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Department:
Education
PROVINCE OF KWAZULU-NATAL

GREENBURY SECONDARY SCHOOL

ACCOUNTING : GRADE 12

FIRST QUARTERLY TEST : 2018

MARKS : 170

TIME : 90 MINUTES

NAME : _____

GRADE 12 : _____

This question paper consists of 8 pages and an answer booklet of 7 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1 : 46 marks; 30 minutes	
Topic :	This question integrates :
Profit Calculation and Notes to Financial Statement	Financial accounting Concepts Profit calculation Notes to Balance Sheet

QUESTION 2 : 61 marks; 30 minutes	
Topic :	This question integrates :
Notes to Financial Statement and Balance Sheet	Financial accounting Balance Sheet and Notes

QUESTION 3 : 63 marks; 30 minutes	
Topic :	This question integrates :
Fixed Assets Cash Flow	Financial accounting Cash Flow Statement Managing Resources Fixed Assets

QUESTION 1 : Profit Calculation and Notes to Financial Statements

[46 Marks; 30 Minutes]

- 1.1 A company's published annual report comprises five main parts.
Choose a description in Column B that matches the term in Column A.
Write only the letter (A – E) next to the question number (1.1.1 – 1.1.5) in the answer book.

	COLUMN A	COLUMN B
1.1.1	Income Statement	A. An explanation of the operations of the company during a financial year.
1.1.2	Balance Sheet	B. Reflects whether or not the shareholders can rely on the financial statements.
1.1.3	Cash Flow Statement	C. Reflects the profit / loss of the company for the year.
1.1.4	Director's Report	D. Reflects the effect on the operating, financing and investing activities on the cash resources.
1.1.5	Independent Audit Report	E. Reflects the net worth of the company.

[5x1=5]

1.2 BEENI LTD

Refer to the information from the records of BEENI LTD for the financial year ended 30 June 2018.

REQUIRED

- 1.2.1 Calculate the correct net profit after tax after taking into account the information (A) below. Indicate an increase by (+) or a decrease by (-).
Show workings in brackets, wherever applicable, to earn part marks. [22]
- 1.2.2 Prepare the retained income note to the Balance Sheet. [13]
- 1.2.3 The CFO (Chief Financial Officer), Charlene Maharaj, has convinced the company to buy back a further 400 000 shares from her close relative during the next financial year. Charlene currently owns 1 904 400 shares in this company, which is 46% of the issued shares.
As a shareholder, explain your concern regarding the proposed buy-back of shares. Provide calculations to support your concern. [6]

INFORMATION

A. The net profit before tax R1 431 700 was calculated before taking into account the following adjustments :

- R100 000 is owed to the independent auditors.
- Stock of packing materials on hand as per inventory on 30 June 2018 amounted to R2 000.
- The provision for bad debts is to be decreased by R3 000.
- Insurance included an annual premium of R6 000 paid for the period 1 December 2017 to 30 November 2018.
- The loan statement from A.Raj bank reflected the following :

Balance on 1 July 2017	R600 000
Repayments during the year	R312 000
Interest Capitalised	R ?
Balance on 30 June 2018	R360 000

- During a burglary stock costing R50 000 was stolen. The insurance company agreed to pay out an amount of R40 000, but this has not yet been received.
- An amount of R4 800 representing 40 cents in the rand was received from the insolvent estate of a debtor and recorded in the Cash Receipts Journal on 30 June 2018. No entry was made to write off the balance of the account.
- 60 000 ordinary shares were repurchased from a disgruntled shareholder on 31 May 2018. The company paid R3,50 per share. This was paid but the bookkeeper debited the full amount to Sundry Expenses.

Additional Information

- | | |
|--|------------|
| ✓ The business has an authorised share capital of 6 000 000 shares | |
| ✓ Ordinary share capital (1 July 2017) | R3 150 000 |
| ✓ 70% of the shares were in issue on 1 July 2017 | |

B. Income tax for the year amounted to R408 800. This was calculated at 28% of the corrected net profit.

C. Dividends :

- Interim dividends R630 000.
- A final dividend of 20 cents per share was declared on 30 June 2018. Only shares in the share register qualify for full dividends.

QUESTION 2 : Balance Sheet and Notes

[61 Marks; 30 Minutes]

2.1 JUANITA LTD

Refer to the information from the records of JUANITA LTD for the financial year ended 30 June 2018.

