



JENN

Training and Consultancy

The path to enlightened education

SUBJECT: ACCOUNTING

GRADE 12

WINTER CLASSES

**TEACHER AND LEARNER CONTENT MANUAL
(MARKING GUIDELINE)**

Activity 1

1.1

1.1.1	Non-current liability ✓
1.1.2	Outflow of cash ✓
1.1.3	Current asset ✓

*Accept alternative methods such as ledger/reversal of signs #Ignore brackets

1.2.1

Calculate: Inventory amount at the end of the financial year.	
WORKINGS	ANSWER
450 000 + 390 000	840 000 ✓✓

Calculate: Income tax paid				
WORKINGS			ANSWER	
102 000 ✓	+ 358 440 ✓	− 72 000 ✓	388 440 <input checked="" type="checkbox"/> *# one part correct	
OR −102 000	− 358 440	+ 72 000		
one mark	one mark	one mark		
OR	SARS (Income Tax)			
	72 000	102 000		
Paid	388 440	358 440		

Calculate: Dividends paid	
WORKINGS	ANSWER
<p>(3 500 000 x 5/100) one mark</p> <p>OR (490 000 – 315 000) one mark</p> <p>175 000 ✓ + 65 000 ✓</p>	<p>240 000 <input checked="" type="checkbox"/>*#</p> <p>one part correct</p>

Calculate: Total purchases of fixed assets		ANSWER
WORKINGS		
Vehicles 44 175 ✓ x 100/15 ✓ x 12/6 ✓ Equipment	three marks 589 000 62 000 ✓	651 000 ✓#

*one part correct

#must be in brackets

1.2.2

CASH EFFECTS OF FINANCING ACTIVITIES	1 849 900 <input checked="" type="checkbox"/> *
Proceeds from shares issued (300 000 x 4,2) 13 440 000 ✓ + 1 260 000 ✓ <input checked="" type="checkbox"/> * – 9 700 000 ✓	5 000 000 <input checked="" type="checkbox"/> *
Repurchase of shares	(1 500 000) ✓#
Repayment of loans (4 500 500 – 2 850 400)	(1 650 100) ✓#

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1.2.3

NET CHANGE IN CASH AND CASH EQUIVALENTS 862 700 ✓ – 3 132 600 ✓ + 1 849 900 <input checked="" type="checkbox"/> see 1.2.2. –2 299 900 two marks	(420 000) <input checked="" type="checkbox"/> *# must be in brackets
Cash and cash equivalents at the beginning	382 000 ✓
Cash and cash equivalents at the end operation	(38 000) <input checked="" type="checkbox"/>

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1.2.4

Calculate: % Net profit before tax on sales	
WORKINGS	ANSWER
$\frac{1\,194\,800}{8\,240\,000} \times \frac{100}{1}$	14,5% <input checked="" type="checkbox"/> one part correct

3

Calculate: Current ratio	
WORKINGS	ANSWER
1 430 000 ✓ : 650 000 ✓	2,2 : 1 <input checked="" type="checkbox"/> one part correct shown as x : 1

3

Calculate: Dividends per share	
WORKINGS	ANSWER
5c ✓ + $\frac{315\,000}{3\,500\,000}$ 9c ✓✓ OR 0,05 + 0,09	14c <input checked="" type="checkbox"/> one part correct accept R0,14

4

Calculate: % Return on shareholders' equity	
WORKINGS	ANSWER
$\frac{836\,360}{12\,126\,925} \times \frac{100}{1}$ $\frac{1}{2} (13\,941\,500 + 10\,312\,350)$	6,9% <input checked="" type="checkbox"/> one part correct

4

TOTAL MARKS

45

Activity 2

2.1 Match the concepts in column A with a description in column B.

2.1.1	D ✓ (The extent to which a company is financed by loans)
2.1.2	C ✓ (Indicates how efficiently assets are being used and operations being managed)
2.1.3	E ✓ (The performance of a company compared to others in the same industry)
2.1.4	B ✓ (Ability of the business to pay off its short-term debts)
2.1.5	A ✓ (Ability of the business to pay off all its debts)

5

2.2.1 ORDINARY SHARE CAPITAL AUTHORISED SHARE CAPITAL

2 000 000 ordinary shares

ISSUED SHARE CAPITAL

1 200 000	Ordinary shares on 1 March 2024	8 160 000
400 000 ✓	Shares issued at R10 ✓ each	4 000 000 ✓
34 000 ✓	Shares repurchased at Average R7.60 ✓✓	258 400 ✓
1 634 000 ✓	Ordinary Shares on 28 February 2025	12 418 400 ✓

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RETAINED INCOME NOTE FOR THE YEAR ENDED 28 FEBRUARY 2025

Balance at the beginning of the year	573 720 ✓
Net profit after tax (1 540 000 ✓ x 70/100 ✓) One mark one mark	1 078 000 ✓
OR (1 540 000 – 462 000)	
Repurchase of shares (34 000 x R1.90)	(64 600) ✓✓
Ordinary share dividends	(744 860)
Interim Dividends	416 000 ✓
Final Dividends	328 860 ✓
Balance at the end of the year	842 260 ✓

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2.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Taxation Paid 44 675 ✓ + 462 000 ✓ + 66 650 ✓ signs may be reversed	(573 325) ✓ One part correct Must be outflow
Dividends Paid (1 200 000 x 17c) 204 000 ✓ + 416 000 ✓ signs may be reversed	(620 000) ✓ One part correct Must be outflow
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from shares issued	4 000 000 ✓
Shares Repurchased (258 400 + 64 600) see 7.2.1 for both figures	(323 000) ✓ One part correct Must be outflow
Repayment of Loan (1 165 440 – 685 440) 97 120 x 12	(480 000) ✓
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash & cash equivalents at the beginning of the year (178 680 – 28 600)	150 080 ✓
Cash and cash equivalents at the end of the year	(205 672) ✓

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2.3 Calculate financial indicators for the year ended 28 February 2025:

% operating expenses on sales	
WORKINGS	ANSWER
$\frac{1\,633\,140 \checkmark \times 100}{9\,888\,720 \checkmark} = 1$	16,5% ✓ Accept 17% One part correct % sign not necessary
Stock turnover rate	
WORKINGS	ANSWER
$\frac{6\,072\,000 \checkmark}{\frac{1}{2} (193\,000 \checkmark + 174\,000 \checkmark)}$ 183 500 two marks	33,1 times ✓ accept 33 times Must multiply denominator by ½
Interim dividend per share	
WORKINGS	ANSWER

