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ANSWER
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2-in-1

Accounting

TEST & EXAM PREPARATION

Ann Botha

GRADE

12

CAPS



Grade 12 **Accounting** 2-in-1 CAPS

TEST & EXAM PREPARATION

This Grade 12 Accounting 2-in-1 study guide is a highly effective revision companion. You can use it throughout the term as well as for exam preparation.

Key features:

- A quick revision of all aspects of the CAPS curriculum. This section covers the essential theory and basic concepts.
- 7 exam papers with suggested answers. Clear guidelines for exam technique and layout are provided throughout.

The tips, comments, study notes and ongoing advice offered by the teacher-author develop confidence in the learners as they work systematically through the book.

The guidelines to calculations, summaries of useful terminology and abbreviations all contribute to a one-stop book that thoroughly prepares the learner for tests and exams.

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- notes, questions & answers per topic
- exam papers & suggested answers

THIS STUDY GUIDE INCLUDES

- 1 Quick revision of all aspects of the curriculum
- 2 Examination Papers with Suggested Answers



eBook
available 

CONTENTS

QUICK REVISION

A broad outline of the curriculum and contents of Quick Revision :

'Quick Revision' is a summary of the contents of the curriculum. It tests your knowledge of all the theory, all the formats and formulae you need to know. For quick reference the **page numbers** are given here.

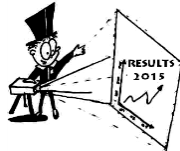
BASIC CONCEPTS 1

- Basic Definitions
- GAAP
- Ethics
- Internal Control 2
- The Internal Auditor



COMPANIES (1) 3

- The Theory
 - Types of companies
 - Memorandum of Incorporation
 - Advantages of a company (over sole proprietor & partnerships)
 - Capital – authorised and issued share capital
 - Shareholders
 - Directors – duties
 - meetings
 - characteristics 4
 - evaluation of performance
 - conflict of interest



- Business rescue
- Dispute resolution
- Insider trading
- The bookkeeping of companies – ledger accounts 5
- Issue of shares
- Buy-back of shares
- Income tax / SARS (income tax) 6
- Dividends / Shareholders for dividends
- Appropriation account



- The Financial Statements 6
 - Statement of Comprehensive Income
 - Statement of Financial Position and Notes 7
 - The effect of company transactions on the accounting equation 8
- External, independent auditors and the Audit Report 9

COMPANIES (2) 10

- The Statement of Cash Flows and Notes
- Analysis and interpretation of Financial Statements 11

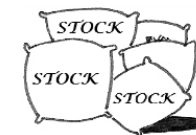
TANGIBLE/FIXED ASSETS 12

- The life span of an asset
- Depreciation
- The Tangible Asset Register
- Asset disposal entries 13
- The Tangible Asset Note
- The Asset disposal account
- Internal control of assets
- Ethics



INVENTORY SYSTEMS 14

- The valuation of inventory – specific identification method
 - FIFO (first in first out)
 - weighted average
- The control of inventory – perpetual method
 - periodic method
- Calculation of mark-up and cost of sales
- Why a business will not achieve its mark-up 15
- Internal control of inventory



RECONCILIATIONS 15

- Debtors' Reconciliations
 - Reconciliation of Debtors' accounts and Debtors' List
 - Debtors' age analysis (internal control).....16
- Creditors' Reconciliations
 - Reconciliation of Creditors' accounts and List of balances
 - Reconciliation of Creditors' Statement with account.....17
 - Internal control
- Bank Reconciliation
 - The Bank Reconciliation Statement
 - Internal control.....18

VALUE ADDED TAX (VAT) 18

- Input and Output VAT
- Calculation of amount payable to or receivable from SARS
- Zero-rated and Exempt items
- Some practice of VAT calculations.....19



COST ACCOUNTING 19

- Production Cost Statement with Notes
- Income Statement (short form) with Notes20
- Cost calculations – formulae20
- Cost concepts – fixed and variable
- The break-even point21
- Internal control
- The effect of changes in costs
- Ethics

