



# PREPARATORY EXAMINATION 2025

Stanmorephysics.com 10711

**ACCOUNTING  
(PAPER 1)**

Stanmorephysics.com

ACCOUNTING P1

**TIME: 2 hours**

**MARKS: 150**



10711E

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

**X05**



**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper.
8. Write neatly and legibly.
9. 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	Company Financial Statement	50	40
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	45	40
4	Corporate Governance	15	10
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: CONCEPTS AND STATEMENT OF FINANCIAL POSITION****(50 marks; 40 minutes)**

- 1.1 Choose the correct term from the list below which relates to each of the following statements. Write only the term next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

Statement of Comprehensive Income; Non-current liabilities;  
Financial assets; Current liabilities; Current assets; Statement of Financial Position

1.1.1 The short-term debts of the business

1.1.2 A financial statement that outlines the company's profitability during a specific period

1.1.3 A fixed deposit maturing in four years' time

(3 x 1) (3)

1.2 **Tok Zen Ltd**

The following information relates to Tok Zen Ltd. The financial year ended 30 June 2025.

**REQUIRED:**

1.2.1 **Refer to information A and B.**

Calculate the correct net profit after tax for the year ended 30 June 2025. Indicate a (+) for increase and a (-) for decrease.

(12)

1.2.2 **Refer to information A – G.**

Prepare the following on 30 June 2025:

- Retained Income Note
- Statement of Financial Position

(7)

(28)

**NOTE:** Show workings, some amounts are provided in the ANSWER BOOK.

**INFORMATION:**

- A. List of balances on 30 June before taking into account all adjustments below

BALANCE SHEET ACCOUNTS SECTION	2025 R	2024 R
Ordinary share capital	9 600 000	10 000 000
Retained income	?	670 100
Loan: Jen Gem Bank	?	1 800 000
Fixed assets at carrying value	?	8 647 000
Fixed deposit: Jen Gem Bank	?	1 500 000
Trading stock	?	
Net trade debtors	424 000	
Cash and cash equivalents	192 300	
SARS (Income tax)	235 000 Dr	
Creditors' control	116 860	
<b>NOMINAL ACCOUNTS SECTION</b>		
Directors' fees	1 126 250	
Rent income	105 100	

- B. Net profit before taxation of R1 153 150 was calculated before correcting the following:

- Provision for bad debts must be increased by R7 350.
- R12 000 of the insurance contract was for the period 1 July 2025 to 31 December 2025.
- Rent has been received for the period 1 July 2024 to 31 August 2025. Due to additional storage, the rent was increased by R500 per month for three months only, from 1 May 2025 to 31 July 2025.
- The company had two directors at the beginning of the financial year. Both directors were not paid their fees for June 2025. A third director was appointed on 1 February 2025, at a fee of 10% lower than the existing directors and he received his fees for the current year.
- A further R55 000 is owed for income tax on 30 June 2025.

C. **Fixed Assets**

After considering all the changes affecting fixed assets during the year until the end of the financial period, the total movement of fixed assets amounted to R1 352 000.

D. **Financial Assets**

A third of the fixed deposit will mature on 31 December 2025.



- E. A debtors' debit balance of R9 560 in the Debtors' Ledger must still be transferred to her account in the Creditors' Ledger.

F. **Loan Statement: Jen Gem Bank**

	R
Repayments for the year inclusive of interest	?
Interest capitalised for the year. This accounts for 30% of the total repayment for the year	234 000

- R270 000 of the loan will be repaid within the next financial year.

G. **Ordinary shares and dividends**

Date	Details
1 July 2024	2 500 000 ordinary shares in issue
31 October 2024	4% of the issued shares were repurchased at R6,10. This transaction was recorded.
30 June 2025	? ordinary shares in issue

**NOTE:** Additional shares were not issued during the financial year.

- Interim dividends were not declared during the year.
- Final dividends of 21 cents per share were declared at the end of the financial year.

**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS****(40 marks; 30 minutes)**

2.1 Choose the correct word from those in brackets. Write only the answer next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 (Shareholders' equity/Dividends) are earnings by shareholders as a return for their investments.

2.1.2 A decrease in debtors indicates a cash (inflow/outflow).

2.1.3 Interest expense is classified as (operating/financing) expense.

(3 x 1) (3)

**2.2 MYAN TECH LTD**

The information below relates to the financial year ending 31 May 2025. The business buys and sells technology products.

