

**GAUTENG PROVINCE**

EDUCATION  
REPUBLIC OF SOUTH AFRICA

# **JUNE EXAMINATION GRADE 12**

## **2025**

### **ACCOUNTING**

#### **(PAPER 1)**

**ACCOUNTING P1**



**C2711E**

**TIME: 2 hours**

**MARKS: 150**

11 pages + a formula sheet and a 10-page answer book

**X10**



**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Figures are NOT required in grey shaded areas.
9. Write neatly and legibly.
10. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Comprehensive Income and Statement of Financial Position	55	44
2	Cash Flow Statement and Financial Indicators	40	32
3	Analysis and Interpretation of Financial Indicators	40	32
4	Corporate Governance	15	12
<b>TOTAL</b>		<b>150</b>	<b>120</b>

# QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME AND STATEMENTS OF FINANCIAL POSITION (55 marks; 44 minutes)

- 1.1 Complete each of the following statements by choosing a term from the list below. Write only the term next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

IFRS; external auditors; directors; Memorandum of Incorporation; internal auditors

- 1.1.1 ... is/are appointed to give an unbiased opinion on the financial statements. (3 x 1) (3)
- 1.1.2 ... is/are guidelines for the preparation of financial statements to ensure consistency.
- 1.1.3 ... set(s) out the rights, duties and responsibilities of shareholders and directors.

## 1.2 WINSTON LIMITED

The information relates to the financial year ended 28 February 2025.

### REQUIRED:

- 1.2.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2025. (26)
- 1.2.2 Complete the Statement of Financial Position (Balance Sheet) on 28 February 2025. (26)

**NOTE:** Some amounts are provided in the ANSWER BOOK.



## INFORMATION:

## A. Balances and Totals on 28 February 2025:

	2025 (R)	2024 (R)
Ordinary share capital	1 189 000	
Retained income	880 000	
Loan: King Bank	?	
SARS: Income tax	(Cr) 33 200	(Cr) 34 460
Creditors' control	198 400	
Shareholders for dividends	?	142 000
Debtors' control	382 700	
Provision for bad debts	?	16 260
Trading stock	920 000	
Creditors for salaries	24 750	
Bank (Unfavourable as on 24 February 2025)	*100 900	
Sales	?	
Cost of sales	2 150 000	
Salaries and wages	1 030 000	
Audit fees	45 000	
Bad debts recovered	15 400	
Directors' fees	930 150	
Rent income	107 500	
Stationery	63 250	
Dividends on ordinary shares	112 300	

\* **NOTE:** The bank balance is given on 24 February 2025.  
There were transactions conducted after 24 February 2025.

## B. Extract from the Cash Flow Statement for the year ended 28 February 2025:

Depreciation	R87 600
Income tax paid	R130 300
Interest paid	R22 000
Fixed deposit matured	*R55 100

\* **NOTE:** Fixed deposit matured on 28 February 2025.

**C. Adjustments and additional information:**

- (i) Only half of the audit fees were paid. The balance will be paid in March 2025.
- (ii) The tenant occupied part of the premises since 1 April 2024. He has not paid the rent for January and February 2025. Rent was reduced by 10% on 1 September 2024.

- (iii) A stock purchase of R13 000 was made on account from Smit & Sons Suppliers and recorded correctly.

**NOTE:** 20% of the stock received was defective. The supplier acknowledged the error and issued a credit note, but no entry has been made yet.

- (iv) The physical stock count on 28 February 2025 revealed the following:
- Trading stock R890 400
  - Stationery used for the year R57 500
- (v) A customer who owes R3 700 requested that the balance be transferred to his creditors' account as he also supplies the business with office stationery.
- (vi) Provision for bad debts must be adjusted to 4% of the outstanding trade debtors.
- (vii) The company has two directors who earn the same monthly fees. A third director who was appointed on 1 November 2024, earns R4 200 more per month than the other two directors. He was paid until 31 March 2025.
- (viii) The company repurchased 30 000 shares at a price of R3,10 on 26 February 2025. The repurchased amount in the retained income amounted to R33 000. These shares qualify for final dividends of 30 cents.
- (ix) The following financial indicators were calculated on 28 February 2025, after all adjustments were processed:
- |                           |         |
|---------------------------|---------|
| Operating profit on sales | 15%     |
| Debt-equity ratio         | 0,5 : 1 |
- (x) The loan from King Bank will be reduced by a capital portion of R21 500 per month in the 2025 financial year.



