



Province of the
EASTERN CAPE
EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT
(SEN-FET)**

HOME SCHOOLING SELF-STUDY WORKSHEET ANSWER BOOK

SUBJECT	ACCOUNTING	GRADE	12	DATE	30 MARCH- 16 APRIL 2020
TOPIC	COMPANIES	TERM 1 REVISION			
COMPILER	NOBALA T.	SUBJECT PLANER			

COMPANIES

QUESTION 1

1.1.1 Calculate the profit or loss on disposal of the computer on 31 August 2019.

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1.1.2 Calculate the total depreciation for the year.

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1.1.3 Suggest ONE internal control measure that the internal auditor can perform to verify the tangible assets figure in the Balance Sheet.

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2.2 KHUMALO FASHIONS LTD.

2.2.1 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2019

Sales	1 225 700
Gross profit	
Other operating income	
Commission income (89 200)	
Gross operating income	
Operating expenses	
Bank charges (3 260)	
Bad debts (5 600)	
Discount allowed (2 940)	
Stationery (3 860)	
Insurance (14 250)	
Director's fees (50 000)	
Sundry expenses	
Interest income (11 350)	
Profit before interest expense	
Profit before tax	

3.1

Retained income	
Balance at beginning of year	765 000

10

3.2

3.2.1

3.2.1.1

Trade and other receivables		

11

4.3 PHAMBILI LIMITED

4.3.1 Prepare the following notes for the financial year ended 28 February 2019.

(a) Ordinary share capital

			11

(b) Retained income

Balance at the beginning of the year	355 500	
		11

4.4.1 FIXED ASSETS

(a)		
(b)		
(c)		

13

QUESTION 5

5.1.1 Calculate the following for the Cash Flow Statement:

Income tax paid		
Dividends paid		
Cost of new delivery vehicles purchased		
		14

5.1.2 Cash effects of financing activities

		9

Net change in Cash and Cash equivalents

		4

5.1.3 Calculate the debt/equity ratio

	3

Calculate the net asset value per share

	3

Calculate the return on average shareholders' equity

4

5.1.4 The management decided to change the mark-up % in the current financial year. Was this a good decision? Explain. Quote figures.

3

5.1.5 Comment on the management of expenses. Quote TWO relevant financial indicators to support your comment.

4

5.1.6 Comment on the issue price of the new shares issued on 30 June 2018. Was this fair? Quote figures.

6

5.1.7 Comment on the pay-out policy of the company by comparing 2018 to 2019 and quote relevant figures

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6

5.1.8 Comment on the degree of risk and gearing of the business. Quote TWO financial indicators with figures.

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6

5.1.9 How many shares will a shareholder, having 45% of the issued share capital, have to buy to gain control of the company?

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5.2

5.2.1 Calculate the following for the Cash Flow Statement:

Income tax paid		
Dividends paid		
Cost of new delivery vehicles purchased		
		14

5.2.2 **Cash effects of financing activities**

		9

Net change in Cash and Cash equivalents

		4

5.2.3 Calculate the debt/equity ratio

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Calculate the net asset value per share

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Calculate the return on average shareholders' equity

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6

5.2.9 How many shares will a shareholder, having 45% of the issued share capital, have to buy to gain control of the company?

4

5.3**5.3.1 Cash generated from operations note to the Cash Flow Statement.**

Adjustment for:	
Depreciation	356 000
Interest expense	104 000
Operating profits before changes in working capital	
Changes in working capital	

10

5.3.2 Cash Flow Statement

Cash flow from operating activities	
Cash generated from operations	
Interest paid	
Dividends paid	
Taxation paid	
Cash flow from investing activities	
Fixed assets purchased	
Change in fixed deposit	
Cash flow from financing activities	320 000
Sale of shares	2 000 000
Shares re-purchased	(1 080 000)
Change in loan	(600 000)
Net change in cash and cash equivalents	
Cash and cash equivalents at beginning	
Cash and cash equivalents at end	

21

5.3.3 Calculate: Current ratio

Calculate: Current ratio	
Calculate: Debt-equity ratio	

3

3

Calculate: Net asset value per share

3

- 5.3.4 On 1 July 2018 additional shares were issued at R10 each. Will the existing shareholders be satisfied with this price? Explain. Quote relevant financial indicators with figures in your explanation.**

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- 5.3.5 The directors decided to pay back a large portion of the loan. Do you think that this was a wise decision? Quote TWO relevant financial indicators and figures to support your answer.**

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5.3.6

Besides paying back the loan, the directors have taken other major decisions that have affected the cash balances. State TWO other major decisions (exceeding R400 000) and quote the figures from the Cash Flow Statement. In EACH case, state how the decision will affect the future of the company.

