



education

Department of
Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2025

MARKS: 150

TIME: 2 HOURS

This question paper consists of 10 pages, a formula sheet
and an 11-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided to answer ALL questions.
3. Show ALL workings to earn part marks.
4. You may use a non-programmable calculator.
5. You may answer the questions, using a dark pencil or blue/black ink.
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. The use of the formula sheet is NOT compulsory.
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	Statement of Comprehensive Income	70	55
2	Cash Flow Statement and Financial Indicators	30	25
3	Interpretation of Financial Information	35	30
4	Audit Reports and Corporate Governance	15	10
TOTAL		150	120



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QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME

(70 MARKS; 55 MINUTES)

ROBBY LIMITED

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

REQUIRED:

- 1.1 Refer to Information B(a):
 - 1.1.1 Do a calculation to prove that the value of the closing stock on 28 February 2025 is R1 067 800. (4)
 - 1.1.2 Calculate the cost of sales for the year ended 28 February 2025. (4)
- 1.2 Complete the Statement of Comprehensive Income for the financial year ended 28 February 2025. (40)
- 1.3 Prepare the note for Trade and Other Receivables. (8)
- 1.4 Prepare the note for Trade and other payables. (14)

INFORMATION:

A. Extract from the Pre-adjustment trial balance on 28 February 2025:

	Debit	Credit
Mortgage loan: BFN Bank		780 000
Trading stock	1 067 800	
Debtors' control	356 000	
Provision for bad debts (1 March 2024)		23 400
Creditors' control		287 652
Pension fund		6 820
SARS: PAYE		12 770
SARS: Income tax	160 000	
Nominal accounts section		
Sales		9 351 958
Cost of sales	?	
Debtors allowance	51 958	
Commission income		123 400
Salaries	1 680 000	
Salaries: Contributions	151 200	
Directors' fees	1 537 500	
Audit fees	135 000	
Insurance	576 000	
Bad debts	12 500	
Rent income		211 825
Interest on fixed deposit		18 330
Interest on loan	100 100	

B. Adjustments not considered yet:



- (a) Trading stock is valued according to the FIFO method. The Ledger Account and records reflect that 1 320 units are on hand. The stock records are as follows:

Date	Details	Units	Unit price*	Total
01/03/2024	Opening stock	1 300	R760	R988 000
	Total purchases	5 470		R4 330 690
30/06/2024	Purchases	1 640	R780	R1 279 200
30/09/2024	Purchases	2 580	R790	R2 038 990
31/12/2024	Purchases	1 250	R810	R1 012 500

***NOTE:** The unit price includes carriage on purchases.

- (b) The rent for February 2025 was outstanding. Take into account that the rent was increased by R2 775 per month from 1 November 2024.
- (c) Commission income valued at R1 850 was received for the following financial year.
- (d) A new worker was appointed on 1 February 2025. The Human Resources Department forgot to add his name to the register. His details are as follows:
- Net salary, R13 690
 - PAYE, R3 440
 - Pension fund, R1 032
- The company contributes R1,50 for every R1,00 subtracted towards the pension fund.
- Note:**
His salary will be paid on 3 March 2025.
- (e) The company has four directors. They receive equal monthly payments. Two received their fees for the whole year, while one was only paid until the end of December 2024, and the fourth one still has to obtain his fees for the last five months.
- (f) 25% of the audit fees are still outstanding.
- (g) Insurance includes a payment of R37 800 for the period 1 July 2024 to 30 June 2025. Take into account that the premium increased by 12% from 1 February 2025.
- (h) A debtor whose account was written off deposited R3 500 directly into the company's account. It was recorded in the CRJ in the column for Debtors' control.
The provision for bad debts must be adjusted to 6% of the outstanding debtors.
- (i) Interest on loans is 14% per year. Make provision for the outstanding interest. Interest is capitalised.
- (j) Provide for income tax at 28% of net profit.

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(30 MARKS; 25 MINUTES)

SUNRISE LIMITED

You are provided with information related to Sunrise Ltd for the financial year ended 28 February 2025.