BUDGETING 22

- Projected Income Statement – analysis and interpretation
- Cash Budget – analysis and interpretation
- Debtors' collection schedule
- Suggestions on how to interpret a Cash Budget



EXAM PAPERS



Analysis of Exam Papers 23

Suggestions on how to answer exam questions..... 24

Paper A 25

Paper B 36

Paper C 46

Paper D 57

Paper E..... 69

Paper F..... 80

Paper G 87

Answers to Quick Revision Exercises

Basic Concepts 93

Companies (1)..... 94

Companies (2)..... 101

Tangible/Fixed Assets 103

Inventory Systems 104

Reconciliations..... 105

Value Added Tax (VAT) 108

Cost Accounting..... 109

Budgeting 111

Answers to Exam Papers

How to mark exam answers 112

Paper A 113

Paper B 119

Paper C 123

Paper D 128

Paper E..... 133

Paper F..... 138




Paper G 141

Terminology 144

Acceptable Abbreviations..... 146

Alternative terminology 146

ANALYSIS OF EXAMINATION PAPERS

| TOPIC | | PAPER A | PAPER B | PAPER C | PAPER D | PAPER E | PAPER F | PAPER G |
|--|--|---------|---------|------------|---------|---------|---------|---------|
| COMPANIES (1)  | General Ledger / AOL | | Q2.1 | | Q1.1 | Q4.1 | | Q3 |
| | Financial Statements | Q3.1.2 | Q2.3 | Q2.2 | Q3 | Q2 | Q2 | |
| | Audit, etc. | Q3.2 | Q5.2 | Q4.2 / 4.4 | Q4 | Q4.9 | | |
| COMPANIES (2) | Statement of Cash Flows | Q5.1 | Q5.1 | | Q4 | Q4.2 | Q3 | |
| | Analysis & interpretation | Q5.2 | Q5.1 | Q4.1 / 4.3 | Q4 | Q4.4 | | Q3 |
| TANGIBLE ASSETS | Asset disposal and Tangible Asset Note | Q3.1.1 | Q2.2 | Q2.1 | Q6.1 | | Q1 | |
| INVENTORY  | Inventory valuation, etc. | Q4.1 | Q4.1 | Q1 | Q6.2 | Q1 | Q1 | |
| | Problem solving | Q4.2 | | | Q6.3 | Q3.2 | | |
| RECONCILIATIONS  | Debtors | | Q3.1 | | Q1.2 | Q6 | | |
| | Creditors | Q6.2 | | Q5 | | | | |
| | Bank | Q6.1 | Q3.2 | | | | | Q2 |
| VAT | | | Q4.2 | | | Q3.3 | Q2.1 | |
| COST ACCOUNTING | Production Cost Statement | | Q1.1 | | Q2.1 | | Q4.1 | |
| | Costing | Q1 | Q1.2 | Q6 | Q2.2 | Q5 | Q4.2 | |
| BUDGETING | Projected Income Statement | | Q6 | Q3 | | | | Q1 |
| | Cash Budget | Q2 | | | Q5 | Q3.1 | | Q1 |

SUGGESTIONS ON HOW TO ANSWER EXAM QUESTIONS

When answering the questions in this book you may do them roughly and abbreviate, but remember – **do NOT** do this in the exam.

- **Read the question carefully.** Focus your thoughts by **underlining the word/phrase/topic** that is being asked about.
- **Always use full sentences** in your answer and **keep to the topic.** Explain the concept used in the question, but use different words e.g. Q: What is a dividend? Do not say: 'A dividend is a dividend . . .'
- Look at the **mark allocation.**
If you are asked for one explanation or example, usually 2 marks are given (*Except when the examiner is very strict and gives only 1!*)
If more marks are given, your answer must be more detailed.
Don't forget to answer 'Yes' or 'No' when asked 'Do you agree . . .?'
If you have not been told how many points / reasons to give, the marks will guide you as to how much to write. Take it at 2 marks each for a good factual sentence.
- When asked to calculate an answer, **write down the formula or wording** you are going to use to show how you worked it out. This has two benefits:
 - it focuses your thoughts on how to do the answer so that you don't make a careless mistake, and
 - it shows the examiner what you did so that even if the answer is wrong, you can be given method marks.