3

4

$$\frac{416\,000\checkmark}{1\,600\,000\checkmark} \times \frac{100}{1}$$

26 cents ☒
One part correct

3

Activity 3

3.1 Ordinary Share Capital Note on 28 February 2022

900 000	Ordinary shares at the beginning	7 200 000 ✓
100 000	New shares issued balancing figure	1 800 000 <input checked="" type="checkbox"/>
(40 000) ✓	Repurchased shares at R9,00 <input checked="" type="checkbox"/>	(360 000) <input checked="" type="checkbox"/> # If one part correct
960 000 ✓	Shares at the end of the year	8 640 000 ✓

3.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2022

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Taxation paid – 22 800✓ + 430 000✓ – 47 200✓ OR + 22 800✓ – 430 000✓ + 47 200✓ <small>Be aware of the use of brackets or ledger account formats</small>	(360 000) ✓*
Dividends paid 133 500✓ + 192 000✓ OR: 133 500 + (394 000 – 202 000) <small>Be aware of signs reversed & use of brackets or ledger account formats</small>	(325 500) ✓*
	7
CASH FLOW FROM INVESTING ACTIVITIES	(1 470 000)
CASH FLOW FROM FINANCING ACTIVITIES	2 058 000 ✓*
Shares issued see 2.1	1 800 000 ✓*
Shares repurchased 360 000 ✓ + 32 000 ✓✓ OR 40 000 x R9,80 <small>one mark two marks</small>	(392 000) ✓*
Loan increase 8	650 000 ✓✓
NET CHANGE IN CASH AND CASH EQUIVALENTS	143 500 ✓
CASH AND CASH EQUIVALENTS AT BEGINNING (– 45 200 + 2 800)	(42 400) ✓✓
CASH AND CASH EQUIVALENTS AT END 4	101 100✓

If no brackets, assume answer is an inflow of cash – award marks for workings only;

Activity 4

4.1

4.1.1	C ✓
4.1.2	D ✓
4.1.3	A ✓

3

4.2.1

Cash generated from Operations

Net profit before tax (1 120 800 + 2 615 200)	3 736 000	✓
Depreciation	338 300	
Interest expense	963 000	
Profit before changes in working capital		
Net change in working capital		
Change in inventories (717 000 – 471 000)	246 000	✓✓
Change in accounts receivables (563 000 – 489 000)	(74 000)	✓✓
Change in accounts payable (612 000 – 570 000)	(42 000)	✓✓
Cash generated from operations	5 167 300	

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4.2.2

CASH EFFECTS OF OPERATING ACTIVITIES

Cash generated from operations	5 167 300	✓
Interest paid	(338 300)	
Income tax paid (– 12 300 ✓ + 1 120 800 ✓ – 9 900 ✓) Or (+12 300 ✓ - 1 120 800 ✓ + 9 900 ✓)	(1 098 600)	☑
Dividends paid (1 200 000 x 35c = 420 000✓✓ + 150 000✓) OR (150 000 ✓ + 733 600 ✓ – 313 600 ✓) Or (- 150 000 ✓ - 733 600 ✓ + 313 600 ✓)	(570 000)	☑

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4.2.3

WORKINGS	ANSWER
Calculate: Fixed Assets purchased Signs can be reverse/use of brackets fine/T- account 7 110 000 ✓ + 685 700 ✓ + 338 300 ✓ – 6 814 000 ✓	1 320 000 ☑ one part correct
Calculate: Funds used to repurchase shares 80 000 x 7,30 584 000 ✓✓ + 52 000 ✓	636 000 ☑ one part correct
Calculate: Net change in cash and cash equivalents 112 000 + 36 400	148 400 ✓✓

5

4

4.2.4

WORKINGS	ANSWER	
Calculate: Debt-equity ratio		2
5 400 000: 8 320 000	0,7 : /0.65:1 ✓✓ one part correct	2
Calculate: % return on shareholders' equity		
$\frac{2\,615\,200 \checkmark}{\frac{1}{2} (8\,320\,000 \checkmark + 7\,500\,000 \checkmark)} \times \frac{100}{7\,910\,000}$	33.1 % ✓ one part correct and ÷ 2	4
Calculate: Dividend pay-out rate		
35c one mark + 28c one mark $63 \checkmark \checkmark / 232 \checkmark \times 100$	27,2% ✓ one part correct	4

Analysis and Interpretation

Activity 1

1.1

Shareholders of TLOU LTD are of the opinion that their liquidity position is good and that they should not be concerned.

Responses in favour / support of their opinion

Quoting of financial indicators ✓✓ Quoting of figures / trend ✓✓

Any TWO valid indicators:

The current ratio increased from 1,7: 1 to 3,8: 1

The acid-test ratio increased from 1,3: 1 to 1,9: 1.

The stockholding decreased from 68 to 52 days.

Do not accept debtors' collection period here

Any valid comment ✓✓

Expected responses, e.g.:

The business is liquid/should have no problem in paying off its short-term debts.

Responses against their opinion

Quoting of financial indicator ✓ Quoting of figures / trend ✓

Any ONE valid indicator:

The current ratio increased from 1,7: 1 to 3,8: 1 **Learners may compare this to acid-test. Do not allocate marks if acid-test ratio is mentioned alone here.**

The debtors' collection period increased from 30 to 47 days.

Any valid comment ✓✓

Expected responses, e.g.:

Although the liquidity is good, they should be concerned because the debtors are taking too long to pay / Too much money held in a form of stock.

Current ratio can only be marked once, either in favour or against, not as both.

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1.2

The directors decided to change the dividend pay-out policy in 2024. Provide calculations that indicate the policy change.

In 2023, the company paid 40 cents (DPS) of 112 cents (EPS) = 36% ✓✓

In 2024, the company paid 105 cents (DPS) of 107 cent (EPS) = 98% ✓✓

OR pay out increased from 36% to 98% **four marks**

For one mark each:

DPS increased from 40 to 105 cents (by 65 cents) per share

EPS decreased from 112 to 107 cents (by 5 cents) per share

Explain the effect of this change of policy on the company. State TWO points.