REQUIRED:

- 2.1 Calculate the following indicators for the financial year ended 28 February 2025:
- 2.1.1 Mark-up % (4)
 - 2.1.2 Net asset value per share (3)
 - 2.1.3 Debt-equity ratio (5)
- 2.2 Calculate the following figures for the 2025 Cash Flow Statement:
- 2.2.1 Income tax paid (5)
 - 2.2.2 Funds used to repurchase the shares (4)
 - 2.2.3 Proceeds from fixed assets sold (5)
 - 2.2.4 Loan repaid (4)

INFORMATION:

- A. Extract from Statement of Comprehensive Income for the year ended 28 February 2025:**

	R
Sales	9 120 000
Cost of sales	5 700 000
Depreciation	930 000
Income tax (30% of net profit)	?
Net profit after income tax	798 000

- B. Information from the Statement of Financial Position on 28 February 2025:**

	2025	2024
Fixed assets (carrying value) *	10 815 000	10 765 000
SARS: Income tax	24 500(dt)	36 000(cr)
Shareholders' equity	31 500 000	17 800 000
Ordinary share capital	22 344 000	16 800 000
Loan: Protea Bank	?	9 600 000

***NOTE:** Fixed assets valued at R2 300 000 were purchased during the financial year.

C. Share capital:

DATE	NUMBER OF SHARES	DETAILS OF SHARES
1 March 2024	4 000 000	Shares in issue
31 July 2024	1 000 000	New shares issued
31 December 2024	100 000	Shares repurchased at R3,44 above the average price per share
28 February 2025	4 900 000	Shares in issue

D. Loan:

Interest on loan capitalised for the financial year amounted to R644 000.

The monthly loan instalment (including interest) is R106 000.

30



QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(35 MARKS; 30 MINUTES)

Maria Stallenberg owns shares in Nipho Limited. She had R1 480 000 to invest and decided to use the money to buy additional shares in Nipho Limited on the JSE on 31 December 2024. The market price of the shares on the same date was R7,40.

REQUIRED:

Where financial indicators are required to support your answer, name the financial indicator, the actual figure/ratio/percentage and trends.

3.1 Purchase of shares:

- 3.1.1 Calculate the number of additional shares Maria could buy in Nipho Limited. (2)
- 3.1.2 Comment on the price Maria paid for these shares and give ONE reason why she might have been satisfied to pay the price. (3)
- 3.1.3 Calculate Maria's percentage shareholding at the end of the 2025 financial year. Was it a good decision to buy the additional shares? (5)

3.2 Dividends and earnings:

- 3.2.1 Calculate the dividends per share for the financial year. (5)
- 3.2.2 The directors decided to change their dividend payout policy. Compare the dividend payout rates of the two financial years and give ONE reason why it would be a positive change for Maria and ONE reason why it would be a negative change for Maria. (7)
- 3.2.3 Comment on the % return on average shareholders' equity of Nipho Limited. (2)

3.3 REFER TO THE CASH FLOW STATEMENT

- 3.3.1 The Cash Flow Statement consists of three parts: Cash Flows from Operating Activities, Cash Flows from Investing Activities and Cash Flows from Financing Activities. Name the part where you will find the following entries:
 - (i) Shares repurchased
 - (ii) Income tax paid
 - (iii) Sale of fixed assets(3)
- 3.3.2 Explain ONE decision taken by the directors of Nipho Limited that affects risk and gearing. Quote figures and comment on TWO financial indicators. (8)

INFORMATION:

A. Shareholding of Maria Stallenberg in Nipho Limited:

Number of shares bought in 2022	640 000
Total shares issued by Nipho Limited	1 300 000
Additional shares bought by Maria	?
Maria's shareholding before buying additional shares	49,2%

B. Share capital and dividends:

Share capital:

Shares in issue on 1 March 2024	1 300 000
Shares issued on 31 December 2024	300 000
Shares repurchased on 28 February 2025	20 000
Shares in issue on 28 February 2025	1580 000

Dividends:

31 August 2024	An interim dividend of 48c per share was paid
28 February 2025	Final dividends of R992 000 were declared. Shares bought back qualified for the dividends