ALWAYS answer the question!

If you are not sure what is actually wanted, think of the section of the curriculum you are being examined on *{you are given time to think}* and give some information relevant to that topic.

REMEMBER IF YOU WRITE NOTHING - YOU GET NOTHING!

The markers really do want you to do well, so they will read what you have written to see if they can award a mark or two - and that's always better than 0!

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PAPER A

QUESTION 1

COST ACCOUNTING

24 marks
14 minutes

TRANSFORMERS T-SHIRTS LIMITED



INFORMATION

- Transformers T-shirts Limited made and sold 34 000 T-shirts during the year ended 29 February 2016. They had produced 25 000 T-shirts in 2015.
- All T-shirts were sold at a fixed price of R45 each in both 2015 and 2016.
- All finished items were sold. There was no work-in-process at the beginning or end of the financial year.
- The following total and unit costs were identified:

| | 2016 | | 2015 | |
|-------------------------------|-------------------|---------------|-------------------|---------------|
| | 34 000 units made | | 25 000 units made | |
| | Total costs | Unit costs | Total costs | Unit costs |
| Variable costs: | R980 000 | R28,83 | R801 000 | R32,04 |
| Direct materials cost | 500 000 | A | 462 000 | 18,48 |
| Direct labour cost | 320 000 | 9,41 | 205 000 | 8,20 |
| Selling and distribution cost | 160 000 | B | 134 000 | 5,36 |
| Fixed costs: | 333 000 | 9,79 | 296 000 | 11,84 |
| Factory overheads cost | 205 000 | C | 205 000 | 8,20 |
| Administration cost | 128 000 | 3,76 | 91 000 | 3,64 |
| Total costs | R1 313 000 | R38,62 | R1 097 000 | R43,88 |

ANSWER THE FOLLOWING QUESTIONS:

- 1.1 Calculate the unit costs for 2016 shown as A, B and C in the table above. [6]

A

B

C

- 1.2 Compare the unit costs of 2016 with those of 2015. Some of the unit costs have been affected by inflation (increased prices). In each of the following cases give ONE possible reason, other than inflation, for the change. [6]

▪ Direct materials cost per unit

▪ Direct labour cost per unit

▪ Factory overheads cost per unit

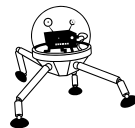
- 1.3 Calculate the break-even point for 2016. [5]

- 1.4 Comment on the break-even point calculated above. Should the business be satisfied with the number of units that are currently being produced? Explain. [3]

- 1.5 The King III report, which is applicable to all companies in South Africa, states that apart from making a profit, a company must be responsible for the environment in which it operates. Explain how this applies to this company. [4]

| | | |
|-------------------|---|--------------------------------|
| QUESTION 2 | BUDGETING – CASH BUDGET AND DEBTORS' COLLECTION SCHEDULE | 60 marks 36 minutes |
|-------------------|---|--------------------------------|

MARVELS FURNISHERS LIMITED



You have been provided with an extract from the Cash Budget and other information for this company which has a mega store in a large shopping centre in Tshwane. It sells furniture and related items for cash and on credit. The financial year-end is 30 September.

INFORMATION

- 40% of sales are on credit.
Expected sales: July R1 500 000; August R1 400 000; September R1 250 000.
- The business uses a mark-up of 100% on cost.
Stock is replenished by the end of each month. The directors decided that, as from 1 July 2016, the company will no longer buy all stock for cash in order to earn a 5% discount. Only 25% of purchases will be paid for in cash to earn the discount. Creditors will be paid in full in the month after the purchase.
- Debtors are expected to pay as follows:
 - 50% in the month following the sales transaction (30 days)
 - 30% in the second month (60 days)
 - 18% in 90 days. The balance is written off in the third month.
- EXTRACT FROM DEBTORS' AGE ANALYSIS ON 30 SEPTEMBER 2016**
Each of the debtors mentioned below has been given a 'credit limit' of R15 000 and 'terms' of 30 days.