REQUIRED

2.1.1 Prepare the following notes to the Balance Sheet :

2.1.1.1 Ordinary Share Capital [11]

2.1.1.2 Trade and other Payables [18]

2.1.2 Complete the Balance Sheet on 30 June 2018. Where notes are not required, show ALL workings in brackets. [32]

INFORMATION

A. Extract from the books on 30 June 2018 :

Fixed / Tangible Assets (carrying value)	?
Fixed Deposit : Shana Bank	250 000
Ordinary Share Capital (1 September 2017)	1 200 000
Retained Income (1 July 2017)	148 800
Bank (Favourable)	470 000
Loan : Tes Bank	?
Trading Stock	127 000
Debtors Control	20 000
Creditors Control	146 600
Prepaid Expenses	3 000
Income Received in Advance	2 000
SARS – Income Tax (Provisional Payments)	400 000
SARS PAYE	2 000
Dividends on Ordinary Shares (Interim)	200 000

B. Shares

- The company has an authorised share capital of 2 000 000 shares.
- On 1 September 2017 an additional 200 000 shares were issued at R4,25 each. It has been properly recorded.
- On 27 June 2018, the Directors decided to repurchase 50 000 shares from a disgruntled shareholder at R5 each. No entries were made.

C. Dividends

- A final dividend of 30 cents per share was declared on 30 June 2018. Only shares in the share register qualify for final dividends.

D. Income Tax

- The net profit after tax was calculated as R1 051 200.
- The income tax for the year amounted to R408 800. This was calculated at 28% of the net profit.

E. The following adjustments have been taken into account to calculate the net profit after tax.

- Provision for bad debts is set at 5% of outstanding debts.
- The electricity account for June 2018 is still outstanding, R4 000.
- Consumable stores used during the year amounted to R12 000. This represents 80% of the total consumable stores purchased.
- The details of an employee J. Jakes, employed on 1 June 2018 was omitted from the Salaries Journal.

DEDUCTIONS		NET SALARY
PAYE	PENSION FUND	
1 000	2 800	12 200

- The employer contributes towards the employees' pension fund : R2 for every R1. No payments were made.

F. The loan statement from Tes Bank reflected the following :

Balance on 1 July 2017	R480 000
Repayments during the financial year (including interest)	R177 600
Interest Capitalised	R57 600
Balance on 30 June 2018	?

R40 000 of the loan will be paid back in the next financial year.

G. Bank Statement

The bank statement received on 30 June 2018 showed an outstanding cheque for R5 000 issued to Quickfix CC for repairs. This cheque was dated 10 July 2018.

H. Fixed deposit

20% of the fixed deposit will mature on 31 December 2018.

QUESTION 3 : Fixed Assets and Cash Flow**[63 Marks; 30 Minutes]****LEAH LTD**

The given information relates to LEAH LTD for the financial year ended 28 February 2018.

REQUIRED

- 3.1 Refer to Information A and Information B.
Calculate the missing amounts denoted by (a) to (c) on the Fixed Asset Note. [14]
- 3.2 Prepare the note CASH GENERATED THROUGH OPERATIONS to the Cash Flow Statement for the year ended 28 February 2018. [14]
- 3.3 Complete the Cash Flow Statement for the year ended 28 February 2018.
Show workings to earn part marks. [35]

INFORMATION

A. Information from the Financial Statement on 28 February :

	2018	2017
Depreciation	?	?
Interest Expenses	123 000	126 500
Net Profit before Tax	422 500	157 500
Net Profit after Tax	295 750	113 400
Fixed Assets (Carrying value)	4 934 450	3 993 390
Shareholders Equity	4 375 250	3 135 000
Ordinary Share Capital	4 117 500	3 000 000
Retained Income	257 750	135 000
Non-Current Liabilities	750 000	1 300 000
Inventories (Only Trading Stock)	288 000	363 000
Debtors	318 000	254 000
Creditors	287 000	367 000
Cash and Cash Equivalents	2 500	245 000
Bank Overdraft	27 500	-
SARS – Income Tax	5 200 (Cr)	3 390 (Cr)
Shareholders for Dividends	98 000	50 000

B. Fixed Asset Note

Fixed Asset comprise only Buildings and Equipment

	BUILDINGS	EQUIPMENT
Carrying value (01/03/2017)	2 866 990	1 126 400
Cost (01/03/2017)		2 200 000
Accumulated Depreciation (01/03/2017)		(1 073 600)
Movements		
Additions	(a)	300 000
Disposals		(b)
Depreciation		(c)
Carrying Value (28/02/2018)		1 058 520
Cost (28/02/2018)		
Accumulated Depreciation (28/02/2018)		

- Additional equipment was purchased on 1 June 2017.
- Extensions to the building were completed on 31 August 2017.
- Old equipment was sold at carrying value on 28 February 2018.
- Equipment is depreciated at 20% using the Diminishing-Balance Method.