4

TWO valid points ✓✓ ✓✓ Part-marks for unclear / incomplete answers

- Retained income decreased and this could affect future growth (expansion) of the business.
- It would influence the share price / increase demand for the shares
- It could motivate shareholders to vote for the directors at the AGM

For one mark each:

- Cash flow problem (one mark)

4

1.3 One of the directors feels that the company should pay back the loan as soon as possible. State whether this will be a good decision or not? Quote TWO financial indicators with figures to substantiate your answer.

Quoting of financial indicators ✓✓ Quoting of figures ✓✓ Explanation ✓✓

The debt/equity ratio decreased from 0,4: 1 to 0,3: 1.

The business is low risk / They are not making much use of loans compared to own capital.

The ROTCE dropped from 13% to 11%.

The company is receiving a return (11%) that is less than the interest rate (14%) (negatively geared). They are not using the loans effectively to generate a profit.

Comment: It is a good decision to pay back the loan ✓ accept "YES"

7

1.4 Explain why the shareholders are satisfied with the market price of the shares on the JSE. Quote figures/financial indicators.

Figures / trend ✓

Explanation ✓✓

- Increased from 777 cents to 960 cents. / Increased by 183 cents
- The market price is higher than the NAV of 775 cents

Comment / Explanation: Expected responses, e.g.:

- There is a demand for shares in this company / Investors are interested in buying shares.

3

Explain why the shareholders are satisfied with the price at which the shares were repurchased. Quote figures/financial indicators.

Explanation / Figures / Trend ✓✓

The company paid 800 cents per share although the market value at the end of the year was 960 cents. / The company paid 160 cents less than the market value

Do not accept comparison to NAV

2

TOTAL MARKS

Activity 2

2.1

Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.

TWO valid points (with figure) ✓✓✓✓ part marks for incomplete or unclear response

- Average spending of clients increased (from R120 000) to R160 000 / by R40 000.
- Sales revenue increased (from R33,6m) to R39,2m.
- Customers still supported the business although the % mark-up increased (from 40%) to 60%.
- Drop in customer numbers (from 280) to 245 / by 35 / by 12,5%.

4

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2.2

Explain whether or not the company is managing their working capital efficiently. Quote TWO financial indicators, with figures and trends.

Financial indicator ✓ ✓ figure and trend ✓ ✓ any ONE explanation ✓

Any two indicators:

- Current ratio has decreased (from 1,8:1) to 0,8:1 / by 1:1
- Acid test ratio has decreased (from 1:1) to 0,6:1 / by 0,4: 1
- Debtors' average collection period increased (from 42 days) to 52 days / by 10 days.

Possible explanations for ONE mark:

The business will have trouble in meeting short term debts / does not have enough liquid assets (cash) to cover current liabilities / debtors take too long to settle accounts.

5

2.3

Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.

TWO financial indicators ✓ ✓ figures and trends ✓ ✓

- % operating expenses on sales improved/decreased (from 28%) to 22% / by 6% points / by 21,4%.
- % operating profit on sales improved/increased (from 10,2%) to 15,6% / by 5,4% points / by 52,9%.

4

- % net profit on sales improved/increased from 8,8% to 13,5% / by 4,7% points / by 53,4%.

Do not accept mark-up %

2.4.1 One of the shareholders cannot understand why the debt-equity ratio decreased in 2025 despite the increase in the loan. Provide him with an explanation.

Reason ✓✓

The company increased the share capital / relying less on debt financing / indicates low risk

Do not accept loan increased

2

2.4.2 The chief financial officer (CFO) is of the opinion that the increase in loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion, including ONE relevant financial indicator.

Financial indicator ✓ figures and trend ✓ Explanation (comparing interest) ✓✓

POINT 1

% ROTCE improved / increased from 11% to 19,7% / by 8,7% points / by 79%.

POINT 2

The degree of gearing has moved (from negative) to positive. Now exceeds interest rate on loans (13% p.a.).

4

2.5.1 Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE relevant financial indicator.

Financial indicator ✓ figures and trend ✓ Explanation (comparing alternative investment) ✓✓

POINT 1

% ROSHE improved significantly from 8% to 15,6% / by 7,6% points / by 95%.

POINT 2

This greatly exceeds the returns on most other investments (7% p.a.).

4

2.5.2 Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.

EPS: Figures and trend ✓ Explanation on EPS ✓

DPR: Figures and trend ✓ Explanation on DPR ✓

**EARNINGS
PER SHARE**

EPS increased (from 113 cents) to 224 cents / by 111 cents / by 98%.

This shows improved profits in the company.

4

2.7.1 Patrick owns shares in Lethabo Ltd. He is pleased with his investment in the shares of this company. Provide TWO points, with figures or calculations, to support his opinion.

Be aware of combined explanation with figures/calculations

TWO valid points ✓✓ with figures ✓✓

POINT 1	His return (dividends) is 11,5% of the price he paid for the shares; $(90 / 780)$ / He earned R324 000 $(360\ 000 \times 90/100)$.
POINT 2	He paid 780c per share that is now worth 1 610c. This is 830c more than he paid for the shares, or 106,4%. His return increased from 8% to 15,6% / by 7,6% points / by 95%.
DIVIDEND PAY-OUT POLICY	The dividend pay-out rate decreased from 80% to 40% / by 40% points / 100%. The business retained more earnings that would be used to benefit the business in the future.

4

2.6 Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.

POINT 1	The market price of the share improved from 1 342c to 1 610c / by 268c. ✓ due to good returns earned / positive image of company ✓
POINT 2	In 2024 the market price (1 610c) exceeded the NAV of (1 543c) by 67c ✓ indicates good demand for shares. ✓ OR In 2023 NAV (1 413c) was higher than the market price (1 342c) by 71c; This indicates poor demand for shares NB: Do not award marks if only the NAV for both years were compared

4

2.7.2 The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Patrick has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding. Provide a calculation or figures to support your explanation.