**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS****(40 marks; 32 minutes)**

The information relates to Charter Ltd for the financial year ended 31 May 2025.

**REQUIRED:**

- 2.1 Prepare the Ordinary Share Capital note for the year ended 31 May 2025. (6)
- 2.2 Calculate the following financial indicators for the financial year ended 31 May 2025:
- 2.2.1 % Net profit before tax on sales (2)
- 2.2.2 Net asset value (3)
- 2.2.3 % Return on total capital employed (7)
- 2.3 Complete the Cash Flow Statement for the year ended 31 May 2025. (22)

**INFORMATION:****A. Extract from the Statement of Comprehensive Income for the year ended 31 May 2025:**

	R
Sales	11 420 130
Cost of sales	8 000 000
Gross operating income	5 120 540
Depreciation	160 150
Interest on loan	338 780
Profit before tax	2 501 070
Income tax	792 400

**B. Extract from the Statement of Financial Position on 31 May 2025:**

	2025	2024
Fixed assets (carrying value)	9 300 000	7 112 300
Investments		593 200
Trading stock	720 000	1 300 000
Trade and other receivables	1 677 580	2 191 070
Cash and cash equivalents	0	?
Total assets		11 274 570
Shareholders' equity	8 512 300	?
Ordinary share capital	?	
Retained income	1 072 300	
Non-current liabilities	1 200 000	2 606 000
Trade and other payables	2 888 000	1 906 000
Bank overdraft	575 000	0

## C. Notes to the financial statements on 31 May:

	2025	2024
<b>Trade and other receivables:</b>		
Net trade debtors	1 587 380	2 155 340
Prepaid expenses	29 300	35 730
SARS: Income tax	60 900	—
	1 677 580	2 191 070
<b>Trade and other payables:</b>		
Trade creditors	2 580 000	1 448 900
Shareholders for dividends	308 000	415 000
SARS: Income tax	—	42 100
	2 888 000	1 906 000

## D. Additional information:

(i) **Cash generated from operations:**

- Operating profit before changes in working capital, R3 000 000.
- Changes in working capital, R2 285 490 inflow.

(ii) **Fixed assets:**

- Fixed assets sold at carrying value, R450 000.
- Fixed assets were purchased during the year.

(iii) **Share capital:**

- On 1 June 2024, 556 100 shares were in issue.
- 120 000 shares were issued at a total value of R2 169 150 on 30 September 2024.
- On 28 February 2025, a number of shares were repurchased at R2,20 (per share) above the average share price.
- On 31 May 2025, 620 000 shares were in issue.

(iv) **Dividends:**

Interim dividends of 35 cents per share were paid on 1 October 2024.

(v) **Income tax**

Income tax paid during the year, R 895 400



**QUESTION 3: ANALYSIS AND INTERPRETATION OF FINANCIAL INDICATORS**  
(40 marks; 32 minutes)**ZANAD LTD**

The information relates to Zanad Ltd for the financial year ended 28 February 2025.

**REQUIRED:**

**NOTE:** Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures.
- Provide a reason or an explanation for the financial indicators quoted.

3.1 Choose the correct word(s) in brackets.

3.1.1 (Debtors/SARS) are interested in the profitability of a company.

3.1.2 (Financial Institutions/Auditors) want to know if a company is solvent.

3.1.3 The liquidity of a business is important to (creditors/Internal Affairs). (3)

**3.2 Liquidity:**

Shanice Krates, one of the shareholders and CEO argued that the directors did not deserve the performance bonus because they failed to efficiently manage the company's working capital. Quote TWO financial indicators to support Shanice's argument. (6)

**3.3 Dividends pay-out policy:**

Some shareholders are not satisfied with the change in the dividend pay-out policy. Explain the reason for this change. (4)

**3.4 Returns:**

Reeves, a potential shareholder, is unsure whether to invest in the company or invest his money in long term investments in other financial institutions. Provide ONE point of advice by quoting ONE relevant financial indicator. (4)

**3.5 Financing strategies and gearing:**

The directors decided to allow the issue of more shares on 31 January 2025 instead of taking an additional loan to finance the operations of the company. Quote TWO financial indicators to justify the decision taken by the directors. (6)



## 3.6 Shanice Krates' % shareholding and share capital:

3.6.1 Calculate the amount spent by Shanice on the shares she bought on 31 January 2025.

(She was allowed to buy shares equal to one-fifth of the shares she already owned.)