**REQUIRED:**

2.2.1 Prepare the Ordinary Share Capital Note on 31 May 2025. (7)

2.2.2 Calculate the following amounts for the Cash Flow Statement:

- Tax paid (4)

- Dividends paid (5)

2.2.3 Prepare the following sections of the Cash Flow Statement:

- Cash flow from financing activities (6)

- Net change in cash and cash equivalents (4)

2.2.4 The directors have identified options to fund R1,5 million needed to import new products and expand the business, without increasing the business's risk in the next financial year.

What funding options can the company consider, without taking out additional loans? Quote TWO sources with figures. (2)

2.2.5 Calculate the following indicators for the year ended 31 May 2025:

- % Net profit after tax on sales (2)

- Net asset value per share (3)

- Dividends pay-out rate (4)

**INFORMATION:****A. Extract: Statement of Comprehensive Income on 31 May 2025**

Sales	R20 250 000
Cost of sales	12 656 250
Depreciation	855 000
Interest on loan	608 000
Income tax	553 000
Net profit after tax	1 633 100

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

	31 May 2025 R	31 May 2024 R
Trading stock	2 348 000	1 762 000
Debtors' control	182 400	209 100
SARS (Income tax)	37 600 Dr	111 000 Dr
Cash and cash equivalents	936 000	233 000
<b>Ordinary shareholders' equity</b>	<b>8 950 000</b>	
Ordinary share capital	7 191 000	5 160 000
Retained income	1 759 000	
Loan: Zed Bank	?	5 821 600
Creditors' control	89 200	104 300
Bank overdraft	0	360 800
Shareholders for dividends	224 000	?

**C. Share capital and dividends:**

- Additional shares were issued during the year.
- On 1 September 2024, there were 800 000 shares in issue.
- Interim dividends were paid on 30 November 2024.
- On 30 April 2025, the company repurchased shares. The average price amounted to 85% of the repurchase price. These shares qualify for final dividends.
- On 31 May 2025 there were 705 000 shares in issue.
- A final dividend per share was declared on 31 May 2025.

**NOTE:** Financial records on 31 May 2024 revealed the following:

- Only 500 000 shares were in issue.
- A final dividend of 22 cents per share was declared.

**D. After taking into account all adjustments, the following financial indicators were calculated:**

- Debt-equity ratio – 0,6 : 1
- Dividends per share – 48 cents



**QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION****(45 marks; 40 minutes)****DODO LTD AND NASHA LTD**

You are provided with information relating to two companies.

Ben Komani holds shares in both Dodo Ltd and Nasha Ltd.

**REQUIRED:**

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

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

**3.1 Profitability:**

Quote TWO financial indicators with figures and trends of the company that showed an improvement in their operating efficiency.

**(4)****3.2 Liquidity:**

- The directors of Dodo Ltd are concerned about stock control. Quote ONE financial indicator and other relevant financial data to support this concern.
- Identify the company that holds more stock. Show calculations and explain using financial indicators.

**(4)****(3)****3.3 Dividends pay-out policy:**

Explain to Ben which company has accumulated sufficient money to finance expansion in the upcoming financial year. Quote relevant figures and provide a comparison to support your answer.

**(5)****3.4 Share price on stock exchange:**

- Comment on the change of share price on the Johannesburg Security Exchange (JSE) of each company at the end of the financial year. Quote figures and trends.
- Provide ONE factor for each company that could have influenced changes in their share price.

**(4)****(2)****3.5 Financing strategy:**

The Chief Operating Officer (COO) of Nasha Ltd persuaded the senior management team to take out a loan. Quote ONE financial indicator with figures and trends to confirm this statement.

**(3)**



3.6 **Shareholding:****Refer to information A and B.**

- Calculate the total amount that Ben received from selling his shares in Dodo Ltd. (2)
- Calculate the additional amount, apart from the amount earned, from the sale of his shares in Dodo Ltd, that Ben had to contribute to buy the shares in Nasha Ltd. (4)
- Explain TWO benefits that Ben will lose after selling his shares in Dodo Ltd. (4)
- Ben's shareholding % will change after buying additional shares in Nasha Ltd. He is now the majority shareholder. Explain TWO potential challenges or problems of being a majority shareholder. (4)

3.7 **Success of a director:**

Explain THREE essential qualities of a successful director in a profitable company. (6)

**INFORMATION:****A. Background information:**

- Ben Komani holds shares in both Dodo Ltd and Nasha Ltd.
- He sold 132 000 shares in Dodo Ltd and purchased an equal number of shares in Nasha Ltd.