| Name | Total | Current month | 30 days | 60 days | 60 days+ |
|-------------|---------|---------------|---------|---------|----------|
| B Bed | 15 000 | 15 000 | | | |
| L Lessenaar | 19 000 | – | 11 500 | 7 500 | |
| M Mikrogolf | 8 500 | – | – | – | 8 500 |
| S Stoel | 6 400 | 1 200 | 5 200 | | |
| T Tapyt | 16 600 | 5 800 | 5 300 | 5 500 | |
| | 914 000 | 500 000 | 280 400 | 122 000 | 11 600 |

| 5. OTHER INFORMATION | 30.09.2016 | 30.09.2015 |
|----------------------|------------|------------|
| Sales for year | 13 152 000 | 10 960 000 |
| Cost of sales | 6 576 000 | 5 480 000 |
| Debtors' control | ? | 728 000 |

MARVELS FURNISHERS LIMITED

CASH BUDGET FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

| | JULY | AUGUST | SEPTEMBER |
|---------------------------------------|-----------|-----------|-----------|
| RECEIPTS (extract) | | | |
| Cash sales | 900 000 | 840 000 | 750 000 |
| Collection from debtors | 518 600 | 565 800 | [1] |
| Interest on debtors' overdue accounts | 1 400 | 1 200 | 1 600 |
| | | | |
| Loan from Tshwane Bank (9% p.a.) | A | | |
| TOTAL RECEIPTS | | | 1 316 000 |
| PAYMENTS (extract) | | | |
| Cash purchases of stock | B | 166 250 | 148 438 |
| Payments to creditors | 543 750 | 562 500 | C |
| Directors' fees | 30 000 | 30 000 | 30 000 |
| Sundry operating expenses | | | |
| School feeding scheme | 5 000 | 5 000 | 5 000 |
| Staff training | | 25 000 | |
| Income tax | | | 135 000 |
| Repayment of loan | | 20 000 | 20 000 |
| Interest on loan | | 4 050 | 3 900 |
| Renovation of store | | 225 000 | |
| TOTAL PAYMENTS | 1 429 000 | 1 567 000 | 1 368 800 |
| Cash Surplus (deficit) | 531 000 | (160 000) | D |
| Balance at beginning of month | 225 000 | 756 000 | |
| Cash on hand at end of month | 756 000 | 596 000 | E |

REQUIRED

- 2.1 Prepare a Debtors' Collection Schedule for September. [7]

| | CREDIT SALES FOR MONTH | SEPTEMBER COLLECTIONS |
|--------------|------------------------|-----------------------|
| June | R580 000 | |
| July | R600 000 | |
| August | R..... | |
| TOTAL | | |

| | |
|-----|--|
| 2.2 | Calculate the missing figures in the Cash Budget. [15] |
| A | |
| B | |
| C | |
| D | |
| E | |
| 2.3 | Explain the main advantage to the company of the directors' decision to 'no longer buy all stock for cash'. [2] |
| | |
| 2.4 | In your opinion is it a good idea for the company to offer credit to customers? Provide ONE point in favour of this strategy and ONE point against it. [5] |
| | Yes, it is a good idea OR No, it is not a good idea. Circle 'Yes' or 'No'. |
| | Point in favour: |
| | |
| | Point against: |
| | |
| 2.5 | Explain why it is necessary to give each debtor a 'credit limit' and 'terms'. [4] |
| | |
| | |
| | |
| 2.6 | Calculate the debtors' average collection period (in days) for the financial year ended 30 September 2016. [5] |
| | |
| | |
| | |
| | |

| | |
|------|--|
| 2.7 | Will the internal auditor be satisfied with this collection period? Give ONE reason for your answer. [3] |
| | Yes / No. |
| | |
| 2.8 | The internal auditor feels that there are problems in controlling debtors. Briefly explain why he feels this way by identifying TWO debtors with different problems. Refer to the Debtors' Age Analysis. [4] |
| | |
| | |
| | |
| 2.9 | Explain what the payment of Income tax in September represents. [2] |
| | |
| 2.10 | Calculate the estimated net profit for the year ended 30 September 2016. Assume that the current rate of tax is 30% of net profit. The same amount was paid for Income tax in March 2016. [3] |
| | |
| 2.11 | Why is there no figure for audit fees in the Cash Budget? [2] |
| | |
| 2.12 | The company will declare a dividend on 30 September 2016. Why is there no amount for this dividend in this Cash Budget? [2] |
| | |
| 2.13 | Explain the items 'School feeding scheme' and 'Staff training' in the Cash Budget. Why is the company spending money on these? [6] |
| | |
| | |
| | |
| | |