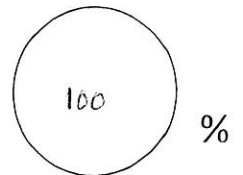
C. Share Capital and Dividends

- The company is registered with an authorised share capital of 1 000 000 ordinary shares.
- On 1 March 2017 there were 500 000 shares in issue. A further 200 000 shares were issued on this date.
- An interim dividend of R70 000 was paid on 31 August 2017.
- On 28 February 2018, 25 000 ordinary shares were repurchased from the estate of a deceased shareholder at R6,30 per share. The average issue price was R6,10 at this point.
- A final dividend was declared on 28 February 2018.



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GREENBURY SECONDARY SCHOOL
ACCOUNTING : GRADE 12
FIRST QUARTERLY TEST : 2018
ANSWER BOOKLET

NAME : _____ GRADE 12 : _____

QUESTIONS	MARKS	MODERATOR
1.	46	
2.	61	
3.	63	
TOTAL	170	

N.B. This answer book consists of 7 pages.

1.1

1.1.1	C	✓
1.1.2	E	✓
1.1.3	D	✓
1.1.4	A	✓
1.1.5	B	✓

5
5

1.2

1.2.1 Calculate the correct net profit before tax

Incorrect Net Profit	1 431 700	
Audit fees	- 100 000	✓
Packing materials	+ 2 000	✓
Decrease in provision for bad debts	+ 3 000	✓
Insurance (6000 x 5/12)	+ 2 500	✓
Interest on loan (600 000 - 312 000 - 360 000)	- 72 000	✓
Loss due to burglary (50 000 - 40 000)	- 10 000	✓
Bad debts (4800 x 60/100)	- 7 200	✓
Supply expenses (60 000 x R3,50)	+ 210 000	✓
Net profit before tax	1460 000	✓
Income Tax	(408 800)	✓
Net profit after tax	1051 200	✓

1.2.2 Retained Income

Balance of Retained Income beginning of year	1 571 800	
✓ Net Profit After Tax (408 800 x 72/28) SEE 1.1.1	1 051 200	✓
✓ Repurchase of 60 000 shares at R2,75 ABOVE AVERAGE PRICE	(165 000)	✓
Dividends	(1458 000)	
✓ INTERIM	(630 000)	✓
✓ FINAL (20/100 x 4 140 000 shares)	(828 000)	✓
Balance of Retained Income at end of year	1 000 000	✓

- 1.2.3 As a shareholder, explain your concern regarding the proposed buy-back of shares. Provide calculations to support your concern.

Calculate

$$\begin{aligned}
 \text{NUMBER OF SHARES IN ISSUE AFTER REPURCHASE NEXT FINANCIAL YEAR} &= 4140000 - 400000 = 3740000 \checkmark \\
 \text{NUMBER OF SHARES OWNED BY CFO} &= 1904400 \checkmark \\
 \% \text{ SHAREHOLDING AFTER REPURCHASE NEXT FINANCIAL YEAR} &= \frac{1904400}{3740000} \times 100 \% \\
 &= 50,9\% \text{ (1)} \checkmark
 \end{aligned}$$

Concern

✓ CFO WILL OWN MORE THAN 50% OF THE SHARES → MAJORITY SHAREHOLDER ✓✓

6

6

TOTAL MARKS

46

46

QUESTION 2

2.1

2.1.1 Ordinary Share Capital

Authorised			
2 000 000 Ordinary Shares			
Issued			
100 000	Shares in issue at beginning of year (1200000 850000) ✓	350 000 ✓	
200 000 ✓	SHARES ISSUED ON 1 SEPT 2017 / DURING THE YEAR AT R4,25 ✓	850 000 ✓	
(50 000) ✓	SHARES REPURCHASED AT AVERAGE PRICE R4 ✓	(200 000) ✓	11
250 000 ✓	Shares in issue at end of year	1 000 000 ✓	11