**NOTE:** No shares were repurchased during the financial year. (3)

3.6.2 Shanice wants to be a majority shareholder. Explain whether she managed to achieve her goal. Show ALL calculations. (6)

3.6.3 Explain ONE consequence to the company of allowing Shanice to buy shares equal to one-fifth of the shares she already owns. (2)

3.7 At an AGM the directors stated that they were planning to repurchase 15 000 shares of a recently deceased shareholder during the next financial period at a share price of R8 per share.

Some shareholders disagreed with this decision. Explain why they may disagree with this decision by quoting TWO relevant financial indicators. (6)

**INFORMATION:**

A. The following financial indicators were calculated for the past two years ended 28 February:

	2025	2024
Current ratio	4,5 : 1	1,9 : 1
Acid-test ratio	0,5 : 1	1,8 : 1
Debt-equity ratio	1,9 : 1	2,2 : 1
Stock turnover rate	7 times	13 times
% return on average shareholders' equity	25%	17%
% return on total capital employed	10,3%	15,5%
Dividends per share	48 cents	105 cents
Earnings per share	80 cents	96 cents
Net asset value	635 cents	690 cents
Interest rate on long-term loans	11,5%	13%
Interest rate on investments	9%	9%
JSE price (Market price)	600 cents	650 cents

**B. Share capital:**

2 640 000 shares were in issue on 1 March 2024.

**BACKGROUND INFORMATION**

Shanice Krates (who is also the CEO of the company) owned 1 267 200 shares on 1 March 2024.

Shanice wants to be a majority shareholder; therefore, she arranged an urgent meeting with the board of directors and other shareholders with a significant stake in the company to allow her to buy shares equal to one-fifth of the shares that she already owned. This will enable the company to afford its current debt repayments.

On 31 January 2025, Shanice finally managed to convince the board of directors and other shareholders to allow her to buy shares equal to one-fifth of the shares that she already owned. These shares were issued at a current market price. The remainder of the shares were sold to the public.

A total of R2 100 000 was raised by the company through this issue of shares on 31 January 2025.



**QUESTION 4: CORPORATE GOVERNANCE****(15 marks; 12 minutes)**

Read the extracts carefully and answer the questions that follow. Use your general knowledge of companies and corporate governance to support your answers, if necessary.

**The Power of Giving: A Donor's Impact, Beyond the Gift**

Amine Traders, a Johannesburg distribution company, had a surplus of food parcels. It is alleged that in a senior management meeting, the CEO proposed donating the food parcels to a local community centre as commitment to support community well-being. However, some managers opposed the idea, and the majority ultimately decided to sell the parcels instead. The decision by the majority seem to have affected the company's results negatively.

**4.1 Refer to the information regarding "The Power of Giving: A Donor's Impact, Beyond the Gift".**

- 4.1.1 Provide ONE key factor that should be checked before donating items. (2)
- 4.1.2 Explain why it is important for a business to engage in Corporate Social Responsibility (CSR). Provide TWO points. (4)

**TASH FINANCIAL SERVICES LTD (TFS)**

Tash Financial Services Ltd is failing to attract potential investors due to the company's poor performance. The shareholders discovered from whistle-blowers that the company's poor performance is the result of a lack of competence on the board of directors. The directors of TFS are denying this allegation. According to the King Code principles, businesses are expected to conduct their operations in an ethical and professional manner.

**4.2 Refer to information regarding Tash Financial Services Ltd (TFS).**

- 4.2.1 Give TWO benefits of good corporate governance for companies. (4)
- 4.2.2 How can businesses apply the King Code principles of transparency and accountability? Provide TWO points. (4)
- 4.2.3 What should directors do if they have a conflict of interest? Provide ONE point. (1)

**15****TOTAL: 150**



## GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
$\frac{\text{Trade \& other receivables} + \text{Cash \& cash equivalents}}{\text{Current liabilities}}$	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	

**NOTE:**

- \* In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.



