

STICKER

CENTRE NUMBER

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EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE

ACCOUNTING P1

FINANCIAL REPORTING AND EVALUATION

EXEMPLAR 2020

GRADE 12

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 9 pages.

QUESTION 1

1.1	Why it is important for the independent auditors to be members of a professional accounting body, in this case SAICA? Give TWO reasons.		
	Reason 1		
	Reason 2		2
1.2	Why is it necessary for the published financial statements of Shivas Ltd to be audited by an 'independent' auditor? Give TWO reasons.		
	Reason 1		
	Reason 2		2
1.3	What type of audit report did the company receive?		
	Explain why the auditors decided to present this type of report.		1
			2
1.4	Give TWO examples of audit evidence that the auditors would have required regarding this problem.		
	Example 1		
	Example 2		2
1.5	Apart from the current ratio, identify and calculate ONE other financial indicator that the auditors would have used in deciding on this opinion.		
	Identify ONE other financial indicator:		
	Calculate the financial indicator:		
	Explain what the directors could have done to prevent this opinion by the auditors. Provide TWO points.		4
	Point 1		
Point 2		2	

TOTAL MARKS
15

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	
2.1.4	
2.1.5	

5

2.2 VISIV LTD

2.2.1

(i) Calculate: Depreciation for the current year	
Workings	Answer
(ii) Calculate: Carrying value of vehicle sold	
Workings	Answer
Calculate: Profit/Loss on sale of asset	
Workings	Answer
Calculate: Fixed assets carrying value on 28 February 2019	
Workings	Answer

2

3

2

4

2.2.2 Calculate the correct net profit after tax for the year ended 28 February 2019. Indicate (+) for increase and (-) for decrease.

Workings	Answer
Incorrect net profit before tax	822 700
Correct net profit after tax	

10

2.2.3 RETAINED INCOME NOTE:

Balance at beginning	865 300
Ordinary share dividends	
Balance at end	

9

VISIV LTD: STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2019	
ASSETS	
Non-current assets	
Fixed assets	
Fixed deposit	
Current assets	
Inventories	
Cash and cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary shareholders' equity	
Ordinary share capital	8 152 000
Non-current liabilities	
Current liabilities	2 900 000
Current portion of loan	
TOTAL EQUITY AND LIABILITIES	

30

TOTAL MARKS
65

QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	

3

3.2.1

Calculate: Income tax paid	
Workings	Answer
Calculate: Dividends paid	
Workings	Answer
Calculate: Proceeds of shares issued	
Workings	Answer
Calculate: Fixed assets purchased	
Workings	Answer

4

4

5

5

3.2.2 Calculate financial indicators for the year ended 28 February 2019:

% operating profit on sales		
Workings	Answer	
		3
Net asset value per share		
Workings	Answer	
		3
Debt-equity ratio		
Workings	Answer	
		3

TOTAL MARKS
30

QUESTION 4

4.1

Explain why directors should be interested in the price of their companies' shares on the JSE.		
		2
Calculate the number of additional shares in Horizon Ltd that Mike was able to buy on the JSE in 2019.		
Workings	Answer	
		3
Comment on the price that Mike paid for these additional shares in Horizon Ltd and give TWO reasons why he might have been satisfied to pay this price.		
Comment (with figures):		
Reason 1:		
Reason 2:		6

4.2

Explain your opinion on which company has the better dividend pay-out policy. Quote figures.		
		6
Compare and comment on the % return on equity earned by EACH company. Quote figures.		
		4

Mike feels that the earnings per share (EPS) of Optima Ltd is much better than that of Horizon Ltd. Explain why he feels this way. Quote figures or calculations.

5

4.3

Explain TWO decisions taken by the directors of Horizon Ltd in response to the state of the economy, and how these decisions will affect the company in future.

Decision 1 (with figures):

Decision 2 (with figures):

Effect on Horizon Ltd in future:

6

Explain TWO decisions taken by the directors of Optima Ltd that affect risk and gearing. Quote and comment on TWO financial indicators.

Decision 1 (with figures):

Decision 2 (with figures):

Quote and comment on TWO financial indicators that affect risk and gearing.

8

TOTAL MARKS
40

TOTAL: 150