**GRADE 12 ACCOUNTING: TERM 1 REVISION**

**WORKSHEET 2**

**COMPANIES: CASH FLOW STATEMENT,**

**FINANCIAL INDICATORS, and INTERPRETATION**

Province of the **EASTERN CAPE**

**DEPARTMENT OF EDUCATION**

**CURRICULUM MANAGEMENT**

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**The following information relates to DUFF LTD for the financial year ended 29 February 2020.**

**REQUIRED:**

1.1 Complete the Cash Flow Statement by filling in all the missing amounts

 Show ALL workings. (35)

1.2 Calculate the following financial indicators for 2020:

 1.2.1 % operating expenses on sales (3)

 1.2.2 Acid test ratio (4)

 1.2.3 Debt/equity ratio (3)

 1.2.4 % return on average shareholders’ equity (5)

 1.2.5 Net asset value per share. (3)

1.3 Comment on the liquidity of the business. Quote TWO financial indicators (with figures). (6)

1.4 Provide TWO reasons why directors decided to change the dividend pay-out policy.

 Quote figures to support your opinion. (6)

1.5 Did the company pay a fair price to buy back the shares? Explain. Quote figures. (5)

**INFORMATION:**

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| **A.** | **Extract from the Income Statement on 29 February 2020:**  |  |
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| --- | --- |
| Sales | 6 720 000 |
| Cost of sales | 4 200 000 |
| Operating expenses | 1 020 000 |
| Depreciation | 322 200 |
| Interest expense | 156 000 |
| Income tax (30% of taxable income)  | ? |
| Net profit after tax | 940 800 |

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| **B.** | **Extract from the Balance Sheet:** |  |
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|  | **29 February 2020** | **28 February 2019** |
| **Fixed assets (carrying value)**  | **8 275 600** | **7 722 000** |
| **Fixed Deposit** | **100 000** | **500 000** |
| **Current assets** | **1 121 600** | **848 000** |
|  Inventories | 461 000 | 329 000 |
|  Trade and other receivables | 635 000 | 514 000 |
|  Cash and cash equivalents | 25 600 | 5 000 |
| **Shareholders’ equity**  | **7 844 800** | **6 472 000** |
|  Ordinary share capital | 7 182 000 | 6 200 000 |
|  Retained income | 662 800 | 272 000 |
| **Loan: Mazu Bank**  | **900 000** | **1 700 000** |
| **Current liabilities** | **752 400** | **898 000** |
|  Trade and other payables | 752 400 | 852 800 |
|  SARS: Income tax | 22 400 | 6 800 |
|  Shareholders for dividends  | 240 000 | 180 000 |
|  Bank overdraft |  0 | 45 200 |

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| **C.** | **Changes to Share capital:** |  |
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|  |  |
| --- | --- |
|  | **Number of share** |
| Balance on 1 March 2019 | 1 000 000 |
| Shares issued on 1 November 2019 | 200 000 |
| Shares repurchased on 1 January 2020, at R1,00 above the average share price  | 60 000 |
| Balance on 28 February 2020 | 1 140 000 |

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| **D.** | **Total dividends** for the year amounted to R490 000.  |  |
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| **E.**  | **Changes to fixed assets:**  |  |
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|  | * Old equipment were sold at carrying value during the financial year, R252 000.
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|  | * Additional equipment were purchased to upgrade the office section.
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|  | * Extensions to the office section were also completed during the current financial year.
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| **F.** | **Financial indicators:**  |  |
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| --- | --- | --- |
|  | **29 February 2020** | **28 February 2019** |
| % mark-up (on cost) | 60.0% |  | 60.0% |  |
| % operating expenses on sales | ? |  | 16,3% |  |
| Debt / equity ratio  | ? |  | 0,3 : 1 |  |
| Current ratio  | 1,5 : 1 |  | 0,9 : 1 |  |
| Acid-test ratio  | ? |  | 0,6 : 1 |  |
| Stock turnover rate | 10,8 times |  | 11,6 times |  |
| Earnings per share (cents) | 89 cents |  | 78 cents |  |
| Dividends per share (cents) | 45 cents |  | 60 cents |  |
| % return on average shareholders’ equity | ? |  | 12,0% |  |
| % return on average capital employed | 17,7% |  | 15,5% |  |
| Interest rate on loans | 14% |  | 15% |  |
| Net asset value per share (cents) | ? |  | 647 cents |  |
| Market price of shares (JSE)  | 660 cents |  | 650 cents |  |

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|  |  | **70** |