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# JUNE EXAMINATION GRADE 12

## 2025

### ACCOUNTING (PAPER 1) ANSWER BOOK

NAME AND SURNAME:

NAME OF SCHOOL:

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QUESTION	TOTAL MARKS	MARKS OBTAINED	MODERATED MARK
1	55		
2	40		
3	40		
4	15		
<b>TOTAL</b>	<b>150</b>		

10 pages



## QUESTION 1

1.1

1.1.1		
1.1.2		
1.1.3		

3

1.2

1.2.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales		
Cost of sales		(2 150 000)
Gross profit		
Other operating income		
Bad debts recovered		15 400
Gross operating income		
Operating expenses		
Salaries and wages		1 030 000
Operating profit		690 000
Interest income		
Profit before interest expense		
Profit before income tax		
Net profit after tax		

26



## 1.2.2 Statement of Financial Position (Balance sheet) on 28 February 2025

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Fixed assets	
Fixed deposit	
<b>CURRENT ASSETS</b>	
Trade and other receivables	
382 700	
Cash and cash equivalents	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	
Ordinary share capital	2 069 000
Retained income	1 189 000
	880 000
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
198 400	
<b>TOTAL EQUITY AND LIABILITIES</b>	

26

## QUESTION 2

## 2.1 Ordinary Share Capital note on 31 May 2025

556 100	Ordinary shares at the beginning	
120 000	Ordinary shares issued during the year	R 2 169 150
	Shares at the end of the year	

6

## 2.2 Calculate the following financial indicators for the year ended 31 May 2025:

## 2.2.1 % Net profit before tax on sales

WORKINGS	ANSWER

2

## 2.2.2 Net asset value

WORKINGS	ANSWER

3

## 2.2.3 % Return on total capital employed

WORKINGS	ANSWER

7

## 2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2025

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash generated from operations	
Interest paid	(338 780)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Change in investments	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Repurchase of shares	
Change in loans	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	
<b>CASH AND CASH EQUIVALENTS AT END</b>	

22

40



## QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	

3

3.2

Shanice Krates, one of the shareholders and CEO argued that the directors did not deserve the performance bonus because they failed to efficiently manage the company's working capital. Quote TWO financial indicators to support Shanice's argument.

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6

3.3

Some shareholders are not satisfied with the change in the dividend pay-out policy. Explain the reason for this change.

4

3.4

Reeves, a potential shareholder, is unsure on whether to invest in the company or invest his money in long-term investments in other financial institutions. Provide ONE point of advice by quoting ONE relevant financial indicator.

4

3.5

The directors decided to allow the issue of more shares on 31 January 2025 instead of taking an additional loan to finance the operations of the company. Quote TWO financial indicators to justify the decision taken by the directors.

6

3.6

3.6.1

Calculate the amount spent by Shanice on the shares she bought on 31 January 2025. (She was allowed to buy shares equal to one-fifth of the shares she already owned.)  
NOTE: No shares were repurchased during the financial year.

3

3.6.2

Shanice wants to be a majority shareholder. Explain whether she managed to achieve her goal. Show ALL calculations.



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6

3.6.3

Explain ONE consequence to the company of allowing Shanice to buy shares equal to one-fifth of the shares she already owns.

2

3.7

At an AGM the directors stated that they were planning to repurchase 15 000 shares of a recently deceased shareholder during the next financial period at a share price of R8 per share.

Some shareholders disagreed with this decision. Explain why they may disagree with this decision by quoting TWO relevant financial indicators.

6



## QUESTION 4

4.1

4.1.1

Provide ONE key factor that should be checked before donating items.

2

4.1.2

Explain why it is important for a business to engage in Corporate Social Responsibility (CSR). Provide TWO points.

4

4.2

4.2.1

Give TWO benefits of good governance for companies.

4

4.2.2

How can businesses apply the King Code principles of transparency and accountability? Provide TWO points.



