

**Monyetla Project – Accounting Gr 12**

**Lesson 5: Companies: Analysis and Interpretation, Audit Report and Corporate Governance**

**ACTIVITY 1: MORE LIMITED**

**COMPANIES – AUDIT REPORT AND CORPORATE GOVERNANCE**

(15 marks; 12 minutes)

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 **AUDIT REPORT**

1.2.1

**Where, why and when is this audit report expected to be presented?**

Where	
Why	
When	

3

1.2.2 Provide TWO points why the independent auditors make reference to pages 12 – 30 of the Annual Report.

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4

1.2.3 Explain TWO points on the impact of this report on the company.

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4

TOTAL MARKS		15
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**ACTIVITY 2: HADLEY LTD**

**COMPANIES: ANALYSIS AND INTERPRETATION**

**(40 marks; 32 minutes)**

**2.1**

**Calculate the missing figures indicated by (a) – (e) in the Fixed Asset Note.**

	<b>CALCULATIONS</b>	<b>AMOUNT</b>
(a)		
(b)		
(c)		
(d)		
(e)		

- 2.2 Calculate the Debt-Equity ratio for 2019.  
(Round-off to TWO decimal points.)

3

- 2.3 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.

8

- 2.4 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.

6

2.5

The Cash Flow Statement reflects some important decisions taken by the Directors.

Apart from the loans, identify TWO good decisions. Explain the effect of these decisions on the company. Quote figures.

DECISION	EFFECT ON COMPANY

6

TOTAL MARKS		40
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**ACTIVITY 3: LOCK LTD & DOWN LTD**

**COMPANIES – INTERPRETATION OF COMPANY INFORMATION**

**(35 marks; 25 minutes)**

**3.1**

**Compare the liquidity position of both companies and comment on the company that is managing the short term assets more effectively.**

**LOCK LTD**

**DOWN LTD**

**COMMENT**

**6**

**3.2**

**Compare the dividend pay-out policy of each company.**

**LOCK LTD**

**DOWN LTD**

**4**

**Provide TWO possible reasons why one company decided to change their policy.**

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4
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3.3

**Lock Ltd decided to increase their loans during the current financial year, whilst Down Ltd decided to maintain their existing loans. Comment on the decisions of both companies. Make reference to the degree of risk and gearing**

<b>LOCK LTD</b>	
<b>DOWN LTD</b>	

8
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3.4

**A shareholder of Down Ltd is concerned about the drop in the market price of the shares. Explain why they feel this way. Provide TWO points.**

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- 3.5 M. Mtolo owns 576 000 shares in Down Ltd, which represents 48% of the total issued shares. He wants to purchase another 25 000 shares.

Do a calculation to show how this would change his % shareholding in the company.

5

Provide TWO reasons why you think he is specifically interested in increasing his shareholding in Down Ltd.

4

TOTAL MARKS		35
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