**NOTE:** These transactions took place at the beginning of the financial year.**Share capital:**

	Dodo Ltd		Nasha Ltd	
	2025	2024	2025	2024
Total number of shares in issue	600 000	600 000	1 000 000	800 000
Shares owned by Ben	?	301 000	?	389 000
% Shareholding in each company	?	50,2%	?	48,63%

- Both companies did not repurchase shares during the year.

B. Financial indicators, market prices of shares and other financial data on 30 April

	Dodo Ltd		Nasha Ltd	
	2025	2024	2025	2024
Mark-up percentage	45%	45%	65%	60%
% Operating expense on sales	25,2%	23,4%	18%	22%
% Net profit after tax on sales	9,4%	10,2%	13,8%	13,1%
Solvency ratio	1,6 : 1	1,4 : 1	2,8 : 1	2,9 : 1
Current ratio	2,3 : 1	2,5 : 1	1,9 : 1	1,8 : 1
Acid-test ratio	0,8 : 1	0,9 : 1	1,1 : 1	1,1 : 1
Stock turnover rate	8,2 times	8,9 times	15 times	14 times
Return on shareholders' equity	10,2%	10,8%	15,9%	14,8%
Earnings per share	89c		143c	
Dividend per share	86c		72c	
Dividend pay-out rate	97%		50%	
Net asset value per share	792c		1 028c	
Debt-equity ratio	0,8 : 1	0,8 : 1	0,5 : 1	0,4 : 1
Market price per share	720c	933c	1 320c	1 123c
Interest rate on loans	13%	12%	13%	12%
Interest rate on fixed deposits	7,5%	7%	7,5%	7%
<b>Balances</b>				
Trading stock deficit	R25 030	R12 470	R0	R1 870

**QUESTION 4: CORPORATE GOVERNANCE****(15 marks; 10 minutes)**

You are provided with a summarised version of a media release from Kings Ltd. Read the adapted extract of the media statement and use your knowledge of companies to answer the questions that follow.

**REQUIRED:**

**NOTE:** Do NOT repeat responses in the various questions.

- 4.1 Choose the correct word(s) from those in the brackets. Write only the answer next to the question numbers (4.1.1 to 4.1.2) in the ANSWER BOOK.
- 4.1.1 The (directors/internal auditor/external auditor) review(s) the company's financial records and internal controls to identify any accounting discrepancies. (2)
- 4.1.2 Companies prepare accurate financial statements in accordance with (the audit committee/International Financial Reporting Standards (IFRS)/the shareholders) to ensure transparency and accountability. (2 x 1) (2)
- 4.2 Identify TWO corporate governance issues evident in the Kings Ltd case. (2)
- 4.3 Provide TWO points indicating why transparency is crucial as an element of ethics in corporate governance within a company. (4)
- 4.4 Explain TWO roles of an audit committee in preventing discrepancies in financial reporting. (4)
- 4.5 List THREE consequences of poor corporate governance for a company like Kings Ltd. (3)

**EXTRACT FROM THE MEDIA STATEMENT:****KINGS LTD: A CORPORATE SCANDAL AND ITS AFTERMATH**

Kings Ltd, a multinational retail corporation, was involved in a major corporate scandal. The company recently reported "accounting irregularities" which subsequently uncovered fraudulent activities amounting to billions of rands. This led to a substantial and prolonged drop in its share price, ultimately resulting in the resignation of key executives.

The scandal exposed serious flaws in corporate governance, including a lack of transparency, inadequate board oversight, and insufficient financial controls. The company has faced difficulties in regaining stability, leading to shareholder withdrawals.

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



## 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

(Trade &amp; other receivables + Cash &amp; cash equivalents) : Current liabilities

$$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$$

(See Note 1 below)

$$\frac{\text{Cost of sales}}{\text{Average trading stock}}$$

$$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$$

$$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$$

(See Note 2 below)

$$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$$

$$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$$

(See Note 3 below)

$$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$$

$$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$$

$$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$$

$$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$$

$$\frac{\text{Total fixed costs}}{\text{Variable costs per unit}} \text{ Selling price per unit} -$$

**NOTE:**

- Trading stock at the end of a financial year may be used if required in a question. 365 days is applicable only if relevant to the whole year.
- Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).
- 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.