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4

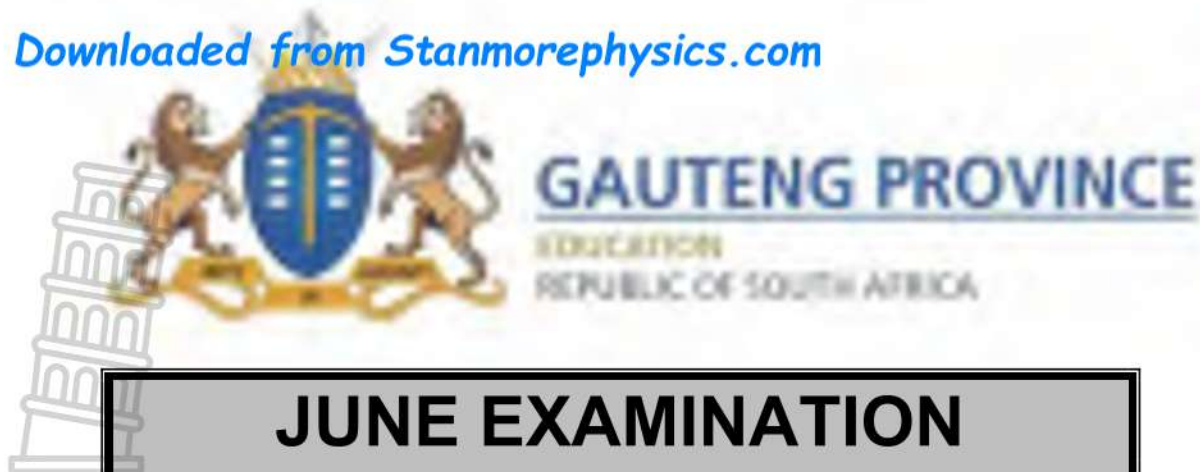
4.2.3

What should directors do if they have a conflict of interest? Provide ONE point.

1

15

TOTAL: 150



# JUNE EXAMINATION GRADE 12

## 2025

## MARKING GUIDELINES

### ACCOUNTING (PAPER 1)

12 pages

#### MARKING PRINCIPLES:

1. 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.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answers. If answer is incorrect, mark workings.
4. 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 the final answer as well.
5. 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.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give the benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max. -2 per Q).
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if the numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with an ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation; s = superfluous item



## QUESTION 1

1.1

1.1.1	External auditors	✓
1.1.2	IFRS	✓
1.1.3	Memorandum of Incorporation (MOI)	✓

3

1.2

1.2.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	(690 000 x 100/15)	4 600 000 ✓✓
Cost of sales		(2 150 000)
Gross profit		
Other operating income	2	
Bad debts recovered		15 400
Rent income (107 500 ✓ + 22 500 ✓✓)	[11 250 + 11 250] see both for two marks One part correct	130 000 ✓*
Provision for bad debts adjustment (16 260 – 15 160 ✓)	6	1 100 ✓
Gross operating income		
Operating expenses		
Salaries and wages		1 030 000
Audit fees (45 000 + 45 000)		90 000 ✓✓
Directors' fees (930 150 ✓ – 35 550 ✓✓)	must see both for two marks [- 31 350 – 4 200] One part correct	894 600 ✓*
Stationery		57 500 ✓✓
Depreciation		87 600 ✓
Trading stock deficit (920 000 ✓ – 2 600 ✓ – 890 400 ✓)	917 400 two marks 13	27 000 ✓*#
Operating profit		690 000
Interest income		
Profit before interest expense		
Interest expense	Must be in brackets	(22 000) ✓
Profit before income tax		
Income tax (130 300 ✓ + 33 200 ✓ – 34 460 ✓)	163 500 two marks One part correct and must be in brackets	(129 040) ✓*
Net profit after tax	5	

26

\*# If shown as surplus, mark the workings and penalise on the answer

\* One part correct

-1F for dividends on ordinary shares

## 1.2.2 Statement of Financial Position (Balance sheet) on 28 February 2025

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Fixed assets	
Fixed Deposit	
<b>CURRENT ASSETS</b>	
Inventory (890 400 ✓ + 5 750 ✓) [63 250 – 57 500] must see both figures for a mark	896 150 ✓*
Trade and other receivables rent Inc transfer Pro b.d Dir. fees 382 700 + 22 500 ✓ – 3 700 ✓ – 15 160 ✓** + 35 550 ✓ Must see both figures for one mark [-16 260 + 1 100]	421 890 ✓*
Cash and cash equivalents 8	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	2 069 000
Ordinary share capital	1 189 000
Retained income	880 000
<b>NON-CURRENT LIABILITIES</b> (2 069 000 x 0,5) 2	1 034 500 ✓✓
Loan: King Bank (if R1 034 500 not shown at non-current liabilities, give marks if shown only next to loan)	1 034 500
<b>CURRENT LIABILITIES</b>	879 200 ✓*
Trade and other payables aud. fees Def. stock transfer cred for salary 198 400 + 45 000 ✓ – 2 600 ✓ – 3 700 ✓ + 24 750 ✓ )	261 850 ✓*
Must see both figures for two marks [594 500 + 30 000] Shareholders for dividends (624 500 ✓✓ x 0,30 ✓)	187 350 ✓*#
SARS: Income tax	33 200 ✓#
Current portion of loan (21 500 x 12)	258 000 ✓ #
Bank overdraft Repurchase of shares Fixed Dep [30 000 x 3,1] or [60 000 + 33 000] (100 900 ✓ – 55 100 ✓ + 93 000 ✓) 16	138 800 ✓*
<b>TOTAL EQUITY AND LIABILITIES</b>	