C. Financial indicators and interest rates:

	2025	2024
Earnings per share (EPS)	240 cents	220 cents
Dividends per share (DPS)	?	205 cents
Dividend payout rate	?	93,2%
Debt-equity ratio	0,2 : 1	0,5 : 1
% Return on average shareholders' equity	18,4%	12,5%
% Return on average capital employed	17,5%	14,3%
Market price on 28 February	830 cents	720 cents
Net asset value per share (NAV)	790 cents	680 cents
Additional information:		
Interest rate on loans	14%	13%
Interest on investments	7%	6%

D. Extracts from Cash Flow Statements for the year ended 28 February 2025:

Sale of fixed assets	1 450 000
Change in investments	(300 000)
Shares repurchased	(180 000)
Change in long-term loan	(400 000)

QUESTION 4: AUDIT REPORT AND CORPORATE GOVERNANCE

(15 MARKS; 10 MINUTES)

- 4.1 Different types of conduct might be considered immoral in a business environment. Choose an option from the list provided for each description below. Write only your answer next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

Fraud; Trading in illegal goods; Price fixing; Insider trading;
Money-laundering; Misrepresentation

- 4.1.1 The buying or selling of a public company's stock or other securities by individuals having access to non-public, material information about the company.
- 4.1.2 The act of disguising the origins of illegally obtained money to make it appear legitimate.
- 4.1.3 It involves agreements or arrangements between competitors to set prices for goods or services. (3 x 1) (3)

4.2 AUDIT REPORT

An extract of the Independent Auditors' Report is provided.

- 4.2.1 Identify the report type and explain why the auditor issued this type of report. (2)
- 4.2.2 Explain TWO points why shareholders would be concerned about the company receiving such a report. (4)
- 4.2.3 The CEO requested that the auditor classify the expenses for the overseas trip as marketing and adjust the audit opinion accordingly. Provide TWO reasons why the auditor would disagree with the suggestion. (4)
- 4.2.4 Apart from the issues above, explain why the company would be accused of poor corporate governance. (2)

INFORMATION:

EXTRACT FROM THE INDEPENDENT AUDITORS REPORT

Basis for opinion

The CEO took his family on an overseas trip, and the company covered all expenses for the trip. Proper procedures were not followed.

Audit opinion

In our opinion, except for the expenses for the overseas trip, the financial statements fairly present the financial position of the company on 28 February 2025.

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 & other receivables + Cash & 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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. 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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PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2025

ANSWER BOOK

QUESTION	MARKS	INITIAL	MODERATOR
1			
2			
3			
4			
TOTAL			

This answer book consists of 11 pages.

QUESTION 1

1.1.1

Do a calculation to prove that the value of the closing stock on 28 February 2025 is R1 067 800.

ANSWER

4

1.1.2

Calculate the cost of sales.

ANSWER

4

**1.2 STATEMENT OF COMPREHENSIVE INCOME OF ROBBY LIMITED
 FOR THE YEAR ENDED 28 FEBRUARY 2025**

Sales	
Cost of sales	
Gross profit	
Other income	
Rent income (211 825	
Commission income	
Gross operating income	
Operating expenses	
Depreciation	321 500
Salaries (1 680 000	
Salaries: Contributions (151 200	
Directors' fees (1 537 500	
Audit fees (135 000	
Insurance (576 000	
Bad debts	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	
Net profit before income tax	
Income tax	
Net profit after tax	

1.3 Trade and Other Receivables

Net trade debtors	
Trade debtors	

8

1.4 Trade and other payables

Trade creditors	287 652

14

TOTAL MARKS

70

QUESTION 2

2.1.1

Mark-up %	ANSWER

4

2.1.2

Net asset value per share	ANSWER

3

2.1.3

Debt-equity ratio	ANSWER

5

2.2.1

Income tax paid	ANSWER

5

2.2.2

Funds used to repurchase the shares	ANSWER

4

2.2.3

Proceeds from fixed assets sold	ANSWER

5

2.2.4

Loan repaid	ANSWER

4

TOTAL MARKS
30

QUESTION 3

3.1.1 Calculate the number of additional shares Maria could buy in Nipho Limited.

--

2

3.1.2 Comment on the price, Maria paid for these shares and give ONE reason why she might have been satisfied to pay the price.