| | | |
|-------------------|---|--------------------------------|
| QUESTION 3 | TANGIBLE ASSETS; COMPANIES (1) – FINANCIAL STATEMENTS AND AUDIT REPORT | 80 marks 48 minutes |
|-------------------|---|--------------------------------|

BATMAN LIMITED

3.1 ASSET DISPOSAL & STATEMENT OF COMPREHENSIVE INCOME /63/

INFORMATION

PRE-ADJUSTMENT TRIAL BALANCE ON 30 JUNE 2016

| | DEBIT | CREDIT |
|--|-----------|------------|
| Balance sheet accounts section | | |
| Ordinary share capital | | 2 800 000 |
| Retained income | | 658 950 |
| Loan: Gotham Bank | | 667 000 |
| Land and buildings | 2 097 000 | |
| Vehicles | 814 000 | |
| Equipment | 616 000 | |
| Accumulated depreciation on vehicles | | 294 800 |
| Accumulated depreciation on equipment | | 341 000 |
| Fixed deposit: Gotham Bank (8% p.a.) | 495 000 | |
| Trading stock | 955 000 | |
| Consumable stores on hand (packing material on 30.06.2015) | 15 000 | |
| Debtors' control | 396 000 | |
| Provision for bad debts | | 18 000 |
| Bank | 583 700 | |
| Creditors' control | | 405 500 |
| SARS (income tax) | 160 000 | |
| Nominal accounts section | | |
| Sales | | 10 481 800 |
| Debtors' allowances | 145 201 | |
| Cost of sales | 7 383 285 | |
| Rent income | | 176 880 |
| Interest income (on fixed deposit) | | 26 630 |
| Bad debts | 12 000 | |
| Directors' fees | 840 000 | |
| Packing material | 23 100 | |

ADJUSTMENTS

- A physical stocktaking on 30 June 2016 revealed the following inventories: trading stock, R902 150; packing material, R4 260.
- Directors' fees of R22 500 are outstanding at the end of the financial period.

- Make provision for outstanding interest on the fixed deposit. This investment has been in existence for the entire year. Interest is not capitalised.
- A debtor who owes R32 000 has been declared insolvent. His estate paid 40 cents in the rand and this has been correctly recorded. The remaining balance must be written off as irrecoverable.
- The provision for bad debts must be adjusted to 5% of debtors.
- The rent increased by R1 320 on 1 April 2016. The tenant has paid rent until the end of July 2016.
- A vehicle was sold on credit for R90 000 on 31 December 2015. The Fixed Asset Register revealed the following regarding this vehicle:

| | |
|---|----------|
| Cost price | R235 000 |
| Accumulated depreciation on 1 July 2015 | R105 750 |

The disposal has not yet been recorded by the bookkeeper.

- Make provision for depreciation as follows:
 - vehicles at 15% p.a. on cost price
 - equipment at 10% p.a. on the diminishing balance method.

NOTE: New equipment costing R48 000 was bought on 1 September 2015. This has been correctly recorded.

- The loan statement received from Gotham Bank on 30 June 2016 showed:

| | |
|--|------------|
| Balance at the beginning of the financial year | R1 125 000 |
| Repayments for the year | 458 000 |
| Interest capitalised | ? |
| Balance at the end of the financial year | 804 500 |

- Income tax is to be calculated at 30% of net profit.