26

\*one part correct #could be included as part of Trade and other payables

\*\* only if shown in workings of provision for bad debt adjustment in 1.2.1

Calculations must be shown to earn method marks for one part correct in all questions

## QUESTION 2

## 2.1 Ordinary Share Capital note on 31 May 2025

556 100	Ordinary shares at the beginning	R5 944 050 ✓
120 000	Ordinary shares issued during the year	R2 169 150
(56 100) ✓ Ignore brackets	Ordinary shares repurchased at R12 ✓ (*7 440 000 / 620 000 = 12) check operation	(R673 200) ✓ Must be x by repurchase average price
620 000 ✓	Shares at the end of the year [8 512 300 – 1 072 300]	R7 440 000 ✓

6

\* Must be the end of year rand value / 620 000 to earn method mark for average price

## 2.2 Calculate the following financial indicators for the year ended 31 May 2025:

## 2.2.1

% Net profit before tax on sales	
WORKINGS	ANSWER
$\frac{2\,501\,070}{11\,420\,130} \times 100$	21.9% ✓✓ Accept 22% Do not accept 0,219, 0,21 or 0,22 Ignore % sign

2

## 2.2.2

Net asset value	
WORKINGS	ANSWER
$\frac{8\,512\,300}{620\,000} \times 100$	1 373 cents ✓ Accept 1 372,95 cents Method mark for one part correct. X 100 not one part correct. Accept R13.73

3

## 2.2.3

% Return on total capital employed	
WORKINGS	ANSWER
$\frac{2\,839\,850}{[2\,501\,070 + 338\,780] \times 100}$	29,8 % ✓
(8 512 300 ✓ + #6 762 570 ✓ + 1 200 000 ✓ + 2 606 000 ✓) / 2 ✓ 15 274 870 two marks                      3 806 000 two marks 19 080 870 four marks 9 540 435 five marks	Accept 30% or 29,77% Do not accept 0,30 or 0,29 or 0,298 Method mark for one part correct. X 100 not one part correct. Ignore % sign
# 11 274 570 – 2 606 000 – 1 906 000 or 11 274 570 – 4 512 000 Be aware of other valid permutations. Numerator and denominator may not be swapped.	

7



## 2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2025

Signs must be correct

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
<b>Cash generated from operations</b> (no marks for workings) (3 000 000 + 2 285 490)	5 285 490 ✓✓
<b>Interest paid</b>	(338 780)
<b>Income tax paid</b>	(895 400) ✓
<b>Dividends Paid</b> (415 000 ✓ + 236 635 ✓✓) must see both for two marks [676 100 x 0.35] For one mark if only (556 100 x 0.35 = 194 635) One part correct & brackets to earn method mark	(651 635) ✓
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
<b>Purchase of fixed assets</b> (7 112 300 ✓ – 450 000 ✓ – 160 150 ✓ – 9 300 000 ✓) Accept T-Account or reverse signs	(2 797 850) ✓ One part correct & brackets
<b>Proceeds from the disposal of non-current assets</b>	450 000 ✓
<b>Change in investments</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
<b>Proceeds from the issue of ordinary shares</b>	2 169 150 ✓
<b>Repurchase of shares</b>	
<b>Change in loans</b>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b> (-78 000 – 575 000) (Check bottom-up operation)	(653 000) ✓ Must be in brackets
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b> (11 274 570 ✓ – 7 112 300 ✓ – 593 200 ✓ – 1 300 000 ✓ – 2 191 070 ✓)	78 000 ✓
<b>CASH AND CASH EQUIVALENTS AT END</b>	(575 000) ✓

22

## QUESTION 3

3.1

3.1.1	SARS	✓
3.1.2	Financial Institutions	✓
3.1.3	Creditors	✓

3

3.2

**Shanice Krates, one of the shareholders and CEO argued that the directors did not deserve the performance bonus due to the fact that they failed to efficiently manage the company's working capital. Quote TWO financial indicators to support Shanice's argument.**

Any two Indicators ✓ ✓ Figures and trend ✓ ✓  
Comment ✓ ✓

Current Ratio

Increased from 1,9:1 (2024) to 4,5:1 (2025)/ by 2.6:1

Acid-Test Ratio

Decreased from 1,8:1 (2024) to 0,5:1 (2025)/ by 1.3:1

Stock turnover rate

Decreased from 13 times (2024) to 7 times (2025)/ by 6 times

**Comment**

- Too much cash is tied up in current assets/stock.
- The company relies too much on trading stock to pay off its current debts.
- Stock is selling slowly, poor strategies implemented to improve turnover.
- Company will not be able to cover short term debts without selling stock.
- According to Acid-Test Ratio, company will experience problems to pay short term debts.