--

3

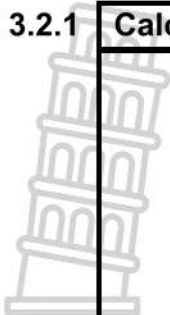
3.1.3 Calculate Maria's percentage shareholding at the end of the 2025 financial year. Was it a good decision to buy the additional shares?

Shareholding at the end of the financial year.

Was it a good decision?

5

3.2.1 Calculate the dividends per share for the financial year.



5

3.2.2 The directors decided to change their dividend payout policy. Compare the dividend payout rates of the two financial years and give ONE reason why it would be a positive change for Maria and ONE reason why it would be a negative change for Maria.

Dividend payout rates:



Positive change:

Negative change:

7

3.2.3 Comment on the % return on average shareholders' equity of Nipho Limited.

2

3.3.1 The Cash Flow Statement consists of three parts: Cash Flows from Operating Activities, Cash Flows from Investing Activities and Cash Flows from Financing Activities. Name the part where you will find the following entries:

(i)	Shares repurchased	
(ii)	Income tax paid	
(iii)	Sale of fixed assets	

(3 x 1)

3

3.3.2 Explain ONE decision taken by the directors of Nipho Limited that affects risk and gearing. Quote and comment on TWO financial indicators.

Decisions:

Risk and gearing:



8

TOTAL MARKS

35

QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	

3

4.2.1

Identify the report type and explain why the auditor issued this type of report.

Type of report:

Reason:



2

4.2.2

Explain TWO points why shareholders would be concerned about the company receiving such a report.

--

4

4.2.3 The CEO requested that the auditor classify the expenses for the overseas trip as marketing and adjust the audit opinion accordingly. Provide TWO reasons why the auditor would disagree with the suggestion.

--

4

4.2.4 Apart from the issues above, explain why the company would be accused of poor corporate governance.

--

2

TOTAL MARKS
15

TOTAL: 150



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PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2025

MARKS: 150

MARKING GUIDELINES

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 a 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 the correct answer. If the 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 working for that figure (not the method mark for the answer). Note: if figures are stipulated in marking guidelines for component parts within workings that earn no part marks, these will not carry the method mark for 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 different qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per question).
8. This memorandum is not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
11. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios. If only one line is presented, assume it is the numerator.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
14. Be aware of candidates who provide alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 11 pages.

QUESTION 1

1.1.1

Do a calculation to prove the value of the closing stock on 28 February 2025 is R1 067 800.	ANSWER
$ \begin{array}{rclcl} 70 & \times & 790 & = & 55\,300 \quad \checkmark\checkmark^* \\ 1\,250 & \times & 810 & = & 1\,012\,500 \quad \checkmark\checkmark^* \\ 1\,320 & & & & \text{one part correct} \\ \hline 55\,300 + 1\,012\,500 & & & & \end{array} $	R1 067 800

4

1.1.2

Calculate the cost of sales	ANSWER
$ \begin{array}{l} 5\,318\,690 \text{ two marks} \\ 988\,000\checkmark + 4\,330\,690\checkmark - 1\,067\,800\checkmark \end{array} $	$ \begin{array}{l} \checkmark \\ R4\,250\,890 \\ \text{one part correct} \end{array} $