CALCULATION	He is currently a majority shareholder as he owns 51,4% ✓✓ $(360\ 000/700\ 000)$ of the shares. His % shareholding will drop to 42,9% ✓✓ $(360\ 000/840\ 000)$.
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6

EXPLANATION Any ONE point✓✓	He will no longer be the majority shareholder in the company. He cannot fully influence decision-making in the company. He cannot make a difference in the company anymore.
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2.8

Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.		Any TWO valid points✓✓ ✓✓ figures not necessary
POINT 1	<ul style="list-style-type: none"> Liquidity / working capital is more efficiently controlled (CR 1,8:1 & ATR 0,9:1). Unproductive fixed assets were sold (R1 100 000) and this will improve the cash flow in the company. 	
POINT 2	<ul style="list-style-type: none"> Cash generated from operations has improved (by R2 921 500 / by 75,6%). Company performance improved with less employees and directors as compared to 2023 (from 43 to 38). 	

4

TOTAL MARKS
40

Activity 3

3.1.1 Calculate the following: (Show calculations to one decimal point.)

Percentage operating profit on total sales	
$\frac{3\,250\,000}{14\,625\,000} \times 100 = 22,2\% \checkmark \checkmark$	no part marks%
Net asset value per share	
$\frac{9\,600\,000 \checkmark}{1\,200\,000 \checkmark} \times 100 = 800 \text{ cent} \checkmark$	operation one part correct
Debt/equity ratio	
$3\,840\,000 : 9\,600\,000 = 0,4:1 \checkmark$	operation one part correct must be x:1

3.1.2

Comment on the liquidity position of the business. Quote THREE financial indicators (with figures) in your explanation.

Financial indicators and figures ✓✓ ✓✓ ✓✓
Valid comment ✓✓

Any three Financial indicators:

Current ratio improve from 2,0 : 1 to 2,3 : 1

Acid test ratio decrease from 1,3 : 1 to 0,8 : 1

Debtors' collection period improved: 43 days to 32 days

General comment:

The liquidity has generally improved. The business is able to pay short term debts with current assets.

Improvement in collections from debtors – reached the desired 30 days.

(Do not accept creditors' payment period as an option.)

7

3.1.3

Some shareholders feel that the company paid back too much of the loan. What would you say to them? Make reference to TWO financial indicators with relevant figures to motivate your response.

Financial indicators and figures ✓✓ ✓✓

Valid comment ✓

Financial indicator

Debt/equity: improved from 0,8 : 1 to 0,4 : 1 **see 3.1.1**

ROTCE: improved from 17% to 23%

General comment:

- The company is lowly geared (not making extensive use of borrowed funds). It is also positively geared (ROTCE is higher than interest rate).
- It was not necessary for the company to pay large portions of the loan as long as it is generating a better return on investment than the cost of borrowing (interest).
- Higher than interest rate on loan of 11%

5

Activity 4

4.1

Shareholders are not satisfied with the liquidity position of the business. Explain why you think they may be correct. Quote and explain TWO financial indicators (with figures).

TWO financial indicators ✓ ✓ comparative figures with trend ✓ ✓ comment ✓ ✓

Current ratio ✓ increased from 1,3 : 1 to 2,2 : 1 ✓

Acid-test ratio ✓ decreased from 0,9 : 1 to 0,6 : 1 ✓

Average debtors' collection period ✓ increased from 33 days to 45 days ✓

The current ratio improved because of an increase in stock, the acid test ratio exposed the fact that the business is holding too much stock /cash tied up in stock/stockpiling/ debtors are also not paying on time, placing strain on cash reserves/

Need to increase cash sales, lower stock levels if they do not want to have a problem in the future.

Do not accept Average Creditors Payment period – it was necessary to bring this closer to credit terms of 60 days.

6

4.2

Certain directors feel that the decision to increase the loan was a poor decision. Do you agree with this view? Explain. Quote TWO financial indicators and figures.

TWO financial indicators comparative figures with trend ✓ ✓ ✓ ✓

Comment on risk ✓ on gearing ✓ ✓ mention of interest on loan ✓

Debt/equity ratio increased from 0,1 : 1 to 0,5 : 1

Increasing the loan has increased the financial risk; the business is moving into a position of high risk; more reliance on borrowed capital

ROTCE decreased from 14,2% to 10,2%

The business is not making effective use of the loan, as it moved into a position of negative gearing whereby the return is now lower than the interest rate at present (12%)

8

4.3

Comment on the dividend pay-out policy adopted by the directors. Provide TWO reasons why you think directors decided on this policy. Quote figures.

DPP decreased from 86,3% to 43,9% ✓ ✓

TWO valid reasons ✓ ✓ ✓ ✓ *part marks for incomplete/partial answers*

- The business is retaining more of the earnings (56,1%) to place more emphasis on growth/expansion
- The business is experiencing liquidity issues and want to address this
- They paid higher dividends last year, and plan to compensate shareholders with better dividends in the future.

6

4.4 Charlie Tiger owns 420 000 shares in the company on 1 March 2021. This has remained unchanged during the financial year.

4.4.1 Calculate Charlie's % shareholding after the issue of shares on 1 May 2021, and after the repurchase of shares on 28 February 2022.

AFTER ISSUE OF SHARES

$$\frac{420\,000}{900\,000} \times 100 = 46,7\% \checkmark \checkmark$$

AFTER REPURCHASE OF SHARES

$$\frac{420\,000 \checkmark}{825\,000 \checkmark} \times 100 = 50,9\% \checkmark$$

5

4.4.2 Comment on your findings above. Provide TWO points.

TWO valid comments (must mention majority shareholding) ✓✓ ✓✓
part marks for incomplete/partial answers

- Charlie lost his majority status when he did not buy any shares when shares were issued on 1 May 2021;
- He was very interested in being the majority shareholder, and used his close friend's shares to gain control of the company;
- His behaviour was unethical and under-handed as he used senior status to influence the directors to buy back the shares;
- He wants to be a majority shareholder so that he can take significant decisions without any opposition to his feelings.

4

4.4.3 Comment on whether the price paid to repurchase the shares on 28 February 2022 was fair or not. Quote TWO financial indicators (with figures).