6

3.3

**Some shareholders are not satisfied with the change in the dividend pay-out policy. Explain the reason for this change.**

$$\text{2024: Dividends Pay-out} \\ \frac{105}{96} \times \frac{100}{1} = 109,4\%$$

$$\text{2025: Dividends Pay-out} \\ \frac{48}{80} \times \frac{100}{1} = 60\%$$

**Figures:**

Dividend pay-out rate in 2024, 109,4% ✓ **and**  
dividend pay-out rate in 2025, 60% ✓

**or**

In 2024, 105 cents of 96 cents declared as dividend / 9 cents more than earnings declared as dividends **and**  
in 2025, 48 cents of 80 cents declared as dividends / 32 cents less than earnings declared as dividends

**Comment** ✓ ✓ Part mark for incomplete/partially correct comment  
Stanmorephysics.com

In 2024, 9,4% of the retained income was distributed as dividends. Pay-out rate of 109,4% was to keep shareholders happy or no earnings were held back. / In 2025, 40% of earnings were retained for future expansion/ offset of future debts.

**Or**

In 2024, 105 cents of 96 cents / 9 cents more than earnings per share were declare as dividends. No earnings retained in the business. More dividends were declared to keep shareholders happy. / In 2025, 48 cents of 80 cents were declared as dividends and 32 cents of earnings were retained for future expansions.

4

3.4

**Reeves, a potential shareholder, is confused on whether to invest in the company or invest his money in long term investments in other financial institutions. Provide ONE point of advice by quoting ONE relevant financial indicator.**

Indicator ✓ Figure and trend ✓ Comment and Advice ✓ ✓

ROSHE increased from 17% (2024) to 25% (2025) by 8% points by 47%.

ROSHE is higher than the interest rate on investments of 9%/ by 16% points, therefore Reeves can invest in the company since she will be getting better returns than alternative investments at the moment.

4



3.5

The directors decided to allow the issue of more shares on 31 January 2025 instead of taking an additional loan in order to finance the operations of the company. Quote TWO financial indicators to justify the decision taken by the directors.

Indicator ✓ ✓ Figures and trend ✓ ✓ Comment ✓ ✓

#### Debt-equity ratio

Decreased from 2,2 : 1 (2024) to 1,9 : 1 (2025).

The company is still a high risk.

The company is still not in a favourable position to take out further loans

#### ROTCE

Decreased from 15,5% (2024) to 10,3 (2025)

This is lower than the interest rate on long term loans of 11,5%.

The company is negatively geared/

Loans are currently not benefiting the company, the interests paid are too high.

6

3.6

3.6.1

Calculate the amount spent by Shanice on the shares she bought on 31 January 2025. (She was allowed to buy shares equal to one fifth of the shares she already owned.)

NOTE: No shares were repurchased during the financial year.

$$1\,267\,200 \times \frac{1}{5} = 253\,440 \text{ shares}$$

If used 2025 market price:

$$253\,440 \checkmark \times R6 \checkmark = R1\,520\,640 \checkmark$$

Or

If used 2024 market price:

$$253\,440 \checkmark \times R6.50 \checkmark = R1\,647\,360 \checkmark$$

3

3.6.2

**Shanice wanted to be a majority shareholder. Explain whether she managed to achieve her goal. Show ALL calculations.**

Before issue of shares:  $\frac{1\,267\,200}{2\,640\,000} \times 100 = 48\%$

[1 267 200 + 253 440 see 3.6.1]

$\frac{1\,520\,640}{2\,990\,000} \times 100 = 50,9\%$  accept 50,86% or 51% or 51.3%

accept 2 963 077 if used R6.50 in 3.6.1

[2 640 000 + 350 000]

[2 100 000 ÷ 6] or /6.50 if used R6.50 in 3.6.1

#She did achieve her goal. She is now a majority shareholder. ✓

**Alternative calculations:**

[2 990 000/2 +1] accept if R6.50 in 3.6.1 [2 963 077/2 +1]

1 520 640 ✓ – 1 495 001 ✓ accept 1 481 540 = 25 639 accept 30 100  
more than needed to have more than 50% ✓ of shares and therefore a  
majority shareholder ✓

Or

[2 990 000/2] accept [2 963 077/2 if R6.50 in 3.6.1]

1 520 640 ✓ – 1 495 000 ✓ accept 1 481 539 = 25 640 accept 39 101  
more than 50% ✓ of shares and therefore a majority shareholder. ✓

Calculations must agree with the response.

