

**WORKED EXAMPLE OF A**

**YEAR-END GRADE 12 ACCOUNTING EXAMINATION**

**PREPARED BY NEW ERA ACCOUNTING**

**ANSWER BOOK**

**PAPER 1**

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

**This answer book consists of 7 pages.**

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| **QUESTION 1** |  |
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| **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** |  |  |  |
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|  | **?** |  |  |  |
|  | **Operating expenses** |  |  |  |
|  |  **Directors’ fees** | **1 400 000** |  |  |
|  |  **Audit fees** | **250 000** |  |  |
|  |  **Sundry expenses** |  |  |  |
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|  | **?** |  |  |  |
|  | **Profit before interest expense** |  |  |  |
|  | **Interest expense**  |  |  |

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|  | **Net profit before tax** |  |  |
|  | **Income tax**  |  |  |
|  | **Net profit after tax** | **861 700** |  |
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| **1.2** | **ORDINARY SHARE CAPITAL**  |  |
|  |  |  |
|  |  | **Shares on 1 March 2019** | **8 550 000**  |  |  |
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|  |  | **Shares on 29 February 2020** |  |  |
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| **1.2** | **RETAINED INCOME**  |  |  |
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|  | **Balance on 1 March 2019**  | **99 300** |  |  |
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|  | **Balance on 29 February 2020** |  |  |
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| **1.3** | **XOLA Ltd****BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)****EQUITIES AND LIABILITIES** |  |
|  |  |  |  |  |
|  | **Shareholders’ equity** |  |  |  |
|  |  |  |  |  |
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|  | **Non-current liabilities** |  |  |  |
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|  | **Current liabilities** |  |  |  |
|  |  **Trade and other payables**  |  |  |  |
|  |  **Bank overdraft** |  |  |

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|  | **TOTAL EQUITY AND LIABILITIES** |  |
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| **TOTAL** |
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| **60** |

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| **QUESTION 2** |  |
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| **2.1** |

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| **2.1.1** |  |
| **2.1.2** |  |
| **2.1.3** |  |

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| **2.2.1** | **Calculate the change in investments.** |

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| **Workings** | **Answer** |
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| **Indicate inflow or outflow** |
|  | **Calculate the income tax paid.** |

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| **Workings** | **Answer** |
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|  | **Calculate the proceeds from the sale of fixed assets.** |

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| **Workings** | **Answer** |
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| **2.2.2** | **Calculate total dividends for the 2020 financial year.** |

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| **Workings** | **Answer** |
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|  | **Calculate the bank overdraft on 29 February 2020.** |

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| **Workings** | **Answer** |
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| **2.2.3** | **Calculate the % operating expenses for the 2020 financial year.** |

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| **Workings** | **Answer** |
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|  | **Calculate the debt/equity ratio on 29 February 2020.** |

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| **Workings** | **Answer** |
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|  | **Calculate the % return on average capital employed (ROCE) for the 2020 financial year.** |

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| **Workings** | **Answer** |
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|  | **Interim, final & total dividends per share (see information B & D) for the 2020 financial year.** |

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| **Workings** | **Answer** |
| **Interim dividends per share:** |  |
| **Final dividends per share:** |  |
| **Total dividends per share:** |  |

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

**QUESTION 3**

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| **3.1** | **Explain two ways in which you would assess the solvency of any company.** |

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

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

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