TWO financial indicators ✓ ✓ comparative figures with trend ✓ ✓ comment ✓✓

The NAV increased from 930 cents to 938 cents
The market price decreased from 940 cents to 932 cents

- Although the NAV increased, potential shareholders are not interested in buying shares in the company; MP is lower by 8 cents
- The drop in demand is an indication that there are problems in the business;
- R12,50 was too high a price to pay – this has compromised the cash flow of the business that is already experiencing liquidity problems;
- This is an inflated price and has benefitted his friend

6

Activity 5

5.1.1 Zee Ltd is more liquid than Ryan Ltd. Quote and explain TWO financial indicators (with figures) to prove your agreement.

Quoting of indicator ✓ ✓ Explanation by Zee ✓ ✓

Comparison with Ryan ✓ ✓

- **Current ratio** of Zee Ltd is 1,7 : 1 and of Ryan Ltd is 5,8 : 1. Zee Ltd has enough current assets to cover its current liabilities, whereas Ryan Ltd is holding too much of its funds in the form of current assets, which may not result in a return for the business.
- **Acid test ratio** of Zee Ltd is 0,8 : 1, and of Ryan Ltd is 3,7 : 1. Even if Zee Ltd is not able to sell all of his trading stock, he should still be able to cover his short term debt. Ryan Ltd is holding much of his current assets in the form of trading stock (stockpiling).
- **Debtors' collection period** for Ryan Ltd is 55 days whereas Zee Ltd is collecting from their debtors within 26 days. Debtors are paying Zee Ltd much sooner than the debtors of Ryan Ltd.

6

5.1.2 Which company uses more loans? Quote and explain a financial indicator to support your answer. Explain whether this is a good idea or not.

Zee Ltd ✓

Debt/equity ratio is 1,9 : 1 for Zee Ltd ✓ and 0,2 : 1 for Ryan Ltd ✓

Explain whether this is a good idea or not.

It is not a good idea. ✓

Return on capital employed for Zee Ltd is 12,4 % ✓ which means that the return he is earning is lower than the interest he is paying on the loan, 14% (negative gearing) ✓

6

5.1.3 Explain why you think the market price of Ryan Ltd's shares is much better than that of Zee Ltd. Quote and explain TWO financial indicators to support your answer.

Comparing market price and NAV of Zee Ltd ✓ ✓

Comparing market price and NAV of Ryan Ltd ✓ ✓

Market price of Zee Ltd is 590 cents which are lower than the net asset value of 625 cents, OR the market price is 35 cents lower than the net asset value.

Market price of Ryan Ltd is 755 cents which are higher than the net asset value of 605 cents, OR the market price is 150 cents higher than the net asset value. Ryan Ltd is thus able to fetch a price higher than the value of the shares in the books of the company.

4

5.1.4 Which company is more likely to expand its business? Explain your answer by using relevant calculations.

Dividend pay-out rate✓ of Zee Ltd: $\frac{182}{179} \times 100 = 101,7\% \checkmark$

Dividend pay-out rate✓ of Ryan Ltd: $\frac{537}{813} \times 100 = 66,1\% \checkmark$

Ryan Ltd is giving 66,1% and Zee Ltd 101,7% of their profit as dividends; therefore, Ryan Ltd will be more likely than Zee Ltd to expand their business. ✓

5

5.1.5 Ryan Ltd has a better percentage return, earnings and dividends than Zee Ltd. Explain THREE financial indicators to support this opinion.

Financial indicator ✓ ✓ ✓

Figures ✓ ✓ ✓

Explanation ✓ ✓ ✓

- % ROSHE for Ryan Ltd (28,5%) is much higher than that of Zee Ltd (11,5%).
- EPS for Ryan Ltd is 813 cents whereas Zee Ltd is only earning 179 cents per share.

- DPS for Ryan Ltd is 637 cents whereas Zee Ltd it is only 182 cents per share

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Corporate Governance

Activity 1

1.1	<p>Briefly explain your understanding of 'good corporate governance'.</p> <p>ONE valid point ✓✓ part marks for incomplete/partial answers</p> <ul style="list-style-type: none"> • Running the business in an ethical and transparent way; • Looking after the interest of the employees, the community, the environment and all other stakeholders involved in the company; • Ensuring proper rules and procedures are in place and being implemented; • Engaging all role players in matters that affect them 	<div></div> <div>2</div>
1.2	<p>Explain why a company must have their financial statements audited by an external auditor.</p> <p>ONE valid point ✓✓ part marks for incomplete/partial answers</p> <ul style="list-style-type: none"> • This is a requirement of the company's act – to protect shareholders • Shareholders are members of the public and this gives them confidence in the financial statements – that they are reliable and credible • The external auditors have no interest in the business and will provide an unbiased view of the situation. 	<div></div> <div>2</div>
1.3	<p>Identify the type of audit opinion that the company received, and provide a reason for your answer.</p> <p>TYPE:</p> <p>Qualified ✓</p> <p>REASON: ✓✓ part marks for incomplete/partial answers</p> <ul style="list-style-type: none"> • The marketing expenses could not be verified. • Did not mention "fairly represent" <u>in all respects</u>. • They were satisfied, except for the marketing expense which had no documentation as evidence. 	<div></div> <div>3</div>
1.4	<p>Explain why the independent auditor did not follow the request of the CEO. Provide TWO reasons.</p> <p>TWO reasons ✓✓ ✓✓ part marks for incomplete/partial answers</p> <ul style="list-style-type: none"> • He would be going against the standards and ethics of his profession. • It is unethical, amounts to fraudulent behaviour – aimed to deceive. • He has a code of conduct to uphold/will face disciplinary action if discovered • He could lose his licence to operate as an auditor. • He will tarnish the reputation of his company (bad public image). 	<div></div> <div>4</div>
	<p>Provide TWO possible consequences of this audit report, for the CEO and the company.</p> <p>TWO points ✓✓ ✓✓ part marks for incomplete/partial answers</p> <ul style="list-style-type: none"> • The share price of the business will drop/poor image of the business • The commitment of the CEO will be questioned – enquiry/disciplinary action • Shareholders would want to sell their shares • Demand for shares will drop 	<div></div> <div>4</div>

Activity 2

- 2.1 Comment on the audit reports of both companies. If you want to buy shares in a company, explain how the report will affect your decision concerning the shares you would purchase in the company.

Metsi Ltd: Comment on ✓

Explanation ✓

Metsi Ltd received an unqualified report which means that you can rely on the financial information in the financial statements decide on purchasing the shares.