Numerator and denominator may not be swapped.

Mark one option/line. Lines can not be mixed

6

3.6.3

**Explain ONE consequence of the decision to the company to allow Shanice to buy shares equal to one fifth of the shares she already owns.**

Any ONE valid response ✓✓

- This is an unethical business practice/Insider trading.
- The company may tarnish its image, and this will further drop the market share price.
- Loss of potential and existing minority shareholders.

2

3.7

At an AGM the directors stated that they were planning to repurchase 15 000 shares of a recently deceased shareholder during the following financial period at a share price of R8 per share.

Some shareholders disagreed with this decision. Explain why they disagree with this decision by quoting TWO relevant financial indicators (with figures).

Any valid response

One mark for partial response

Repurchase price compared with

NAV and figure ✓ ✓ JSE and figure ✓ ✓ Comment ✓ ✓

- The repurchase price of R8 is too expensive and is higher than the NAV of R6,35
- The repurchase price of R8 is higher than the market price of R6.

#### COMMENT

- The company experienced a drop in market price and NAV price.
- The repurchase price should be below or equal to NAV or market price since the company is struggling financially.
- Paying R30 000 more for 15 000 shares than what the market price would be for the shares. (120 000 – 90 000)

6

40



## QUESTION 4

4.1

4.1.1

**Provide ONE key factor that should be checked before donating items.**

Any ONE valid point ✓✓

part marks for incomplete/partially correct answers

- Registration of the care centre receiving the donation.
- Specific needs of the community centre.
- Evaluation of the centre's specific needs to be useful.
- Food parcels must still be in good condition/not expired.

2

4.1.2

**Explain why it is important for a business to engage in Corporate Social Responsibility (CSR). Provide TWO points.**

Any TWO valid points ✓✓ ✓✓

part marks for incomplete/partially correct answers

- It enhances the company's reputation which can attract more customers.
- It fosters strong customer loyalty which leads to better profits/market price.
- It helps the company to have the upper hand over competitors.
- This ensures long-term operational success.

4

4.2

4.2.1

**Give TWO benefits of good governance for companies.**

Any TWO valid benefits ✓✓ ✓✓

part marks for incomplete/partially correct answers

- It can lead to better financial results and improved performance./ It can also help a company achieve its financial goals and be more financially sustainable.
- It can make a company more attractive to investors.
- It can help a company build a good reputation.
- It can help build trust with employees, customers, and investors. This can lead to higher job satisfaction and commitment, and lower turnover of employees.
- It can help a company to identify risks / manage risk effectively.
- Help companies avoid costly mistakes and legal issues.
- It can help a company comply with laws and regulations.
- Decision-making: Good governance can help a company make more effective decisions.
- It can help a company establish strong internal controls.

4

4.2.2

**How can businesses apply the King Code principles of transparency and accountability? Provide TWO points.**

Any TWO valid points ✓✓ ✓✓

part marks for incomplete/partially correct answers

- Make governing documents, policies, and financial information available to stakeholders. /Share information.
- Include key stakeholders in decision-making processes.
- Oversee reporting to stakeholders on the organisation's performance and financial position.
- Disclose any transactions between related parties.
- Disclose directors' remuneration and other benefits.
- Provide opportunities for members to ask questions and hold the board accountable.
- Conduct board appointments in a formal and transparent manner.
- Consider outcomes across the organisation's triple context and all the capitals it uses.
- Disclose what performance measures and targets were used to award performance remuneration.
- Auditing of financial statements by internal and external auditors to ensure transparency of information.

4

4.2.3

**What should directors do if they have a conflict of interest? Provide ONE point.**

Any valid point ✓

- Immediately disclose the conflict of interest to the board of directors in writing.
- Recuse/Remove themselves from any discussions about matters related to the conflict of interest.
- Not attempting to influence decisions or vote on the matter.
- If the director informs the board outside of a meeting, the next board meeting's minutes must include notice of the conflict of interest.

1

15

TOTAL: 150