**GAUTENG PROVINCE**

EDUCATION

REPUBLIC OF SOUTH AFRICA

# PREPARATORY EXAMINATION 2025

10711

**ACCOUNTING**

**(PAPER 1)**

**ANSWER BOOK**

11 pages

NAME OF SCHOOL: \_\_\_\_\_

NAME OF LEARNER: \_\_\_\_\_

QUESTION	TOPIC	MARKS	MARKS OBTAINED
1	Company Financial Statements	50	
2	Cash Flow Statement and Financial Indicators	40	
3	Interpretation of Financial Statements	45	
4	Corporate Governance	15	
<b>TOTAL</b>		<b>150</b>	

## QUESTION 1

1.1

1.1.1

1.1.2

1.1.3

3

## 1.2.1 CORRECT NET PROFIT AFTER TAX FOR YEAR ENDED 30 JUNE 2025

Incorrect net profit before tax	1 153 150
Net profit before tax	
Net profit after tax	

12

## 1.2.2 RETAINED INCOME NOTE

Balance at the beginning of the year	670 100
Ordinary share dividends	
Interim dividend	
Final dividend	
Balance at the end of the year	

7



STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)  
ON 30 JUNE 2025

<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Fixed assets	
Fixed deposit	
<b>CURRENT ASSETS</b>	
Trade and other receivables (424 000)	
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	
Ordinary share capital	9 600 000
Retained income	
<b>NON-CURRENT LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables (116 860)	
Current portion of loan	
<b>TOTAL EQUITY AND LIABILITIES</b>	

28

TOTAL MARKS

50

## QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2.1 Ordinary Share Capital Note on 31 May 2025

	Ordinary shares at the beginning of year	5 160 000
	Ordinary shares at the end of year	7 191 000

7

2.2.2

Calculate: Tax paid

WORKINGS	ANSWER

4

Calculate: Dividends paid

WORKINGS	ANSWER

5

## 2.2.3 CASH FLOW FROM FINANCING ACTIVITIES


6

## NET CHANGE IN CASH AND CASH EQUIVALENTS


4

2.2.4 The directors have identified options to fund the R1,5 million needed to import new products and expand the business, without increasing the business's risk in the next financial year.

What funding options can the company consider, without taking out additional loans? Quote TWO sources with figures.

2



2.2.5 Calculate the following indicators for the year ended 31 May 2025

% net profit after tax on sales	
WORKINGS	ANSWER

Net asset value per share	
WORKINGS	ANSWER

Dividends pay-out rate	
WORKINGS	ANSWER

2

3

4

TOTAL MARKS

40

## QUESTION 3

## 3.1 Profitability:

Quote TWO financial indicators with figures and trends of the company that showed an improvement in their operating efficiency.

4

## 3.2 Liquidity:

The directors of Dodo Ltd are concerned about stock control. Quote ONE financial indicator and other relevant financial data to support this concern.

4

Identify the company that holds more stock. Show calculations and explain using financial indicators.

3

## 3.3 Dividends pay-out policy:

Explain to Ben which company has accumulated sufficient money to finance expansion in the upcoming financial year. Quote relevant figures and provide a comparison to support your answer.

5

## 3.4 Share price on stock exchange:

Comment on the change of the share price on the Johannesburg Security Exchange (JSE) of each company at the end of the financial year. Quote figures and trends.

Dodo Ltd	
Nasha Ltd	

4

Provide ONE factor for each company that could have influenced changes in their share price.

Dodo Ltd	
Nasha Ltd	

2

## 3.5 Financing strategy:

The Chief Operating Officer (COO) of Nasha Ltd persuaded the senior management team to take out a loan. Quote ONE financial indicator with figures and trends to confirm this statement.

3



## 3.6 Shareholding:

Calculate the total amount that Ben received from selling his shares in Dodo Ltd.

WORKINGS	ANSWER

2

Calculate the additional amount, apart from the amount earned, from the sale of his shares in Dodo Ltd, that Ben had to contribute to buy the shares in Nasha Ltd.

WORKINGS	ANSWER

4

Explain TWO benefits that Ben will lose after selling his shares in Dodo Ltd.

--

4

Ben's shareholding % will change after buying additional shares in Nasha Ltd. Explain TWO potential challenges or problems of being a majority shareholder.