Just Water Ltd: Comment on ✓

Explanation ✓

Just Water Ltd received a disclaimer audit report. It means that Peter cannot rely fully on the financial statements in deciding on investing in the company.

In which company should you rather invest?

Metsi Ltd ✓

5

- 2.2

4.2.1	C ✓	4.2.3	D ✓
4.2.2	A ✓	4.2.4	B ✓

4

- 2.3 The purpose of a business rescue plan is to provide a company with temporary supervision and protection against its creditors, to give them a 'breathing space' to reorganise and restructure its financial affairs. Name TWO parties who might be affected by a business rescue plan.

Any 2 ✓✓ (one mark each)

Creditors, shareholders, employees, trade unions, SARS, Banks, Directors

2

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2.4 Who is the audit report addressed to? Give a reason for your answer.

The shareholders. ✓ They are the owners of the company and have appointed the auditors. ✓

2

2.5 Give TWO examples of audit evidence that the auditors would have required to complete the audit.

Any two – one mark each

Asset registers; Journals; Debtors' statements; Physical inspections; Signed contracts; Source documents (list e.g. invoice, receipts, etc. only one mark); Creditors' statements; Bank statements

2

15

Activity 3

4.1

The three Board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors were able to each avoid by selling their shares on 13 April 2023.

WORKINGS	ANSWER
$(R105 - R8)$ $150\,000 \times R97$ <p>OR $15\,750\,000 - 1\,200\,000$</p> <p>OR $(47\,250\,000 - 3\,600\,000) / 3$</p> <p>Be alert to alternative arrangements for workings</p>	<p>R14,55-million <input checked="" type="checkbox"/></p> <p>OR</p> <p>R14 550 000</p>



4.2

Explain why the text message is so important to the investigators.

Any valid point

Part marks for incomplete or unclear response

It provided evidence that a crime had been committed / they would know which directors to charge / the person who leaked the information can be easily traced / It will provide evidence of parties involved / Investigators will establish the intent knowledge / It provides consistency between different sources of evidence which strengthens the case against individuals implicated.

Explain why you think this crime is referred to as 'insider trading'.

Any valid point

Part marks for incomplete or unclear response

Because it is fraud based on private information regarding the trading (buying / selling) of shares which is not yet known to others who affected / The directors (insiders) did have access to this privileged information / Using of sensitive information to one's benefit – abuse of power.

4.3

Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect [redacted] and its workers.

Part marks for incomplete or unclear response

Existing shareholders	They will lose their investment in the company / loss of life savings (Financial loss) / loss of dividends / will be likely to sell their shares / there may not be a demand for shares.
Workers	Employees would be retrenched / lose their jobs / no job security (job insecurity) / increase in unemployment in the country / Employee's morale and productivity / Change on compensation and benefits (reduced salary/benefits/bonus) / Cost cutting measures (layoffs).

4.4

If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points.

Any TWO valid points.

Part marks for incomplete or unclear response

POINT 1

- Were any checks done into the background of culprits before they were appointed to the Board?
- What disciplinary action will be taken by the company or the Board against the culprits?
- Is it possible to rescue the company / who will take over the running of the company?
- Is there any way in which the losses can be recovered from the culprits e.g. confiscate and sell their possessions?
- How will the board intervene to rectify this situation?
- What action will be taken against the directors?
- How will this impact on the image of the company and the share price in long term?

POINT 2

- Will the matter be reported to the relevant professional bodies for disciplinary action against these directors?
- What specific actions is the company taking to address the allegations of false financial statements / Disclaimer report?
- Can the board provide a detailed explanation for the circumstances leading to the disclaimer report?
- What measures are being implemented to ensure the accuracy and transparency of future financial reporting?
- Can shareholders expect timely and transparent communication regarding the investigation's progress and findings?
- What impact, if any, do the allegations and investigation have on the company's long-term strategic plan?

Section 1: Inventory

Activity 1 INVENTORY VALUATION

(35 marks; 30 minutes)

1.1 RATO COOKWARE

1.1.1

Calculate the value of closing stock of pots on 28 February 2022.		
WORKINGS	ANSWER	
$\begin{array}{r} 1\ 936\ 000 \text{ two marks} \\ 224\ 000 \checkmark + 1\ 712\ 000 \\ \hline 5\ 500 \\ (800 + 4\ 700) \text{ one mark each} \end{array}$ <p>Mark numerator and denominator as such (Principle 11)</p>	$\begin{array}{r} \text{three marks} \\ 352 \times 980 \end{array}$	$R344\ 960 \checkmark$ <p>one part correct & if x 980</p>

5

Provide a calculation to address her concern.		
WORKINGS	ANSWER	
<p>See 1.2.1 above</p> $\frac{344\ 960 \checkmark}{1\ 591\ 040 \checkmark} \times 365$ <p>Numerator and denominator must be Rand values</p>	<p>OR Units</p> $\frac{980 \text{ one mark}}{4\ 270 \text{ one mark}} \times 365$ <p>Numerator and denominator must be number of unit</p>	$79,1 \text{ days} / 2,6 \text{ months}$ <p>OR</p> $83,8 \text{ days} / 2,8 \text{ months} \checkmark$ <p>one part correct. If x 365 or 12</p>

1.1.2

Explain whether the period calculated is acceptable, or not.	
<p>Valid explanation</p> <p>Depends on calculation above, figures not necessary</p> <p>Possible responses for "period is Acceptable": Pots are durable items and can be sold in the near future / has a long shelf-life / there is always a need (demand).</p> <p>Possible responses for "period is Not Acceptable": Consumers taste or preference may change / possibility of being replaced by later model, improved products / risk of theft or damage (need to write off) / takes up storage space.</p>	

5

1.1.3

Calculate the number of pots missing.	
WORKINGS	ANSWER

(800 + 4 700) one mark

$$5\,500 \checkmark \checkmark - 4\,270 \checkmark - 980 \checkmark$$

See 3.2.1

Be alert to alternative presentation of figures (or permutations)

250 ☒

one part correct

5

1.2 MICROWAVE OVENS

1.2.1

Calculate the value of closing stock of microwave ovens.

