



**WORKED EXAMPLE OF A
YEAR-END GRADE 12 ACCOUNTING EXAMINATION
PREPARED BY NEW ERA ACCOUNTING**

ANSWER BOOK

PAPER 1

Question	Maximum Marks	Achieved
1	60	
2	40	
3	50	
TOTAL:	150	

This answer book consists of 7 pages.

QUESTION 1

**1.1 XOLA Ltd
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2020**

Sales	9 180 000	
Cost of sales		
?		
Other operating income		
Rent income		
?		
Operating expenses		
Directors' fees	1 400 000	
Audit fees	250 000	
Sundry expenses		
?		
?		
Profit before interest expense		
Interest expense		
Net profit before tax		
Income tax		
Net profit after tax	861 700	26

1.2 ORDINARY SHARE CAPITAL

	Shares on 1 March 2019	8 550 000	
	Shares on 29 February 2020		7

1.2 RETAINED INCOME

Balance on 1 March 2019	99 300	
Balance on 29 February 2020		8

**1.3 XOLA Ltd
BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
EQUITIES AND LIABILITIES**

Shareholders' equity		
Non-current liabilities		
Current liabilities		
Trade and other payables		
Bank overdraft		
TOTAL EQUITY AND LIABILITIES		19

TOTAL
60

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2.1

Calculate the change in investments.							
Workings	Answer						
	<table border="1" style="width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: center;">Indicate inflow or outflow</td> </tr> <tr> <td></td> <td style="text-align: center;"> <table border="1" style="width: 100%;"> <tr> <td style="width: 50px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">3</td> </tr> </table> </td> </tr> </table>		Indicate inflow or outflow		<table border="1" style="width: 100%;"> <tr> <td style="width: 50px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">3</td> </tr> </table>		3
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3							
Calculate the income tax paid.							
Workings	Answer						
	<table border="1" style="width: 100%;"> <tr> <td style="width: 50px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">4</td> </tr> </table>		4				
4							
Calculate the proceeds from the sale of fixed assets.							
Workings	Answer						
	<table border="1" style="width: 100%;"> <tr> <td style="width: 50px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">4</td> </tr> </table>		4				
4							

2.2.2

Calculate total dividends for the 2020 financial year.			
Workings	Answer		
	<table border="1" style="width: 100%;"> <tr> <td style="width: 50px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">4</td> </tr> </table>		4
4			
Calculate the bank overdraft on 29 February 2020.			
Workings	Answer		
	<table border="1" style="width: 100%;"> <tr> <td style="width: 50px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">4</td> </tr> </table>		4
4			

2.2.3

Calculate the % operating expenses for the 2020 financial year.	
Workings	Answer
Calculate the debt/equity ratio on 29 February 2020.	
Workings	Answer
Calculate the % return on average capital employed (ROCE) for the 2020 financial year.	
Workings	Answer
Interim, final & total dividends per share (see information B & D) for the 2020 financial year.	
Workings	Answer
Interim dividends per share:	
Final dividends per share:	
Total dividends per share:	

3

3

6

5

TOTAL
40

QUESTION 3

3.1

Explain two ways in which you would assess the solvency of any company.

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2

Compare the current and acid-test ratios of the two companies and explain which company has the more preferable ratios. Quote figures.

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6

Explain one possible problem for each company with regard to their control of the working capital items. Quote figures.

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4

3.2

Comment on the value of the shares of the two companies on the Johannesburg Securities Exchange (JSE) for 2020. Quote figures.

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5

You are concerned about the price at which the new shares were issued by Rock Ltd. Explain why you would be concerned and provide evidence.

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Explain what action the directors should take.

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6

3.3 Comment on the degree of risk and gearing in each company. Quote two financial indicators.

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8

3.4 Explain whether or not Mabel should be satisfied with the trend in the % return on equity (ROSHE) for each company.

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4

Compare the earnings per share (EPS) of each company and provide evidence to Mabel on which company has the better EPS.

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7

3.5 Comment on the dividend pay-out policies of the two companies for 2020 and explain which company has the better policy and why that company adopted that policy.

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4

3.6 Calculate the amount that Mabel will have to spend on buying shares on the JSE to become the majority shareholder.

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4

TOTAL
50