--

4

## 3.7 Success of a director:

Explain THREE essential qualities of a successful director in a profitable company.



6

TOTAL MARKS

45

## QUESTION 4

4.1	4.1.1		
	4.1.2		2
4.2	Identify TWO corporate governance issues evident in the Kings Ltd case.		2
4.3	Provide TWO points indicating why transparency is crucial as an element of ethics in corporate governance within a company.		4
4.4	Explain TWO roles of an audit committee in preventing discrepancies in financial reporting.		4
4.5	List THREE consequences of poor corporate governance for a company like Kings Ltd.		3

TOTAL MARKS

15

TOTAL: 150

END



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

# PREPARATORY EXAMINATION

2025

## MARKING GUIDELINES

### ACCOUNTING PAPER 1 (10711)

11 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 items). 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. Award full marks for a correct answer. If an answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the workings for that figure (not the method mark for the answer). **Note:** If figures are stipulated in the marking guidelines 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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Operation means 'check operation'. 'One part correct' means operation and one part correct.  
**Note:** Check operation must be +, -, x, ÷, or per marking guideline.
9. One part correct means 'operation and one part correct'. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.
10. In calculations, do not award marks for workings if the numerator and denominator are swapped – this also applies to ratios.
11. 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 ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.



## QUESTION 1

Do not accept abbreviations.

1.1

1.1.1	Current liabilities	✓
1.1.2	Statement of comprehensive income	✓
1.1.3	Financial assets	✓

3

## 1.2.1 CORRECT NET PROFIT AFTER TAX FOR YEAR ENDED 30 JUNE 2025

<b>Incorrect net profit before tax</b>	<b>1 153 150</b>
Provision for bad debts	– 7 350 ✓
Insurance	+ 12 000 ✓
Rent income [103 600/14] [7 400 + 500] (7 400 ✓✓ + 7 900 ✓)	– 15 300 ✓*#
Directors' fees 1 126 250 ✓ x [200/2 650] ✓ OR 1 126 250 – 1 211 250 one mark one mark	– 85 000 ✓*#
<b>Net profit before tax</b>	<b>1 057 500</b>
Income tax ignore sign/brackets	– 290 000 ✓✓
<b>Net profit after tax</b> check operation; Income tax must be subtracted	<b>767 500</b> ✓

12

\*one part correct, with correct sign; Accept the use of brackets for “-” sign  
If sign incorrect, award full marks for workings  
#If wrong, mark workings. Cannot get full marks if there is superfluous working  
If a working is shown as a final answer, award working mark/s only

## 1.2.2 RETAINED INCOME NOTE

<b>Balance at the beginning of the year</b>	<b>670 100</b>
Net profit after tax see 1.2.1	767 500 ✓
Repurchase of shares (100 000 ✓ x 2,10 ✓)	(210 000) ✓*#
<b>Ordinary share dividends</b>	<b>(504 000)</b>
Interim dividend	0
Final dividend (2 400 000 x 21/100)	504 000 ✓✓*
<b>Balance at the end of the year</b> Check operation, shares repurchased and OSD must be subtracted	<b>723 600</b> ✓

7

\*one part correct  
# ignore brackets

**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**  
**ON 30 JUNE 2025**

<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		10 999 000 <input checked="" type="checkbox"/> *
Fixed assets		9 999 000 ✓
Fixed deposit <b>4</b>		1 000 000 ✓✓
<b>CURRENT ASSETS</b>	TA - NCA	1 345 200 <input checked="" type="checkbox"/>
Inventory	balancing figure	233 810 <input checked="" type="checkbox"/>
<b>Trade and other receivables</b> (424 000 – 7 350 ✓ + 12 000 ✓ – 9 560 ✓) <small>Prov bd Insurance Transfer</small>		419 090 <input checked="" type="checkbox"/> *
Cash and cash equivalents (192 300 + 500 000)		692 300 ✓ <input checked="" type="checkbox"/> *
<b>TOTAL ASSETS</b>	see Total E+L	12 344 200 <input checked="" type="checkbox"/>
<b>9</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>	operation	10 323 600 <input checked="" type="checkbox"/>
Ordinary share capital		<b>9 600 000</b>
Retained income	see 1.2.2 <b>2</b>	723 600 <input checked="" type="checkbox"/>
<b>NON-CURRENT LIABILITIES</b>		984 000
Loan: XY Bank [1 800 000 – 546 000] 1 254 000 ✓✓ – 270 000 ✓ <b>4</b>		984 000 <input checked="" type="checkbox"/> *
<b>CURRENT LIABILITIES</b>		1 036 600 <input checked="" type="checkbox"/> *
<b>Trade and other payables</b> (116 860 + 15 300 <input checked="" type="checkbox"/> – 9 560 ✓ + 85 000 <input checked="" type="checkbox"/> <small>Rent inc Transfer Dir. fees</small> )		207 600 <input checked="" type="checkbox"/> *
Current portion of loan		270 000 ✓
Shareholders for dividends	see 1.2.2	504 000 <input checked="" type="checkbox"/> #
SARS (Income tax)		55 000 ✓#
<b>TOTAL EQUITY AND LIABILITIES</b>	SE + NCL + CL <b>9</b>	12 344 200 <input checked="" type="checkbox"/>

