



Western Cape  
Government

Education

Directorate: Curriculum FET

# TUTORING 2020

## ACCOUNTING

Grade 12

## ANSWER BOOK

(Term 1 Revision)



**ACTIVITY 1** (Buy Back of shares: Calculations, Ledger & Notes to Fin Statements) (30; 20 min)

**1.1 1 March 2019**

Calculations	Workings	Answer
Average Share price		
Net Asset Value per share		

(4)

**1.2 1 June 2019**

Calculations	Ordinary Share Capital portion	Retained Income portion	Buy Back price
Price per share			
For 100 000 shares			R800 000

(4)

**1.3 28 February 2020**

Calculations	Workings	Answer
Average Share price		
Net Asset Value per share		

(4)

**1.4 Complete the ledger accounts for the year ending 28 February 2020:**

**ORDINARY SHARE CAPITAL**

				2019 Mar 1	Balance	b/d	4 500 000
							(2)

**RETAINED INCOME**

				2019 Mar 1	Balance	b/d	1 200 000
							(5)

**BANK**

2019 Mar 1	Balance	b/d	1 100 000				
							(2)

**APPROPRIATION ACCOUNT**

							(5)

<b>1.4 Retained Income</b>	
Balance at beginning of year (1 March 2019)	1 200 000
Balance at end of year (28 Feb 2020)	

(4)

TOTAL: 30

**ACTIVITY 2:**

(50; 40 min )

2.1	Account Dr	Account Cr	A	O	L
E.G.	<i>Directors fees</i>	<i>Accrued Expenses</i>	0	- 15 000	+15 000
1					
2					
3					
4					
5a					
5b					
	(6)	(6)	(9)		(21)

**2.2 ORDINARY SHARE CAPITAL**

<b>AUTHORISED</b>			
<b>ISSUED</b>			
			<b>10</b>

<b>RETAINED INCOME</b>		
		<b>10</b>

2.3 **The directors are not sure whether the price of the new shares issued on 1 November 2019 was appropriate or not. Calculate the net asset value (NAV) per share on 28 February 2020. (4)**

**In your opinion were the directors correct in issuing shares at R6,50 per share? Bear in mind that the NAV per share for the 2019 financial year was 600 cents. Provide TWO reasons for your answer. (5)**

**TOTAL: 40**

**ACTIVITY 3: SARS (income tax)**

(16; 12 min)

3.1 Supply a reason for the debit entry on 25 March 2018.

2

3.2 Give a possible transaction for the debit entry on 31 August 2018.

2

3.3 What was the total income tax expense for the current financial year?

2

3.4 Calculate the balance of SARS (income tax) on 28 February 2019. Show your workings.

5

3.5 Refer to the balance calculated in Question 3.4 above. Indicate whether this amount is a Current Asset or a Current Liability.

1

3.6

Account debited	Account credited	Amount	A	O	L

4

**TOTAL: 16**

**ACTIVITY 4 (Adjustments and Fin Statements for the year ended 30 June 2020)**

	Adjustment	Statement of Comprehensive Income (Income Statement)		Statement of Fin. position (Balance Sheet)	
		Section & Item	Calculation & Amount	Section & Item	Calculation & Amount
<i>E.g.</i>	<i>W&amp;L for June not paid yet</i>	<i>Operating Expenses Water &amp; Lights</i>	<i>R1 200</i>	<i>Current Liabilities Accrued Expenses</i>	<i>R1 200</i>
1.	Defective stock costing R6 000 was returned to the manufacturers. A physical count at year-end revealed stock on hand to be R427 000.				
2.1	Further bad debts of R4 000 are to be written off.				
2.2	The provision for bad debts is to be adjusted to R6 080.				
3.	The advertising contract has been paid for 13 months				
4.	The tenant has paid two months' rent in advance.				
5.	R8 000 is still owed to the auditors				
6.1	Provide for interest on the mortgage loan from the South Bank at 15% p.a. for the month of June 2020. interest on the loan is capitalised.				
6.2	Capital repayments on the loan of R4 200 per month (excluding interest) will be paid in the next financial year.				

	Adjustment	Statement of Comprehensive Income (Income Statement)		Statement of Fin. position (Balance Sheet)	
		Section & Item	Calculation & Amount	Section & Item	Calculation & Amount
7.	Details of Sundry expense items at year-end: <ul style="list-style-type: none"> <li>• Stationery on hand estimated, R800;</li> <li>• Packing materials counted, R1600</li> </ul>				
8.	The insurance policy was taken out on 1 September 2019 at a monthly premium of R2 420.				
9.1	New Equipment was purchased on 1 January 2020 and properly entered, R26 000.				
9.2	Equipment is to be depreciated at 10% p.a. on the diminishing balance method.				
10.	Repairs costing R22 000 were incorrectly debited to the Land and buildings account.				
11.	150 000 new shares were issued on 1 July 2019 at 220c per share and correctly entered				
12.	R4 600 is owed to SARS in respect of income tax.				
13.	The directors recommended a final dividend of 10c per share				