WORKING		ANSWER
SWIFT: $(380 + 750 - 965)$ $165 \quad \checkmark \quad \times \quad 2\,800$ 462 000 three marks <div>Opening stock purchases units sold unit cost sales gross profit</div> OR: $(1\,064\,000 + 2\,100\,000) - (965 \times 2\,800)$ or $(4\,053\,000 - 1\,351\,000)$ $3\,164\,000$ one mark $-$ $2\,702\,000$ two marks		three marks three marks 462 000 + 1 056 000
DELTA: $(430 + 600 - 120 - 580)$ $330 \quad \checkmark \quad \times \quad 3\,200$ 1 056 000 three marks <div>Opening stock purchases returns units sold unit cost sales gross profit</div> OR: $(1\,376\,000 + 1\,920\,000 - 384\,000) - (580 \times 3\,200)$ or $(3\,248\,000 - 1\,392\,000)$ $2\,912\,000$ one mark $-$ $1\,856\,000$ two marks		1 518 000 <input checked="" type="checkbox"/> one part correct

1.2.2

TWO reasons in favour of the decision to discontinue selling the Delta model

TWO reasons figures

- High returns: possibly of poor quality, 120 microwave ovens / 20% of purchases
- High closing stock / capital tied up in stock; 330 units or R1 056 000 [see 1.2.4](#)
- Low sales volume; only 580 of 910 (63,7%) / 385 units or R805 000 less than Swift
- Too expensive for customers (R5 600 which is R1 400 more than a Swift model)
- It is a more expensive product; R3 200 (pays R400 more than Swift)

ONE reason against the decision to discontinue selling the Delta model.

ONE reason figure

- Delta stoves generates a higher gross profit of R1 392 000 (R41 000 more than Swift); higher MU% of 75% (compared to 50% for Swift) / Option to reduce selling price R5 600 (R1 400 more than a Swift model)
- Loss of high sales revenue of R3 248 000 may impact cash flow / lose the support of a select group of customers (580 units) or reducing the option for clients.

1.2.3

Identify the problem relating to the Swift microwave ovens on 6 January 2022. Quote figures.

Problem identified figure (difference of 25 mentioned or implied)

75 units were delivered but 50 units was recorded on the stock card /
The stock record reflects 25 units less than the total number of units delivered.

State TWO internal control measures that the internal auditor should implement to ensure that such incidents do not occur in the future.

TWO control measures ✓✓

part marks for incomplete / partial / unclear responses

- Need for physical count and verification (check) of stock against records
- Compare / verify / check the information on order forms, delivery note and invoice before updating stock records, or sending details to the bookkeeper
- Different employees must be responsible for ordering, receiving, recording, stock control. Accept Division of duties and install cameras (CCTV) as separate responses for 1 mark each.

35

Activity 2 INVENTORY VALUATION

2.1

- 2.1.1 Specific identification ✓
 2.1.2 First-in-first-out (FIFO) ✓
 2.1.3 Weighted average ✓

3

2.2. CASUAL OUTFITTERS

2.2.1

Calculate: The amount paid for carriage on 11 June 2024

$$(835 \times 130)$$

$$116\,065 \checkmark - 108\,550 \checkmark \checkmark = 7\,515 \checkmark \text{ one part correct}$$

4

Calculate: The value of the closing stock on 30 June 2024

$$320\,008 \text{ four marks } (15 \times 142)$$

$$28\,633 \checkmark + 293\,505 \checkmark - 2\,130 \checkmark \checkmark \times 415 \checkmark = 60\,092 \checkmark \text{ one part correct}$$

$$230 \checkmark + 1\,995 \checkmark - 15 \checkmark$$

9

2 210 three marks

2.2.2

Calculate the value of closing stock using FIFO method.	
WORKINGS	ANSWER
$\begin{array}{l} [142 + 9] \\ 35 \times 151 \checkmark = 5\,285 \checkmark \\ [148 + 9] \\ 380 \times 157 \checkmark = 59\,660 \checkmark \\ \text{Be alert to alternative presentation of figures (or permutations)} \end{array}$	$64\,945 \checkmark$ one part correct
	5

2.2.2

Explain the effect that this decision will have on the gross profit.

It will reflect an increase \checkmark in gross profit of R 4 853 \checkmark

2

Give ONE valid reason for and ONE valid reason against changing the stock valuation method.

REASON FOR $\checkmark\checkmark$

Increased profitability creates a better image.

Clients will have confidence in the business.

Employees will feel a sense of security.

REASON AGAINST $\checkmark\checkmark$

Comparing results would not be meaningful.

Book-entry; create a false impression.

Workers may expect (or negotiate) higher pay increases based on profitability.

It is illegal to change stock systems without SARS approval / without informing SARS.

4

2.2.3

Funiwe is concerned about the control of her stock of jeans. She has sold 1 788 pairs of jeans during the year. Provide a calculation to support her concern.

(230 + 1 995 – 15)

2 210 $\checkmark\checkmark$ – 415 \checkmark – 1 788 \checkmark = 7 missing \checkmark one part correct

5

2.2.4 Comment on the stock balance on 30 June 2018. Is this appropriate? Explain. Provide ONE point.

Yes / No ✓ Explanation ✓✓

Yes

Jeans are durable products that has a long shelf life.

The business would be able to sell the jeans at any time.

No:

The closing stock is almost double the opening balance. Money is tied up in excess stock.

The jeans may go out of fashion and people would not want to buy.

3

2.3 PROBLEM SOLVING

2.3.1 What decision did Jay take regarding the selling price of the desks?

Increased the selling price ✓ from R360 to R420 (by R60) ✓✓

Or increased the mark-up percentage from 50% to 75% (by 25%)

3

Explain TWO points on how this decision has affected the business.

TWO points ✓✓ ✓✓ figures ✓ ✓

- The gross profit increased from R36 720 to R45 000 (by R8 280).
- The number of units sold decreased by 80 units (from 330 to 250).
- The stock turnover rate dropped from 7,4 time to 5,4 times.

6

2.3.2

Jay decided to buy his chairs from a cheaper supplier. Provide TWO points on why you feel that this was NOT a good decision.

TWO points ✓✓ ✓✓ figures ✓ ✓

- Not able to keep up to orders received by 120 units (500 – 380).
- Returns were very high; possible poor quality (56 units; 0 last year).
- Gross profit dropped from R21 600 to R11 664 (by R9 936).

