

**ACCOUNTING MARKING GUIDELINES GRADE 12 TEST 5**

**SELF-STUDY (LOCKDOWN PERIOD)**

**TOPIC : CASH FLOW STATEMENT AND INTERPRETATION**

**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: CASH FLOW STATEMENT AND INTERPRETATION**

**(63 Marks; 35 minutes)**

|  |  |  |  |  |  |
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| **1.1** | **Choose an accounting concept from Column B that best matches the analysis questions in Column A.** | | |  | |
|  | **1.1.1** | D✓ | |  | |
|  | **1.1.2** | B✓ | |  | |
|  | **1.1.3** | E✓ | | **3** | |
|  |  |  | |  | |
|  | **1.2.1** | **Ordinary share capital** | |  | |
|  |  | |  |  |  | | --- | --- | --- | | **Authorised shares: 1 500 000**  **Issue** | | | | 900 000✓ | Balance on 30 June 2018 | 3 150 000✓ | | (20 000) ✓ | Buying back of shares @ R3.50✓ | (70 000) ✓ | | 600 000✓ | Shares issued @ R4,48✓ | 2 688 000 | | 1 480 000 |  | 5 768 000 | | | |  | | --- | |  | | **8** | | |
|  | **1.2.2** | |  |  | | --- | --- | | **Calculations** | **Answers** | | **Tax paid** |  | | 10 400✓ + 14 900✓-420 000✓✓ | 394 700 | | **OR** |  | | 420 000✓✓-10 400✓-149 000✓ |  | | **Dividend paid** |  | | 70 000✓+(900 000x0.4) ✓✓  360 000 | 430 000 | | OR |  | | 70 000✓+1 174 000✓-814 000✓ |  | | **Purchases of tangible assets** |  | | 525 500 ✓+ 159 110✓ +4 450 000✓-2 348 000✓ | 2 786 610 | |  |  | |  |  | | | |  | | --- | |  | | **5** |  |  | | --- | |  | |  | | **4** | |  | |  | | **5** | | |
|  | **1.2.3** | **Calculate: Debt-equity ratio** | |  | |
|  |  | |  |  | | --- | --- | | **Workings** | **Answer** | | 610 000✓:6 099 000✓ | 0.1 : 1✓  |   **Calculate: Return on total capital employed (ROTCE)** | | |  | | --- | |  | | **4** | | |
|  |  | |  |  | | --- | --- | | **Workings** | **Answer** | |  | 28.1%✓ | | | |  | | --- | |  | | **8** | | |
|  |  | **Calculate: Net asset value per share (NAV)** | |  | |
|  |  | |  |  | | --- | --- | | **Workings** | **Answer** | |  | 412,09 cent per share  ✓✓ | | | |  | | --- | |  | | **4** | | |
|  |  |  | |  | |
|  | **1.2.4** | **Calculate the minimum number of shares I. Matshayana must buy when the unissued shares have been issued.** | |  | |
|  |  | 900 000 x 48% = 432 000 owe✓✓ | |  | |
|  |  | 1 480 000 x 50% = 740 000 +1=740 001✓  (740 001-432 000) | |  | |
|  |  | 1 480 000 x 50% = 740 000 +100= 740 100 | |  | |
|  |  | 1 480 000 x 51 %=754800 | |  | |
|  |  |  | | **4** | |
|  |  | **Matshayana wants to purchase the additional shares at R3,00 without advertising the shares to the public. Give two reasons why you would not approve of this.** | |  | |
|  |  | * All shares needs to be advertised, because it is a public company. According to Companies law✓✓ | |  | |
|  |  | * R3 is under market value of 420 cent✓✓ | |  | |
|  |  | * R3 is under NAV of 412,1 cent (see 1.2.3) | |  | |
|  |  | * Unethical/ personal interest | | **4** | |
|  |  |  | |  | |
|  | **1.2.5** | **The directors are of the opinion that the liquidity has decreased. Quote THREE financial indicators (with figures) to support this opinion.** |  | |
|  |  | * Current ratio decreased from 2:1 to 0.9:1 with 1.1✓✓ |  | |
|  |  | * Acid-test ratio decraesed from 0.9:1 to 0.5:1 with 0.4✓✓ |  | |
|  |  | * Stock turnover rate decreased from 15 times to 11 times with 4 times✓✓ |  | |
|  |  | (Deb. Not accepted) more than 3 = -2 marks |  | |
|  |  |  | **6** | |
|  |  |  |  | |
|  | **1.2.6** | **How was the purchase of the buildings financed?** |  | |
|  |  | Shares issued✓ OSC was 3 150 000 now 5 768 000 of 60 000 shares issued✓ |  | |
|  |  |  | **2** | |
|  |  | **Explain how this decision has had an impact on degree of risk and gearing of the company.** |  | |
|  |  | * Debt/equity decreased from 0.3:1 to 0.1:1 (sien 1.2.3) ✓✓ |  | |
|  |  | * ROTCE dropped from 35% to 28.1%✓✓ |  | |
|  |  | * Company is still positively geared and can increase credit worthiness✓✓ |  | |
|  |  |  | **6** | |
|  |  | |  | | --- | | **TOTAL MARKS** | |  | | **63** | |  | |