

**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** | |  |  | |  | | --- | |  | | **26** | |
|  | **Net profit before tax** | |  |  |
|  | **Income tax** | |  |  |
|  | **Net profit after tax** | | **861 700** |  |
|  |  | | | |  |
| **1.2** | **ORDINARY SHARE CAPITAL** | | | |  |
|  |  | | | |  |
|  |  | **Shares on 1 March 2019** | **8 550 000** |  |  |
|  |  |  |  |  | |  | | --- | |  | | **7** | |
|  |  |  |  |  |
|  |  | **Shares on 29 February 2020** |  |  |
|  |  | |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **1.2** | **RETAINED INCOME** | |  | |  | |
|  |  |  |  | |  | |
|  | **Balance on 1 March 2019** | **99 300** |  | |  | |
|  |  |  |  | |  | |
|  |  |  |  | |  | |
|  |  |  |  | |  | |
|  |  |  |  | | |  | | --- | |  | | **8** | | |
|  |  |  |  | |
|  |  |  |  | |
|  | **Balance on 29 February 2020** |  |  | |
|  |  |  |  | |  | |
| **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** |  | |  | | |  | | --- | |  | | **19** | |
|  |  |  | |  | |
|  |  |  | |  | |
|  |  |  | |  | |
|  |  |  | |  | |
|  | **TOTAL EQUITY AND LIABILITIES** |  | | | |
|  |  | | | |  | |

|  |
| --- |
| **TOTAL** |
|  |
| **60** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **QUESTION 2** | | | |  | |
|  |  | | |  | |
| **2.1** | |  |  | | --- | --- | | **2.1.1** |  | | **2.1.2** |  | | **2.1.3** |  | | | | |  | | --- | |  | | **3** | | |
|  |  | | |  | |
| **2.2.1** | | **Calculate the change in investments.** | | |  | | --- | |  | | **3** | |
| **Workings** | **Answer** |
|  |  |
| **Indicate inflow or outflow** |
|  | | **Calculate the income tax paid.** | | |  | | --- | |  | | **4** | |
| **Workings** | **Answer** |
|  |  |
|  | | **Calculate the proceeds from the sale of fixed assets.** | | |  | | --- | |  | | **4** | |
| **Workings** | **Answer** |
|  |  |
|  | |  | |  |
| **2.2.2** | | **Calculate total dividends for the 2020 financial year.** | | |  | | --- | |  | | **4** | |
| **Workings** | **Answer** |
|  |  |
|  | | **Calculate the bank overdraft on 29 February 2020.** | | |  | | --- | |  | | **4** | |
| **Workings** | **Answer** |
|  |  |
| **2.2.3** | | **Calculate the % operating expenses for the 2020 financial year.** | | |  | | --- | |  | | **3** | | |
| **Workings** | **Answer** |
|  |  |
|  | | **Calculate the debt/equity ratio on 29 February 2020.** | | |  | | --- | |  | | **3** | |
| **Workings** | **Answer** |
|  |  |
|  | | **Calculate the % return on average capital employed (ROCE) for the 2020 financial year.** | | |  | | --- | |  | | **6** | |
| **Workings** | **Answer** |
|  |  |
|  | | **Interim, final & total dividends per share (see information B & D) for the 2020 financial year.** | | |  | | --- | |  | | **5** | | |
| **Workings** | **Answer** |
| **Interim dividends per share:** |  |
| **Final dividends per share:** |  |
| **Total dividends per share:** |  |

|  |
| --- |
| **TOTAL** |
|  |
| **40** |

**QUESTION 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3.1** | **Explain two ways in which you would assess the solvency of any company.** | |  | | --- | |  | | **2** | |
|  |
|  | **Compare the current and acid-test ratios of the two companies and explain which company has the more preferable ratios. Quote figures.** | |  | | --- | |  | | **6** | |
|  |
|  | **Explain one possible problem for each company with regard to their control of the working capital items. Quote figures.** | |  | | --- | |  | | **4** | |
|  |
|  |  |  |
| **3.2** | **Comment on the value of the shares of the two companies on the Johannesburg Securities Exchange (JSE) for 2020. Quote figures.** | |  | | --- | |  | | **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.** | |  | | --- | |  | | **6** | |
|  |
| **Explain what action the directors should take.** |
|  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3.3** | **Comment on the degree of risk and gearing in each company. Quote two financial indicators.** | |  | | --- | |  | | **8** | |
|  |
|  |  |  |
| **3.4** | **Explain whether or not Mabel should be satisfied with the trend in the % return on equity (ROSHE) for each company.** | |  | | --- | |  | | **4** | |
|  |
|  | **Compare the earnings per share (EPS) of each company and provide evidence to Mabel on which company has the better EPS.** | |  | | --- | |  | | **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.** | |  | | --- | |  | | **4** | |
|  |
|  |  |  |
| **3.6** | **Calculate the amount that Mabel will have to spend on buying shares on the JSE to become the majority shareholder.** | |  | | --- | |  | | **4** | |
|  |
|  |  |  |

|  |
| --- |
| **TOTAL** |
|  |
| **50** |