **🗹** 746 000 | | |  | | --- | |  | | **10** | |

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| **1.2.3** | **ISTAIN LIMITED**  **BALANCE SHEET AS AT 29 FEBRUARY 2019** |  |

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| **ASSETS** | **R** |  |
| **NON-CURRENT ASSETS** | **✓** 5 872 000 |  |
| Fixed/Tangible Assets  5 002 000 **✓**+ 700 000 **✓**+ 250 000 **✓**– 263 750**✓** – 76 250**✓** | **✓** 5 612 000 |  |
| Financial Assets | **✓** 260 000 | **(8)** |
| **CURRENT ASSETS operation** | **🗹** 1 058 000 |  |
| Inventories balancing figure | **🗹**325 500 |  |
| Trade and other receivables 696 000 + 20 000 + 4 500 see 1.2.1 | **✓✓🗹** 720 500 |  |
| Cash and Cash equivalent | **✓** 12 000 |  |
| **TOTAL ASSETS calculation** | **🗹** 6 930 000 | **(7)** |
| **EQUITY AND LIABILITIES** |  |  |
| **SHAREHOLDERS’ EQUITY operation** | **🗹** 5 246 000 |  |
| Ordinary Share Capital see 1.2.2 | **🗹** 4 500 000 |  |
| Retained Income see 1.2.2 | **🗹** 746 000 | **(3)** |
| **NON-CURRENT ASSETS** | 780 000 |  |
| Loan from 1 140 000 **✓** – 360 000 **✓✓** (517 500 – 157 500) | **🗹** 780 000 | **(4)** |
| **CURRENT LIABILITIES operation** | **🗹** 904 000 |  |
| Trade and other payables see 1.2.1 see 1.2.2 – SHFD can be shown separately  294 600 **✓** + 3 000 **✓** + 26 400 **🗹** + 168 000 **🗹** one part correct | **🗹** 492 000 |  |
| Bank overdraft | **✓** 52 000 |  |
| Current loan portion see loan above | **🗹** 360 000 |  |
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| **TOTAL EQUITY AND LIABILITIES operation** | **🗹** 6 930 000 | **(9)** |

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| **31** |

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| **TOTAL MARKS** |
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| **65** |