4

**1.2 STATEMENT OF COMPREHENSIVE INCOME OF ROBBY LIMITED
 FOR THE YEAR ENDED 28 FEBRUARY 2025**

Sales (9 351 958 – 51 958)	✓✓ 9 300 000
Cost of sales see 1.1.2	✓ (4 250 890)
Gross profit operation, one part correct (4)	*✓ 5 049 110
Other income operation, one part correct	*✓ 359 980
Rent income (211 825 + 21 275✓✓)	✓ 233 100
Commission income (123 400 – 1 850)	✓✓ 121 550
Bad debts recovered	✓ 3 500
See note for Trade and other receivables Provision for bad debts adjustment (23 400 – 21 570)	✓✓ 1 830
Gross operating income operation, one part correct (10)	*✓ 5 409 090
Operating expenses operation, one part correct	*✓ (4 727 470)
Depreciation	321 500
Salaries (1 680 000 + 13 690✓ + 3 440✓ + 1 032✓) (18 162 three marks) (17 130 two marks) (4 472 two marks) (14 722 two marks)	✓ 1 698 162
Salaries: Contributions (151 200 + 1 548✓)	✓ 152 748
(1 537 500 x 7/41) (187 500 one mark + 75 000 one mark) Directors' fees (1 537 500 + 262 500✓✓)	✓ 1 800 000
Audit fees (135 000 + 45 000✓✓)	✓ 180 000
Insurance (576 000 – 13 440✓✓)	✓ 562 560
Bad debts	✓ 12 500
Operating profit operation (18)	✓ 681 620
Interest income	✓ 18 330
Profit before interest expense operation	✓ 699 950
Interest expense (100 100 + 9 100) or (780 000 x 14%)	✓✓ (109 200)
Net profit before income tax operation	✓ 590 750
Income tax 28% of NPbT	✓✓ (165 410)
Net profit after tax operation (8)	✓ 425 340

40

- 1 foreign item (max -2); presentation -1 (max -1); misplaced items, award marks for workings only
 Note Principle 11 when awarding method marks: Operation as per candidate's operation, unless specified.

1.3 Trade and Other Receivables

Net trade debtors	337 930	✓
Trade debtors (356 000 + 3 500)	359 500	✓✓
Provision for bad debts (23 400 – 1 830) OR /(359 500 x 6%)	(21 570)	✓✓
Accrued income (see 1.2 – rent)	21 275	✓
Prepaid expense (see 1.2 – insurance)	13 440	✓
one part correct	372 645	✓

8

1.4 Trade and other payables

Trade creditors	287 652	✓
Creditors for salaries	13 690	✓
(see 1.2 – contr)	one part correct	✓
Pension fund (6 820✓ + 1 032✓ + 1 548✓)	9 400	✓✓
SARS: PAYE (12 770 + 3 440)	16 210	✓✓
(See Statement of Compr Inc)		
SARS: Income tax (160 000 – 165 410) (Can be under Trade and other receivables)	5 410	✓✓
(see 1.2 – comm inc)		✓
Income received in advance/Deferred income	1 850	✓
(see 1.2 – dir fee) (see 1.2 – audit fees)		✓
Accrued expense (262 500✓ + 45 000✓)	307 500	✓
one part correct	641 712	✓

14

TOTAL MARKS

70

QUESTION 2

2.1.1	Mark-up %	ANSWER
	$\frac{3\,420\,000 \text{ two marks} + 9\,120\,000\checkmark - 5\,700\,000\checkmark}{5\,700\,000\checkmark} \times 100$	60% ☒ one part correct % sign not necessary
		4

2.1.2	Net asset value per share	ANSWER
	$\frac{31\,500\,000\checkmark}{4\,900\,000\checkmark} \times 100$	☒ 642,9 cents one part correct accept R6,43
		3

2.1.3	Debt-equity ratio	ANSWER
	$\frac{8\,972\,000 \text{ three marks} + 9\,600\,000\checkmark + 644\,000\checkmark - 1\,272\,000\checkmark}{31\,500\,000\checkmark}$	☒ 0,3 : 1 one part correct In the form x : 1
		5

2.2.1

Income tax paid		ANSWER																							
$36\,000\checkmark + 342\,000\checkmark\checkmark + 24\,500\checkmark$ $-36\,000 - 342\,000 - 24\,500$		☒ (402 500) one part correct brackets not necessary																							
<table><tr><th colspan="4">SARS – Income tax</th></tr><tr><td></td><td></td><td>Balance</td><td>36 000</td></tr><tr><td></td><td></td><td>I/T</td><td>342 000</td></tr><tr><td></td><td></td><td>Balance</td><td>24 500</td></tr><tr><td></td><td>402 500</td><td></td><td>402 500</td></tr><tr><td>Balance</td><td>24 500</td><td></td><td></td></tr></table>			SARS – Income tax						Balance	36 000			I/T	342 000			Balance	24 500		402 500		402 500	Balance	24 500	
SARS – Income tax																									
		Balance	36 000																						
		I/T	342 000																						
		Balance	24 500																						
	402 500		402 500																						
Balance	24 500																								