**ACTIVITY 5 (Financial Statements) (follow on Activity 4)**

**5.1 TONI LTD  
STATEMENT of COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020**  
R

<b>Gross Profit</b>	
<b>Other operating income</b>	
<b>Discount received</b>	<b>1 530</b>
<b>Gross operating income</b>	
<b>Operating expenses</b>	
<b>Salaries and wages</b>	<b>307 300</b>
<b>Directors fees</b>	<b>120 500</b>
<b>Operating profit</b>	
<b>Profit before interest expense</b>	
<b>Net Profit before tax</b>	
<b>Income tax</b>	
<b>Net profit after tax</b>	<b>277 500</b>

(40)



**5.2 TONI LTD: Notes to Financial Statements on 30 June 2020**

<b>FIXED / TANGIBLE ASSETS</b>	<b>LAND &amp; BUILDINGS</b>	<b>EQUIPMENT</b>	<b>TOTAL</b>
<b>CARRYING VALUE (beginning of year)</b>			
<b>Cost</b>			
<b>Accumulated Depreciation</b>			
<b>Movements:</b>			
Additions at cost			
Disposals at Carrying value			
Depreciation			
<b>CARRYING VALUE (end of year)</b>			
<b>Cost</b>			
<b>Accumulated Depreciation</b>			

(14)

**5.3 Trade and other receivables**

<b>Net trade debtors</b>	
<b>Trade debtors</b>	
	<b>76 460</b>

(8)

**5.4 STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2018 (EQUITY SECTION)**

<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	
<b>NON-CURRENT LIABILITIES</b>	

(10)

**ACTIVITY 6 (Statement of Financial Position [Balance sheet] - format)**

Fill in the missing amounts to complete the Statement of Financial Statement.

**STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2020**

<b>ASSETS</b>	Notes	
<b>NON-CURRENT ASSETS</b>		<b>4 980 000</b>
	3	0
		<b>160 000</b>
<b>CURRENT ASSETS</b>		<b>1 820 000</b>
	4	<b>956 000</b>
	5	
	6	<b>2 500</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
	7	
Retained income	8	<b>218 200</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>Mortgage Loan (740 000)</b>		
<b>CURRENT LIABILITIES</b>		<b>921 800</b>
	9	
Bank overdraft		<b>45 300</b>
Current portion of loan		<b>148 000</b>
		<b>6 800 000</b>

**ACTIVITY 7** (Statement of Financial Position - Notes)

(40; 35 min)

<b>7.1 FIXED/TANGIBLE ASSETS</b>	<b>Land and Building</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Carrying value beginning of the year				
Cost				
Accumulated depreciation				
<b>Movement</b>				
Additions	<b>1 000 000</b>			
Carrying value at the end of the year				
Cost				
Accumulated depreciation				

(25)

**7.2 ORDINARY SHARE CAPITAL**

<b>AUTHORISED</b>		
<b>ISSUED</b>		
<b>2 500 000</b>	<b>ordinary shares in issue on 1 March 2018</b>	
	<b>ordinary shares in issue on 28 February 2019</b>	

<b>8</b>

**7.3 TRADE AND OTHER PAYABLES**

Trade creditors	393 400	
	846 250	7

**ACTIVITY 8** (Balance Sheet + notes)

(50; 40 minutes)

**8.1 RETAINED INCOME NOTE**

Balance at the beginning of the year	345 000
Interim dividend	240 000
Balance at the end of the year	

10
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## 8.2 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2019

<b>ASSETS</b>	
<b>Non-current assets</b>	
<b>Current assets</b>	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Shareholder's equity</b>	
<b>Non-current liabilities</b>	
<b>Loan: Vida Bank (750 000)</b>	
<b>Current liabilities</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	

**AUDIT REPORTS**

**ACTIVITY 9 (Audit Reports - concepts)**

9.1 Choose the audit opinion from COLUMN B that best describes the audit report in COLUMN A. Write the letter ( A – C) in the Answer column.

	COLUMN A	COLUMN B (opinion)		Answer
9.1.1	Qualified audit report	A	In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Shabba Ltd as at 28 February 2018.	
9.1.2	Unqualified audit report	B	We have not been able to obtain sufficient audit evidence to provide for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Khothule Ltd for the year ended 28 February 2018.	
9.1.3	Disclaimer report	C	In our opinion, except for the effect of the unauthorised interest-free loan to the Chief Executive Officer, the annual financial statements present fairly, in all material respects, the financial position of Dai Ltd.	

9.2 Complete the following sentences in Column A by choosing the correct concepts from Column B. Write only the letter (A – F) in the Answer column.