YOU ARE REQUIRED TO:

- 3.1.1 Prepare the following account in the

GENERAL LEDGER OF BATMAN LIMITED

ASSET DISPOSAL

[9]

| 2015 Dec 31 | <i>Vehicles</i> | 2015 Dec 31 | <i>Accumulated depreciation on vehicles</i> |
|----------------|-----------------|----------------|---|
| | | | |
| | | | |
| | | | |
| | | | |

3.1.2 Prepare: [54]

| BATMAN LIMITED | |
|--|---------|
| STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2016 | |
| <i>Sales</i> | |
| <i>Cost of sales</i> | |
| <i>Gross profit</i> | |
| <i>Other operating income</i> | |
| <i>Bad debts recovered</i> | 2 300 |
| | |
| <i>Gross operating income</i> | |
| <i>Operating expenses</i> | |
| <i>Audit fees</i> | 73 800 |
| <i>Marketing expenses</i> | 480 000 |
| <i>Salaries and wages</i> | 660 000 |
| <i>Sundry operating expenses</i> | 123 774 |
| <i>Bad debts (12 000)</i> | |
| | |
| <i>Operating profit</i> | |
| | |
| <i>Profit before interest expense</i> | |
| | |
| <i>Profit before tax</i> | |
| <i>Income tax</i> | |
| <i>Net profit after tax</i> | |

3.2 AUDIT REPORT

/17/

EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

We have audited the annual financial statements of Batman Limited for the year ended 30 June 2016. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

The audit was conducted in accordance with International Standards on Auditing which require that we perform the audit to obtain reasonable assurance that the financial statements are free of misstatement.

Audit opinion

In our opinion, the financial statements fairly represent the financial position of the company at 30 June 2016, except for the marketing expense in the Statement of Comprehensive Income which could not be verified, as no documentation existed for this expenditure.



Robin & Graytham Inc.
Chartered Accountants (SA)

15 September 2016

3.2.1 Explain the role of the independent auditors. [4]

3.2.2 Did Batman Limited receive a qualified or an unqualified audit report? Briefly explain your answer. [3]

3.2.3 On further investigation it was discovered that the marketing expense in the Statement of Comprehensive Income included R120 000 for a holiday for Bruce Wayne, the CEO, and his family. This covered their accommodation in luxury hotels and business class air tickets.

Bruce Wayne told the bookkeeper to debit marketing expenses with the R120 000 and asked the independent auditors to ignore this as it had been recorded in the financial statements.

▪ The independent auditors feel that they will not be doing their job properly if they agree to the CEO's request. Briefly explain why they feel this way. [2]

▪ State TWO possible consequences for the auditors if they agree to this request. [4]

3.2.4 Under what circumstance can a company apply for 'business rescue' and what would the consequences be? [4]

| INFORMATION ON STOCK | NUMBER OF BICYCES | VALUE PER BICYCLE | TOTAL VALUE |
|-----------------------------------|-------------------|-------------------|-------------|
| Bicycles on hand – 1 July 2015 | 60 | ? | R240 000 |
| Bicycles bought during year | 630 | | R2 606 000 |
| September 2015 | 250 | R3 800 | R950 000 |
| January 2016 | 200 | R4 500 | R900 000 |
| May 2016 | 180 | R4 200 | R756 000 |
| Bicycles returned (May purchases) | 5 | ? | ? |
| Bicycles sold during year | 450 | R6 750 | R3 037 500 |
| Bicycles on hand – 30 June 2016 | 235 | ? | ? |

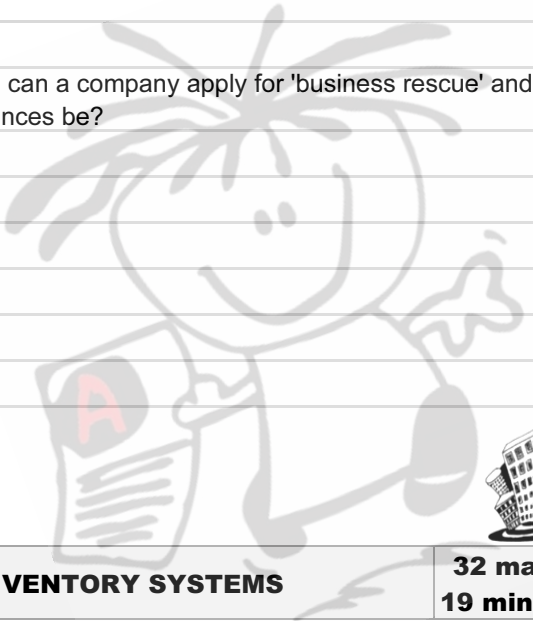
REQUIRED

4.1.1 There are TWO other methods of valuing inventory. Which one do you think would be a possible alternative to FIFO? Explain why. [3]