28

\* one part correct

# Inspect: if included in T&amp;OP

- 1 foreign item (max -2); presentation -1 (max -1);

Note Principle 11 when awarding method marks: Operation as per candidate's operation, unless specified.

TOTAL MARKS

50

## QUESTION 2

Do not accept abbreviations

2.1

2.1.1	Dividends	✓
2.1.2	inflow	✓
2.1.3	financing	✓

3

## 2.2.1 Ordinary Share Capital Note on 31 May 2025

500 000 ✓	Ordinary shares at the beginning of year	5 160 000
300 000 ✓	New shares issued during year <small>balancing figure Check-operation: repurchase must be subtracted</small>	3 000 000 <input checked="" type="checkbox"/>
(95 000) ✓#	Repurchased shares at R10,20 ✓	(969 000) <input checked="" type="checkbox"/> *#
705 000 ✓	Shares at the end of the year	7 191 000

7

\*one part correct  
# ignore brackets

## 2.2.2 Calculate: Tax paid

WORKINGS	ANSWER
$37\,600 \checkmark + 553\,000 \checkmark - 111\,000 \checkmark$ OR $111\,000 - 553\,000 - 37\,600$	479 600 <input checked="" type="checkbox"/> *# Ignore brackets

4

## Calculate: Dividends paid

WORKINGS	ANSWER
$[500\,000 \times 22/100]$ 110 000 ✓✓    + $[800\,000 \times \#20/100]$ 160 000 ✓✓	270 000 <input checked="" type="checkbox"/> *# Both parts to be added Ignore brackets

5

\*one part correct

# Be alert to alternative workings such as ledger account or use of brackets or signs reversed.  
Ensure that only one option is marked consistently  
If a working/s amount is shown as a final figure, award the mark/s allocated.



2.2.3

CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	see 2.2.1	3 000 000 ✓*
Repurchase of shares See OSC [ASP x 100/85] OR [10,20 + 1,80] 95 000 x R12 ✓✓ OR 969 000 + 171 000		(1 140 000) ✓*# If x Rep. shares (2.2.1)
Loan repaid [8 950 000 x 0,6] 5 821 600 – 5 370 000		(451 600) ✓✓

6

\*one part correct  
If the correct amount is provided without workings or brackets, award all working marks only (not final mark)

NET CHANGE IN CASH AND CASH EQUIVALENTS	1 063 800 ✓*
CASH AND CASH AT BEGINNING	(127 800) ✓✓
CASH AND CASH AT END	936 000 ✓

4

\*one part correct

2.2.4

The directors have identified options to fund R1,5 million needed to import new products and expand the business, without increasing the business's risk in the next financial year.  
What funding options can the company consider, avoiding additional loans? Quote TWO sources with figures.

- Retained income – R1 759 000 ✓
- Income from shares issued – R3 000 000 ✓

2



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

% Net profit after tax on sales	
WORKINGS	ANSWER
$\frac{1\,633\,100}{20\,250\,000} \times \frac{100^*}{1}$	8,1% ✓✓* one part correct % is not necessary
2	
Net asset value per share	
WORKINGS	ANSWER
$\frac{8\,950\,000 \checkmark}{705\,000 \checkmark} \times \frac{100^*}{1}$	1 270 cents ✓✓* Accept 1 269,5 one part correct cents is not necessary
3	
Dividends pay-out rate	
WORKINGS	ANSWER
$\frac{(800\,000 \times 48/100) \text{ OR } (224\,000 + 160\,000)}{1\,633\,100 \checkmark} \times \frac{100^*}{1} \quad \text{OR} \quad \frac{0,48}{2,04} \times \frac{100}{1}$	23,5% ✓✓* one part correct % is not necessary
4	

- For EACH calculation, the 'x 100' is not 'one part correct'
- Numerators and denominators must be marked as such.
- Do not award marks for any operations done to stand-alone figures e.g. no tick if anything else added to R8 950 000 or R705 000 or R1 633 100.