2.1.2 Trade and other Payables

SARS-INCORPORATE TAX (408 800 400 000) ✓	8 800 ✓	
SHAREHOLDERS FOR DIVIDENDS (20/100 250 000 SHARES) ✓	75 000 ✓	
CURRENT PORTION OF LOAN ✓	40 000 ✓	
CREDITORS CONTROL (146 600 + 5000) ✓	151 600 ✓	
INCOME RECEIVED IN ADVANCE ✓	2000 ✓	
SARS-PAYE (2000 + 1000) ✓	3000 ✓	
ACCRUED EXPENSES ✓	4000 ✓	
PENSION FUND (2800 + 5600) ✓	8400 ✓	
CREDITORS FOR SALARIES ✓	12 200 ✓	15
	<u>305 000</u>	18

2.1.2 JUANITA LTD

Balance Sheet on 30 June 2018

ASSETS		
NON-CURRENT ASSETS	2 073 000	
Fixed / Tangible Assets	1 873 000	✓
Financial Asset (250 000 - 50 000)	200 000	✓
CURRENT ASSETS	427 000	
Inventory (127 000 + 3 000)	130 000	✓
RECEIVABLES (20 000 - 1 000 + 3 000)	22 000	✓
CASH AND CASH EQUIVALENTS (470 000 - 250 000 + 5 000 + 50 000)	275 000	✓
TOTAL ASSETS (SAME AS E+L)	2 500 000	✓
EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY	1 875 000	
Ordinary Share Capital (REF 2.1.1)	1 000 000	✓
Retained Income (148 800 + 105 120 - 50 000 - 200 000 - 75 000)	875 000	✓
NON-CURRENT LIABILITIES	320 000	
Loan Leah Bank (430 000 - 177 000 + 57 000) - 40 000	320 000	✓
CURRENT LIABILITIES	305 000	
Trade and other Payables (REF 2.1.2)	305 000	✓
TOTAL EQUITY AND LIABILITIES (OPERATION)	2 500 000	✓
		32
		32

TOTAL MARKS
61
61

QUESTION 3

3.1

No.	WORKINGS	AMOUNT
(a)	Additions to Buildings $4934500 - 1058520 = 3875980 - 2866990$	1 008 940 ✓
(b)	Total Depreciation on Equipment Old: $20/100 \times 1126400 (2200000 - 1073600) = 225280$ New: $20/100 \times 300000 \times \frac{9}{12} = 45000$	270 280 ✓
(c)	Disposal of Equipment at carrying value $1126400 + 300000 - 270280 - 1058520$	97600 ✓
		14
		14

3.2 Cash Generated through Operations

Net profit before Tax	422 500 ✓	
Adjustment for		
✓ DEPRECIATION (REFER TO 3.1 (b))	270 280 ✓	
✓ INTEREST EXPENSE	123 000 ✓	
Profit before changes in Working Capital	815 780	
Changes in Working Capital	(69 000)	
↑↑ Inventory DECREASED (363 000 - 288 000)	75 000 ✓	
↑↑ Receivables INCREASED (318 000 - 254 000)	(64 000) ✓	
↑↑ Payables DECREASED (367 000 - 287 000)	(80 000) ✓	14
	746 780	14

3.3 Cash Flow Statement for the year ended 28 February 2018

CASH EFFECTS OF OPERATING ACTIVITIES	(OPERATION)	378 840	✓
Cash generated through Operations	(REF 3.2)	746 780	✓
Interest Paid	(REF 3.2)	(123 000)	✓
✓ DIVIDENDS PAID $(-163\ 000 - 50\ 000 + 93\ 000)$ $(70\ 000 + 50\ 000)$		(120 000)	✓
Tax Paid $(-126\ 750 - 3370 + 5\ 200)$		(124 940)	✓
CASH EFFECT OF INVESTING ACTIVITIES		(1 211 340)	
Tangible Assets Purchased $(1\ 008\ 940 + 300\ 000)$	REF 3.1(a)	(1 308 940)	✓
✓ DISPOSAL OF TANGIBLE ASSET AT CARRYING/BOOK VALUE	REF 3.1 (c)	97 600	✓
Investments / Fixed Deposit		-	
CASH EFFECT OF FINANCING ACTIVITIES		562 500	
Proceed from New Shares Issued $(411\ 500 + 151\ 500 - 3\ 000\ 000)$		1270 000	✓
Repurchase of Shares $(25\ 000 \times R6,30)$		(157 500)	✓
✓ NON-CURRENT LIABILITIES/LOAN $(1300\ 000 - 750\ 000)$		(550 000)	✓
NET CHANGE IN CASH AND CASH EQUIVALENTS		(270 000)	✓
Cash and Cash Equivalents : Beginning		(25 000)	✓
Cash and Cash Equivalents : Ending $(27500 - 2500)$		245 000	✓

35

35

TOTAL MARKS

63

63

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