6

Cost Accounting

3.1

3.1.1	B ✓ selling & distribution
3.1.2	D ✓ administration
3.1.3	A ✓ factory overheads

3

NARDO MANUFACTURERS

3.2 FACTORY OVERHEAD COST NOTE

Incorrect amount calculated by bookkeeper	258 200
Water and electricity	+ 28 800 ✓✓ Accuracy marks
Rent expense –142 800 + 74 800 OR 13 600 X 5	– 68 000 ✓☑*
Insurance – 48 000 + 52 500 OR 12 000 – 7 500 OR 12 000 x 3/8	+ 4 500 ✓☑*
TOTAL # one part correct, must include 258 200	223 500 ☑

7

do not mark workings *if final figure correct, award 1 mark if sign is incorrect

3.3 PRODUCTION COST STATEMENT ON 29 FEBRUARY 2024

*workings in square brackets constitute one part, cannot be separated.

Mark one option only; inspect option that benefits the candidate.

Direct material cost [84 000 + 495 600] [84 000 + 739 600] 579 600 ✓ + 115 900 ✓✓ OR 823 600 – 128 100 one mark two marks	695 500 ✓*
Direct labour cost Balancing figure PC – DMC Must be DLC for this line	710 300 ☑
Prime cost	1 405 800
Factory overhead cost see 3.2	223 500 ☑
Total manufacturing cost Operation PC + FOH	1 629 300 ☑
Work-in-progress (1 March 2023)	30 700
	1 660 000
Work-in-progress (29 February 2024) Balancing figure accept a positive figure must be WIP for this item	(64 200) ☑
Cost of production of finished goods	1 595 800 ✓✓ Accuracy marks

10

*one part correct

HIKING BAGS

3.4

Comment on the control over direct material cost of hiking bags. Quote figures.

Explanation on control (one mark) Figures and trend (one mark; can be implied)

Not well controlled ✓ (above the inflation rate of 6%) as DMC increased (from R230) to R320 / by R90 / by 39% ✓.

Provide TWO reasons that may have contributed to the change in the unit cost.

Any TWO valid reasons ✓ ✓

- Wastage / theft of material in production.
- Scarcity of material caused increase in price / market conditions.
- Change of supplier.
- Additional transport / storage costs / import duties / exchange rate.
- Poor quality of materials / cutting of material OR better quality materials therefore more expensive.
- Lack of supervision / poor internal control / unskilled workers (re-cutting)
- Faulty equipment / poor technology

4

3.5

Explain whether the decision to increase the selling and distribution cost of hiking bags was beneficial to the business or not. Quote figures.

Figures ✓ Comment on production or profitability ✓✓ part marks for incomplete answers
each bullet counts for 3 marks

- An increase in BEP (from 2 273 units) to 4 328 units / by 2 055 units / by 90%.
- A very small increase in production (from 4 000 units) to 4 200 units / by 200 units / by 5%.
- A loss on 128 bags in 2024 against a profit of 1 727 bags in 2023 / A loss of R21 120 for 2024 against a profit of R531 916 in 2023.

Response for one mark:

Selling & distribution increased (from R80) to R160 / by R80 / by 100% (doubled)

3

3.6

Kyla plans to increase production of hiking bags by an additional 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2025.

*workings in square brackets constitute one part, cannot be separated.

WORKINGS	ANSWER
$\frac{[780 - 615]}{(2\,500 \checkmark \times 165 \checkmark \checkmark) - 21\,120 \checkmark} \quad (\text{accept } 21\,000 / 20\,999,55 / 127,3 \text{ or } 127,27 \times 165)$ <p>412 500 three marks</p>	
<p>OR</p> $1\,105\,500 - 714\,120$ <p>two marks two marks</p>	<p>391 380 ✓ *one part correct</p>
<p>OR</p> $2\,372 \text{ two marks} \quad \text{two marks}$ $(4\,200 + 2\,500 - 4\,328) \times 165$	<p>Accept R391 500</p>
<p>OR Let the expected profit = y</p> $\frac{714\,000 + y}{780 - 615} = (4\,328 + 2\,372)$ $714\,000 + y = 6\,700 \times 165$ $714\,000 + y = 1\,105\,500$ $y = 1\,105\,500 - 714\,000 = 391\,500$	<p>If 412 500 is final answer award 3 marks</p>

5

Activity 2

2.1 PRINGLE TRADERS

2.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2024.

Direct material cost (533 000✓ – 102 000✓)	R431 000 ✓*
Direct labour cost (376 650✓ + 24 300✓ + 4 050✓ + 4 050✓) 8 100 two marks	409 050 ✓*
Prime cost	840 050 ✓*
Factory overhead cost (147 560✓ + 99 000✓✓ – 13 210✓)	233 350 ✓*
Total manufacturing cost	1 073 400 ✓*
Work-in-progress on 1 July 2023	NIL
	1 073 400
Work-in-progress on 30 June 2024	(103 900) ✓
Cost of production of finished goods (930 000✓ + 95 000✓ – 55 500✓)	969 500 ✓* *one part correct

20

2.1.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

Sales (930 000 x 175/100) ✓ – 60 000✓	1 567 500 *✓
Cost of sales	(930 000)
Gross profit	637 500
Other expenses	(238 210) ✓
Administration cost (121 000✓ + 13 210✓)	134 210 *✓
Selling and distribution costs (104 900✓ – 900✓✓)	104 000 *✓
Net profit for the year	399 290 *✓

12

*one part correct

2.2.1 Alex, the owner, was unable to achieve the targeted net profit of R150 000 for the year ended 2024.

Calculate how many jackets should have been produced in order to achieve the targeted profit.

WORKINGS	ANSWER
$\frac{R354\ 150✓ + R150\ 000✓}{R135✓ - 85✓}$	10 083 units ✓ one part correct

5

2.2.2 Despite the fact that there was a decrease in the fixed costs per unit, the owner is still not satisfied with his control over the fixed costs.

Explain and provide calculation(s) to support his opinion.

Comment ✓ comparative figures ✓✓

The owner is not satisfied because of the increase in Fixed costs

Fixed costs in 2024 = R306 000 See 2.2.1

Fixed costs in 2023 = 4 500 x R59,60 = R268 200/ increased by R37 800

3

TOTAL MARKS

40