

**ACCOUNTING MARKING GUIDELINES GRADE 12 TEST 6**

**SELF-STUDY (LOCKDOWN PERIOD)**

**TOPIC : CASH FLOW STATEMENT AND INTERPRETATION**

**NOTE**

* Accounting is a principle-based subject and therefore it is method marked.
* It is important that learners familiarise themselves with the MARKING PRINCIPLES given below as they have been used in these Marking Guidelines.
* Concepts relating to the Marking Principles will be understood easily as they have applied in these Marking Guidelines.
* Learners should read the fine print in these Marking Guidelines as it is an implementation of Marking Principles.

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| **MARKING PRINCIPLES:** | |
| Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied. |
| Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item. |
| Full marks for correct answer. If the answer is incorrect, mark the workings provided. |
| If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well. |
| Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive. |
| Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates. |
| This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions. |
| Where penalties are applied, the marks for that section of the question cannot be a final negative. |
| Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. |
| 'Operation' means 'Check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, ×, ÷, or per memo. |
| In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios. |
| In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with ⌧. |
| Be aware that some candidates provide valid alternatives beyond the marking guideline. |
| Codes: f = foreign item; p = placement/presentation. |

**QUESTION 1**

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| 1.1 | **Calculate the missing figures indicated by (a) – (e) in the Fixed Asset Note.** |  |
|  | |  |  |  |  | | --- | --- | --- | --- | |  | **CALCULATIONS** | **AMOUNT** | | | (a) | R6 800 000 – R5 800 000 | R1 000 000 | **✓✓** | | (b) | R840 000 + R960 000 | R1 800 000 | **✓✓** | | (c) | R850 000 – R180 000 | R670 000 | **✓✓** | | (d) | **✓ ✓ ✓✓**  R150 000 – (R15 000 + R15 000)– R7 500  R30 000 | R112 500 | **🗹** | | (e) | See (d)  R7 500 **🗹 +** R70 000**🗹 +** R20 000**🗹**  Sold old / remaining new  R850 000 – R150 000 X 10% = R70 000  = R20 000 | R97 500 | **🗹** | | |  | | --- | |  | | **17** | |

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| 1.2 | |  |  |  | | --- | --- | --- | | **CASH FLOW STATEMENT FOR THE YEAR ENDED**  **28 FEBRUARY 2019** | |  | |  | **R** |  | | **Cash effects of operating activities**  operation | (344 715) **🗹** |  | | **Cash generated from operations**  (2 854 800**✓**– 198 615 **✓)** one part correct | 2 656 185 **✓** |  | | Interest paid | **(208 800)** |  | | Dividends paid  (676 500 **✓**+ 1 458 000**✓✓**) one part correct | (2 134 500) **🗹** |  | | Income Tax paid  (23 700**✓**- 713 250**✓**+ 31 950**✓ )** one part correct | (657 600) **🗹** | **12** | | **CASH EFFECTS FROM INVESTING ACTIVITIES** operation | (187 500)🗹 |  | | Fixed assets purchased see 1.1  (900 000 **+** 400 000)one part correct | (1 300 000) **✓🗹** |  | | Proceeds on sale of fixed assets see 1.1  (112 500 **🗹**+ 1 000 000 **🗹**) | 1 112 500 **🗹** | **6** | | **CASH EFFECTS FROM FINANCING ACTIVITIES** operation | 1 944 000 **🗹** |  | | Proceeds from the sale of shares | 1 800 000**✓** |  | | Repurchase of shares  36 000 (3 marks)  (720 000 **✓✓** X 5% **✓**X R16 **✓)** one part correct  40% X 300 000 = 120 000 + 600 000 | (576 000) **✓** |  | | Proceeds of loan  (2 100 000 – 1 380 000) | 720 000 **✓✓** | **9** | | **Net change in cash and cash equivalents**  operation | 1 411 785**🗹** |  | | **Cash and cash equivalents at beginning of year** | 1 429 465 **✓** | **3** | | **Cash and cash equivalents at end of year** | 2 841 250 **✓** |  | | |  | | --- | |  | | **30** | |

**BRACKETS ESSENTIAL BEFORE AWARDING THE MARK – SHOULD INDICATE OUTFLOW**

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| 1.3 | **Calculate the Debt-Equity ratio for 2019.**  2 100 000**✓** : 11 000 250**✓**  0,19 : 1**✓** | |  | | --- | |  | | **3** | |

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| 1.4 | **The directors decided to increase the loan during the current financial year. Explain TWO financial indicators to indicate why this was a good decision. Quote figures.** |  |
|  | **Financial indicator 🗸 🗸 Trend and figures 🗸 🗸 Comment 🗸🗸 🗸🗸**    ROTCE  This has decreased from 21,3% to 20.9%.  Positively geared as ROTCE is higher than the interest rate of 12%  Debt-Equity  This has increased from 0,13 : 1 to 0,19 : 1.  Low financial risk / lowly geared / not making use of loans / relies more on own capital | |  | | --- | |  | | **8** | |

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| 1.5 | **The board of directors is of the opinion that the shareholders should be happy with their percentage return and the market price of their shares. Quote and explain TWO financial indicators with figures to support their opinion.** |  |
|  | **Financial indicator 🗸 🗸 Trends and figures 🗸 🗸 Comments 🗸 🗸**    ROSHE  Improved from 12,3% to 15,7% and it is 8,2% more than the interest (7,5%) in alternative investments.  NAV  NAV per share of 1 608 cents is less than the market price of 1 680 cents. | |  | | --- | |  | | **6** | |

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| 1.6 | **The Cash Flow Statement reflects some important decisions taken by the Directors.**  **Apart from the loans, identify TWO good decisions. Explain the effect of this decision on the company. Quote figures.** |  |
|  | |  |  | | --- | --- | | **DECISION**  **Decision🗸🗸 Figures 🗸🗸** | **EFFECT ON COMPANY**  **🗸🗸** | | Sale of land and building,  R1 000 000 / Selling of fixed assets R1 112 500 | Increased the cash flow. / Used funds to buy other fixed assets. | | Issue of shares R1 800 000 /  120 000 shares | Increased the cash flow. / Used funds to buy assets. | | Purchase of fixed assets  900 000 + 400 000 = 1 300 000 | Leads to capital growth (future productivity). / More assets in the company. / Generates more income. | | |  | | --- | |  | | **6** | |

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| **TOTAL MARKS** |
|  |
| **70** |