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Name:

NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2020

ACCOUNTING P1 FINANCIAL REPORTING AND EVALUATION ANSWER BOOK

QUESTION	MAXIMUM MARKS	MARKS OBTAINED	MODERATED MARKS
1	15		
2	30		
3	30		
4	40		
5	35		
	150		

This answer book consists of 11 pages.

QUESTION 1: CORPORATE GOVERNANCE AND AUDIT REPORT

1.1	1.1.1	
	1.1.2	
	1.1.3	
	1.1.4	4

1.2 AUDIT REPORT

1.2.1 Where, why and when is this audit report expected to be presented?

Where		
Why	ÉcoleBooks	
When		3

Provide TWO points why the independent auditors make reference 1.2.2 to pages 12–30 of the Annual Report. 4

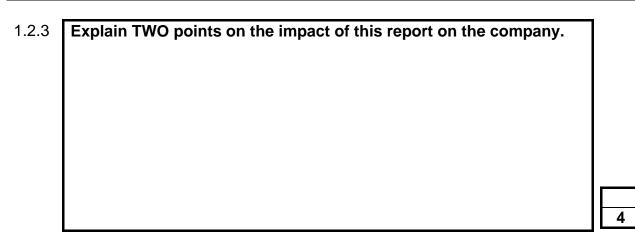
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3



TOTAL MARKS



QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020.

Sales	6 720 <u>000</u>
Cost of sales	
Gross profit	
Other operating income	
Gross operating income	<u>2 662 080</u>
Operating expenses	
Audit fees	120 000
Depreciation	340 000
Sundry expenses	432 110
Operating profit	
Interest income	
Operating profit before interest expense	
Interest expense	
Net profit before tax	
Income tax	(272 700)
Net profit after tax	

30

TOTAL MARKS

30

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QUESTION 3: STATEMENT OF FINANCIAL POSITION AND SHARE CAPITAL NOTE

3.1 Share Capital

Authorised Share Capital: 3 000 000 ordinary shares			
Issued Share capital:			
1 800 000	Shares in issue at beginning of year		
(120 000)			
	Shares in issue at the end of the year		9



3.2 **STATEMENT OF FINANCIAL POSITION ON 31 AUGUST 2020.**

NON-CURRENT ASSET	
Fixed assets	8 121 000
Financial assets	830 200
CURRENT ASSETS	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDER EQUITY	
Ordinary share capital Retained income	14 960
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	1 007 840
Trade and other payables	<u>1 097 840</u> 463 840
TOTAL EQUITY AND LIABILITIES	

TOTAL MARKS

30

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QUESTION 4: CASH FLOW STATEMENT, FINANCIAL INDICATORS

4.1	4.1.1	
	4.1.2	
	4.1.3	3

9

4.2.1 **CASH GENERATED FROM OPERATIONS** Depreciation 390 000 Interest expense 452 000 Change in inventory (915 100) Change in receivables ÉcoleBooks Change in payables Cash generated from operations

4.2.2 CASH EFFECT FROM FINANCING ACTIVITIES

4.2.3 Calculate the following amounts for the Cash Flow Statement.

Income tax paid	
Workings	Answer
	4

Dividends paid	
Workings	Answer
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Proceeds on fixed assets sold	
Workings	Answer
	4

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4.2.4 Calculate the following financial indicators on 29 February 2020:

Return on average Shareholders' Equity		
Workings	Answer	
		4

TOTAL MARKS

QUESTION 5: INTERPRETATION OF COMPANY INFORMATION

	e liquidity position of both companies and comment on
LOCK LTD	<i>that is managing the short term assets more effectively.</i>
LOOK LID	
DOWN LTD	
COMMENT	

6

LOCK LTD	ÉcoleBooks
DOWN LTD	
	ossible reasons why one company decided to change
their policy.	

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		7
5.3	Lock Ltd decided to increase their loans during the current financial year, whilst Down Ltd decided to maintain their existing loans. Comment on the decisions of both companies. Make reference to the degree of risk and gearing	
	LOCK LTD	
	DOWN LTD	
		8
5.4	A shareholder of Down Ltd is concerned about the drop in the market price of the shares. Explain why they feels this way. Provide TWO points.	
	Clar	4
5.5	M. Mtolo owns 576 000 shares in Down Ltd, which represents 48% of the total issued shares. He wants to purchase another 25 000 shares.	
5.5.1	Do a calculation to show how this would change his % shareholding in the company.	
5.5.2	Provide TWO reasons why you think he is specifically interested in increasing his shareholding in Down Ltd.	5
		4

TOTAL MARKS