TOTAL MARKS
40

## QUESTION 3

## 3.1 Profitability:

**Quote TWO financial indicators with figures and trends of the company which showed an improvement in their operating efficiency.**

Financial indicators ✓ ✓ figures and trends ✓ ✓

Nasha Ltd shows an improvement:

- % Operating expense on sales decreased (from 22%) to 18%/ by 4% points/by 18%
- % Net profit after tax on sales increased (from 13,1%) to 13,8%/ by 0,7% points/ by 5,3%

Do not accept mark-up %

4

## 3.2 Liquidity:

**The directors of Dodo Ltd are concerned about stock control. Quote ONE financial indicator and other relevant financial data to support this concern.**

Financial indicator ✓ financial data ✓ figures and trends ✓ ✓

- Stock turnover rate decreased (from 8,9 times) to 8,2 times/by 0,7 times.
- Trading stock deficit has increased (from R12 470) to R25 030/by R12 560/ by 100,7%.

4

**Identify the company that holds more stock. Show calculations and explain using financial indicators.**

Dodo Ltd

$$2,3 : 1 - 0,8 : 1 = 1,5 : 1 \checkmark$$

Nasha Ltd

$$1,9 : 1 - 1,1 : 1 = 0,8 : 1 \checkmark$$

Dodo Ltd is holding 0,7 : 1 more stock than Nasha Ltd. ✓

3

## 3.3 Dividends pay-out policy:

**Explain to Ben which company has accumulated sufficient money to finance expansion in the upcoming financial year. Quote relevant figures and provide a comparison to support your answer.**

Nasha Ltd retains more profit ✓

- Dodo retains 3,4% (3%) of its earnings ✓✓
- Nasha retains 49,7% (50%) of its earnings ✓✓

For FIVE MARKS:

Nasha Ltd retains 46,3% (47%) more profit than Dodo Ltd.

5

## 3.4 Share price on stock exchange:

**Comment on the change of share price on the Johannesburg Security Exchange (JSE) of each company at the end of financial year. Quote figures and trends.**

Comparison of MP to NAV ✓ ✓ figures ✓ ✓

**Dodo Ltd**

- Market price of 720c is less than NAV of 792c

*For ONE mark:*

- Market price decreased from 933 cents to 720 cents

**Nasha Ltd**

- Market price of 1 320c is higher than NAV of 1 028c

*For ONE mark:*

- Market price increased from 1 123 cents to 1 320 cents

4

**Provide ONE factor for each company which could have influenced changes in their share price.**

One valid explanation ✓ ✓

**Dodo Ltd**

- Lack of investor confidence / A qualified audit report or disclaimer of opinion may have raised concerns about reliability of company's financial statements.
- Company's shares are undervalued.
- Lack of growth or innovation may not excite the market
- There might be cash flow problems or high debt concerns.
- Ineffective leadership that affect strategic direction.
- Lack of innovation as compared to competitors.

**Nasha Ltd**

- High demand of shares / unqualified report may increase investor confidence
- There is significant growth prospects/potential expansion
- Consistent high earnings which increase investor demand
- Positive confidence in leadership with future strategic deals.
- Credibility of management with positive track record

2

## 3.5 Financing strategy:

**The chief operating officer (COO) of Nasha Ltd persuaded the senior management team to take a loan. Quote ONE financial indicator with figures and trends to confirm this statement.**

Financial indicator ✓ figures and trend ✓ ✓

- Debt equity ratio increased from 0,4 : 1 to 0,5 : 1

3



## 3.6 Shareholding:

Calculate the total amount Ben received from selling his shares in Dodo Ltd.

WORKINGS	ANSWER
132 000 x 933/100	1 231 560 ✓✓

2

\*one part correct

Calculate the additional amount, apart from the amount earned, from the sale of his shares in Dodo Ltd, that Ben had to contribute to buy the shares in Nasha Ltd.