4.1.2 Calculate the value per bicycle on hand on 1 July 2015. [2]

4.1.3 Calculate the value of the closing stock on 30 June 2016 according to the FIFO method. [5]

4.1.4 Calculate the gross profit on 30 June 2016. [6]



| | | |
|-------------------|--------------------------|--------------------------------------|
| QUESTION 4 | INVENTORY SYSTEMS | 32 marks 19 minutes |
|-------------------|--------------------------|--------------------------------------|

4.1 SPIDERMAN BIKES /20/

Spiderman Bikes, owned by Peter Parker, sells one make of bicycle. It uses of the FIFO method of stock valuation and the periodic inventory system.



INFORMATION

The following information appeared in the records of Spiderman Bikes for the year ended 30 June 2016.

4.1.5 Peter Parker, the owner, and Ben, the accountant, disagree on the method of stock valuation. Peter wants to continue using the FIFO method because he says it is easier to calculate. Ben wants to use the weighted average method because he says the profit will be lower, and therefore the income tax will be lower. As internal auditor, what would you say to Peter and Ben? Give TWO points.



[4]

| |
|--|
| |
| |
| |
| |

4.2 SUPERMAN SCOOTERS

/12/

Superman Scooters sells one brand of scooter. The owner, Clark Kent, has branches operating in Krypton, Chicago and Metropolis. The three branches are managed by Lois, Lex and Jimmy, respectively.



Clark Kent has obtained the annual figures from the three branches for the financial period ending 29 February 2016.

| INFORMATION | KRYPTON (LOIS) | CHICAGO (LEX) | METROPOLIS (JIMMY) |
|-----------------------------|----------------|---------------|--------------------|
| Scooters for sale | 470 | 300 | 190 |
| Scooters sold during year | 380 | 75 | 190 |
| Physical count – 29.02.2016 | 72 | 225 | Nil |
| Cost price per scooter | R7 500 | R7 500 | R7 500 |
| Selling price per scooter | R11 500 | R11 500 | R11 500 |
| Advertising per year | R15 000 | R40 000 | R60 000 |
| Salary of manager | R30 000 p.m. | R30 000 p.m. | R30 000 p.m. |

YOU ARE REQUIRED TO:

Identify ONE problem in relation to each branch, quoting figures to substantiate the problem. In each case offer Clark Kent advice on how to solve the problem.



KRYPTON (LOIS) – PROBLEM

| |
|--|
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SOLUTION

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CHICAGO (LEX) – PROBLEM

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SOLUTION

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METROPOLIS (JIMMY) – PROBLEM

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SOLUTION

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THE INCREDIBLE ICE CREAM FACTORY LIMITED



/42/

5.1 STATEMENT OF CASH FLOWS

INFORMATION

1. **Extract: Statement of Comprehensive Income for year ended 30 April 2016**

| | |
|-----------------------|-----------|
| Depreciation | R355 400 |
| Interest on loan | 60 750 |
| Net profit before tax | 1 020 350 |
| Income tax | 306 105 |

2. **Extract: Statement of Financial Position at 30 April 2016 (before buy back)**

| | 2016 | 2015 |
|----------------------------|-----------|-----------|
| Tangible assets | 3 075 300 | 3 924 500 |
| Current assets | 2 524 700 | 1 609 500 |
| Inventories | 381 000 | 408 000 |
| Trade debtors | 1 040 000 | 1 150 000 |
| SARS (income tax) | - | 48 500 |
| Cash and cash equivalents | 1 103 700 | 3 000 |
| Shareholders' equity | ? | 2 523 000 |
| Ordinary share capital | 3 180 000 | 2 100 000 |
| Retained income | ? | 423 000 |
| Long term liability – Loan | 500 000 | 850 000 |
| Current liabilities | 1 370 755 | 2 161 000 |
| Trade creditors | 1 109 755 | 1 035 900 |
| SARS (income tax) | 69 000 | - |
| Shareholders for dividends | 192 000 | 210 000 |
| Bank overdraft | - | 915 100 |