DECISION	FUTURE EFFECT ON COMPANY

6

5.4.1 Notes to the Financial Statements

	Calculations	Answer
A.		
B.		
C.		
D.		

16

5.4.2 Ordinary share capital

Authorised 2 000 000 shares
Issue

800 000	Shares issued at the beginning @ R7	5 600 000
200 000		

6

5.4.3 Calculations of figures to appear in the Cash Flow Statement

	Calculations	Answers
•	Dividends paid	
•	Tax paid	

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5.4.4 Cash flow from financing activities

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5.4.5 The directors have taken significant decisions which will be reflected in the Cash Flow Statement. Identify TWO of these major decisions and quote figures. In each case give one consequence of the decision to the business.

Decision	Figure	Consequences

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5.4.6 Percentage Operating Profit on Sales

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5.4.7 Briefly explain ONE consequence that might be faced by directors and ONE consequence for majority shareholder.

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5.5.1

Your friend is of the opinion that the liquidity position of Westland Ltd. is better than that of Northwood Ltd. Quote TWO financial indicators (with figures) to support her opinion.

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5.5.2

Northwood Ltd. paid off a large portion of its loan during the financial year. Quote TWO financial indicators with relevant figures to show why this was not a good decision taken by the directors.

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5.5.3 Will the shareholders be satisfied with the price at which the new shares were issued for both companies? Explain. Quote relevant financial indicators and figures for each company.

	Northwood Ltd.	Westland Ltd.
Yes/No	NO	YES

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5.5.4 Your friend owns 30 000 shares in each of the companies.

	Northwood Ltd.	Westland Ltd.
Calculate the dividends that he earned from each company.		
Compare and comment on the dividend pay-out policies of the two companies. Provide calculations in your explanation.		
Explain ONE reason for the dividend pay-out of each company.		

8

6.1

6.1.1 Briefly explain the role of an independent auditor.

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6.1.2 Explain why the independent auditor mentioned IFRS and the Companies Act in the audit report.

2

6.1.3 Provide TWO possible consequences of this audit report on the market price of the shares.

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6.2 AUDITING

6.2.1 **Explain why the shareholders would be satisfied with this audit report.**

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6.2.2 **Tello Motloug, the managing director, has informed the auditors that he intends to buy the unissued shares for himself without informing the other shareholders. What advice should the auditors give to Tello? Explain.**

2

6.2.3 **Explain why the auditors found it necessary to stipulate the page numbers in the report.**

2

6.2.4 **Explain TWO major consequences for Mxo and Frank should they be negligent in performing their duties.**

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6.3 AUDIT REPORT

6.3.1 Explain why the auditors did specifically address the report to shareholders?

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6.3.2 Explain why the independent auditors referred to pages 25-51 in the report.

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6.3.3 The directors claimed that the value of the buildings increased over the years and that the value must be increased and shown as additions in the fixed asset note.

As the independent auditor, what advice would you give? Provide ONE point.

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6.3.4 The company received a/an (unqualified/qualified/disclaimer) audit report.

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6.4

- 6.4.1** Choose the correct word from those in brackets and explain your choice.
Graafwater Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.

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- 6.4.2** Briefly indicate how this audit report would possibly affect the shares of Graafwater Ltd on the Johannesburg Securities Exchange (JSE). Mention TWO points.

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- 6.4.3** You have been appointed as the external auditor of Graafwater Ltd. The managing director, Laetitia Witbooi, has asked you to reflect her directors' fees of R5 million under 'Salaries and wages' in the Income Statement. Would you agree to her request? Give a reason for your answer.
Would you agree?

3