WORKINGS	ANSWER
$[132\ 000 \times 1\ 123/100] - 1\ 231\ 560$ $1\ 482\ 360 \checkmark\checkmark - 1\ 231\ 560 \checkmark$	250 800 ✓*

4

Explain TWO benefits that Ben will lose after selling his shares in Dodo Ltd.

Any TWO valid explanations ✓✓ ✓✓

- He will no longer be able to influence decisions
- He will not have the power to appoint or remove board of directors
- His voting power will be restricted
- Have no influence over company policies.
- Lose the privilege to access strategic updates.
- He will lose a portion dividends that he used to earn.

4

Ben's shareholding % will change after buying additional shares in Nasha Ltd. Explain TWO potential challenges or problems of being a majority shareholder.

Any TWO valid explanations ✓✓ ✓✓

- Stand to be held more accountable to all stakeholders.
- Increased responsibility to make key decisions that affect company's future.
- Losing a significant amount of money when the company performs poorly.
- Decision made may benefit him personally but not the company..
- He may be blamed for poor company performance.
- Reputation is tied to the company's public image.
- May be expected to inject capital during tough times.

4



## 3.7 Success of a director:

**Explain THREE essential qualities of a successful director in a profitable company.**

Any THREE valid explanations ✓✓ ✓✓ ✓✓ part marks for incomplete or unclear response

- Good leadership and management skills to guide the company towards profitability and stability.
- Make strategic decisions that drive business growth and sustainability/ Understands core processes to guide in making informed decisions.
- Have a clear long-term vision for the company, identifying opportunities for expansion and innovation.
- Make decisions that help build trust among stakeholders.
- Uphold high ethical standards/Acts honestly and in the best interest of the company
- Understanding and implementing good corporate governance.
- Ensures the company operates responsibly with high ethical standards.
- Good communication skills that clearly conveys positive ideas.
- Understands company laws, compliance and governance.
- Familiar with market trends and day to day operations.
- Understands financial reporting better.

6

TOTAL MARKS
45

## QUESTION 4

4.1	4.1.1	External auditor ✓	
	4.1.2	International Financial Reporting Standards (IFRS) ✓	2
4.2	<b>Identify TWO corporate governance issues evident in the Kings Ltd case.</b> <ul style="list-style-type: none"> <li>• Lack of transparency ✓</li> <li>• Weak oversight/Lack of effective supervision ✓</li> </ul>		2
4.3	<b>Provide TWO points indicating why transparency is crucial as an element of ethics in corporate governance within a company.</b> Any TWO valid explanations ✓✓ ✓✓ <ul style="list-style-type: none"> <li>• It ensures ethical practices are followed/It reduces unethical behaviour.</li> <li>• It promotes trust among different stakeholders.</li> <li>• It makes it easier for company to identify areas of improvement.</li> <li>• Ensures stakeholders have same information.</li> <li>• Eliminates unethical behaviour and financial misconduct.</li> <li>• It prevents insider trading and protects minority shareholders.</li> <li>• Company builds long term value and resilience.</li> <li>• Identifies risk early and allows timely mitigation.</li> </ul>		4
4.4	<b>Explain TWO roles of an audit committee in preventing discrepancies in financial reporting.</b> Any TWO valid explanations ✓✓ ✓✓ part marks for incomplete or unclear response <ul style="list-style-type: none"> <li>• They ensure the company adheres to Generally Accepted Accounting Principles (GAAP)/IFRS to maintain integrity.</li> <li>• They evaluate the company's internal controls to ensure accurate and reliable financial reporting.</li> <li>• They review audit findings and recommendations to ensure the accuracy of financial reporting.</li> <li>• They ensure the financial reports are accurate, complete, and comply with relevant standards and regulations</li> </ul>		4
4.5	<b>List THREE consequences of poor corporate governance for a company like Kings Ltd.</b> Any THREE valid explanations ✓ ✓ ✓ <ul style="list-style-type: none"> <li>• Damage to the company's reputation/Loss of customer loyalty.</li> <li>• A significant drop in share value.</li> <li>• Legal consequences, such as lawsuits and investigations.</li> <li>• Improper financial management which will increase fraud or loss.</li> <li>• It could affect long term success of the company negatively.</li> <li>• Creditors may be reluctant to provide funding.</li> <li>• Existing shareholders may sell their shares.</li> <li>• Damage supplier trust resulting to stricter terms.</li> </ul>		3

TOTAL MARKS

15

TOTAL: 150