3. **Ordinary share capital: Authorised:** 750 000 ordinary shares

Issued:

420 000 ordinary shares on 1 May **2010** at issue price of 500 cents each

180 000 ordinary shares on 1 May **2015** at issue price at 600 cents each

Repurchased:

No entry was made for the buy-back of 75 000 ordinary shares on 30 April 2016 at 650 cents per share. These shareholders were entitled to the final dividend.

4. **Dividends**

- An interim dividend of 66 cents per share was paid on 31 October 2015.
- The directors recommended a final dividend of 32 cents per share on 30 April 2016.

5. **Fixed assets**

- Land and buildings were sold for R1 250 000.
- Equipment was purchased for cash.
- No other tangible assets were bought or sold.



6. **Financial indicators**

The following financial indicators were calculated for the past two years:

| | 2016 | 2015 |
|--|-----------|-----------|
| Current ratio | 1,49 : 1 | 0,74 : 1 |
| Acid test ratio | 1,21 : 1 | 0,56 : 1 |
| Debt-equity ratio | 0,15 : 1 | 0,34 : 1 |
| % return on average shareholders' equity | 24,78% | 23% |
| % return on average capital employed | 30,4% | 24,4% |
| Net asset value per share | 617 cents | 601 cents |
| Dividends per share | 98 cents | 90 cents |
| Earnings per share | ? | 130 cents |
| Market value of shares | 690 cents | 675 cents |

REQUIRED

5.1.1 Prepare the Retained Income Note on 30 April 2016 after the buy-back of shares. [6]

| | |
|-------------------------------------|---------|
| <i>Balance at beginning of year</i> | 423 000 |
| | |
| | |
| | |
| | |
| | |
| <i>Balance at end of year</i> | |



5.1.2 Complete the Note for Reconciliation between net profit before tax and cash generated from operations for the year ended 30 April 2016. [11]

| | |
|---|-----------|
| <i>Net profit before taxation</i> | 1 020 350 |
| <i>Adjustments in respect of:</i> | |
| | |
| <i>Operating profit before changes in working capital</i> | |
| <i>Cash effects of changes in working capital</i> | |
| <i>Change in inventory</i> | 27 000 |
| | |

Cash generated from operations

5.1.3 Complete the following: [21]

| | |
|---|-----------|
| THE INCREDIBLE ICECREAM FACTORY LIMITED | |
| STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 APRIL 2016 | |
| Cash effects of operating activities | |
| <i>Cash generated from operations</i> | |
| <i>Interest paid</i> | (60 570) |
| <i>Dividends paid</i> | |
| <i>Income tax paid</i> | |
| Cash effects of investing activities | |
| <i>Purchase of tangible assets</i> | |
| <i>Proceeds of sale of tangible assets</i> | 1 250 000 |
| Cash effects of financing activities | |
| <i>Proceeds of shares issued</i> | |
| <i>Buy-back of shares</i> | |
| <i>Long term loan repaid</i> | (350 000) |
| Net change in cash and cash equivalents | |
| <i>Cash and cash equivalents at beginning of year</i> | |
| <i>Cash and cash equivalents at end of year</i> | |

5.2 ANALYSIS AND INTERPRETATION /27/

5.2.1 Calculate the earnings per share for 2016 **before** the buy-back of shares. [3]

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| |

5.2.2 Calculate the earnings per share for 2016 **after** the buy-back of shares. [3]

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|--|
| |
| |
| |

5.2.3 Calculate the net asset value of a share for 2016 **before** the buy-back. [3]

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| |

5.2.4 The directors are satisfied that the buy-back of the shares has not negatively affected the company's liquidity. Quote TWO relevant financial indicators, ratios or figures, to support their opinion. [4]

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5.2.5 The directors are confident that profits will be maintained in the next financial year and that the buy-back of the shares will prove to be beneficial to the existing shareholders. Do you agree with the directors? Explain. [4]

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