	COLUMN A	COLUMN B		ANSWER
9.2.1	The ..... expresses an opinion on whether the financial statements are correct and is a fair reflection of the company's financial results	A	International Financial Reporting Standards (IFRS)	
9.2.2	The.....set guidelines for the preparation of financial statements of companies to ensure a degree of consistency	B	SARS report	
9.2.3	The.....comments on the financial position and the current status of the company.	C	Audit sampling	
9.2.4	.....is when auditors choose certain items to audit from all the available financial information.	D	Directors report	
		E	Independent audit report	

**9.3 Read the extract from the independent audit report of Sumba Ltd and answer the questions that follow:**

**EXTRACT FROM THE AUDIT REPORT OF SUMBA LTD**

We found that internal control procedures were not adhered to and documentation did not exist for a significant portion of the transactions tested.

Because of the significance of the matter described in the previous paragraph, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion.

Accordingly, we do not express an opinion on the financial statements for the year ended 29 February 2020.

**9.3.1 Explain why the Companies Act makes it a requirement for public companies to be audited by an independent auditor. Give ONE reason.**

**9.3.2 The audit report is an example of a/an (qualified/unqualified/disclaimer of opinion) audit report.**

**9.3.3 Who is the audit report addressed to? Give ONE reason for your answer.**

**9.3.4 Explain why it is likely that this audit report will have a negative effect on the value of the shares of this company on the JSE.**

**ACTIVITY 10** (Basic knowledge of the activities in the CFS)

Complete the following table. Tick in the correct column. The first one has been done for you.

	Description of transaction	Operating activity	Investing activity	Financing activity
1	Buy goods on credit	✓		
2	Sell goods to a debtor			
3	Debtor settles his account			
4	Company raises funds by issuing new shares			
5	Place surplus funds in a fixed deposit			
6	Purchase more fixed assets			
7	Pay a creditor			
8	Raise a loan from a bank			
9	Repay part of the loan			
10	Pay salaries			
11	Pay income tax			
12	Withdraw funds from a fixed deposit when it matures			
13	Receive fee income for services rendered			
14	Sell fixed assets that are not needed			
15	Company buys back shares from an existing shareholder			

**ACTIVITY 11** (Cash Flow Statement)

11.1 What is the main purpose of a Cash Flow Statement?

(2)

11.2 Calculate the missing amounts (indicated by a, b, c and d) in the Fixed/Tangible Asset note for the year ended 31 October 2019.

	Workings	Amount
<b>a</b>		(2)
<b>b</b>		(2)
<b>c</b>		(3)
<b>d</b>		(3)
		(10)



**11.3 BARBIE LTD  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2019**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated from operations		1 985 500
Interest paid		(175 500)
Taxation paid		
Dividends paid		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed assets purchased		
Proceeds from sale of fixed assets (500 000 + 82 000)		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		

40
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**11.4**

Decisions by directors	Reason to support John's opinion	Reason to support directors' decision (other than improving cash flow)
Issued more shares		
Sold fixed assets		

(4)

**ACTIVITY 12** (Cash Flow Statement; Appropriation account; calculation and interpretation of financial indicators)

**12.1 RECONCILIATION BETWEEN NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS**

<b>Net profit before taxation</b>	<b>540 000</b>
<b>Adjustments in respect of:</b>	
<b>Operating profit before changes in working capital</b>	
Cash effects of changes in working capital	
Change in inventory	
Change in receivables	
Change in payables	
<b>Cash generated from operations</b>	<b>585 300</b>

**COBRA LIMITED**  
**CASH FLOW STATEMENT FOR YEAR ENDED 30 APRIL 2019**

<b>Cash effects of operating activities</b>	
<b>Cash effects of investing activities</b>	
<b>Cash effects of financing activities</b>	
<b>Net change in cash &amp; cash equivalents</b>	
<b>Cash &amp; cash equivalents at beginning of year</b>	<b>105 000</b>
<b>Cash &amp; cash equivalents at end of year</b>	<b>139 000</b>

12.2

<b>GENERAL LEDGER OF COBRAH LIMITED</b>							
<b>FINAL ACCOUNTS SECTION</b>							
<b>Dr</b>				<b>Cr</b>			
<b>APPROPRIATION ACCOUNT</b>							

12.3 Calculate the:

**ANSWER**

(a)

**Acid test ratio**

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(b)

**Stock turnover rate**

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(c)

**Debt equity ratio**

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(d)

**Net asset value per share**

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(e) **Return on shareholders' equity**

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12.4 **Explain why the shareholders will or will not be satisfied with the dividends, earnings and returns earned. Quote appropriate financial indicators to support your answer.**

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12.5 **Comment on the liquidity of the company. Quote and explain FOUR financial indicators to support your answer.**

**Fin. Indicators:**

**Overall comment:**

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12.6 **Comment on the financial gearing of the company. Explain and quote financial indicators to support your answer.**

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