5

2.2.2	Funds used to repurchase the shares	ANSWER
	$(22\,344\,000 \div 4\,900\,000)$ both for two marks $100\,000 \times (4,56\checkmark\checkmark + 3,44\checkmark)$ 8,00 three marks OR Two marks one mark $456\,000 + 344\,000$	☒ (R800 000) one part correct brackets not necessary

4

2.2.3

Proceeds from fixed assets sold		ANSWER
$10\,815\,000\checkmark + 930\,000\checkmark - 2\,300\,000\checkmark - 10\,765\,000\checkmark$ OR $10\,765\,000 + 2\,300\,000 - 930\,000 - 10\,815\,000$		☒ R1 320 000 one part correct
Carrying value	10 765 000	
Addition	2 300 000	
Disposal	(1 320 000)	
Depreciation	(930 000)	
Carrying value	10 815 000	

5

2.2.4	Loan repaid	ANSWER
	$(106\,000\checkmark \times 12\checkmark) - 644\,000\checkmark$ 1 272 000 two marks $9\,600\,000 + 644\,000 - (106\,000 \times 12) = 8\,972\,000 (\checkmark\checkmark)$ $9\,600\,000\checkmark - 8\,972\,000 = 628\,000$	☒ (R628 000) one part correct brackets not necessary

4

TOTAL MARKS

30

QUESTION 3

3.1.1 Calculate the number of additional shares Maria was able to buy in Nipho Limited.

$$1\,480\,000 \div 7,40 = 200\,000 \checkmark \checkmark$$

2

3.1.2 Comment on the price, Maria paid for these shares and give ONE reason why she might have been satisfied to pay the price.

ONE valid point (with figures) $\checkmark \checkmark$ Reason $\checkmark$ part marks for incomplete or unclear response

- Maria paid R7,40 and the NAV is R7,90. She paid less than what the shares were worth.
- The market price increased from 720c to 830c. It shows there is a demand for the shares.
- The market price of 830c is more than the NAV of 790c – it shows there is a demand for the shares.

3

3.1.3 Calculate Maria's shareholding at the end of the 2025 financial year. Was it a good decision to buy the additional shares?

Shareholding at the end of the financial year.

$$\frac{\text{See 3.1.1} \quad 640\,000 \checkmark + 200\,000 \checkmark}{1\,580\,000 \checkmark} \times 100 = 53,2\% \checkmark$$

Was it a good decision?

Yes, she became and still is the majority shareholder. $\checkmark$

5

3.2.1 Calculate the dividends per share for the financial year.

Final dividend:

$$\frac{992\,000 \checkmark}{1\,600\,000 \checkmark} \times 100 = 62 \text{ cents} \checkmark$$

Total dividend: $48c \checkmark + 62c = 110 \text{ cents} \checkmark$

5

3.2.2 The directors decided to change their dividend pay-out policy. Compare the dividend pay-out rates of the two financial years and give one reason why it would be a positive change for Maria and one reason why it would be a negative change for Maria.

Dividend payout rates

2024: $93,2\% \checkmark$

2025:

$$\frac{110}{240} \times 100 = 45,8\% \checkmark \checkmark$$

Positive change

The company is holding back profits for expansion, so the value of her shares might increase. $\checkmark \checkmark$

Negative change

Maria loses out because she will receive less dividends. $\checkmark \checkmark$

7

3.2.3 Comment on the % return on average shareholders' equity of Nipho Limited.

Figure and trend $\checkmark$ Explanation (comparing interest) $\checkmark$

The ROSHE increased (from $12,5\%$) to $18,4\%$ **by 5,9 percentage points/by 47,2%.**

It is more than the interest earned on the fixed deposit (7%).

2

3.3.1 The Cash Flow Statement consists of three parts: Cash flows from Operating Activities, Cash Flows from Investing Activities and Cash Flows from Financing Activities. Name the part where you will find the following entries:

(i)	Shares repurchased	Financing activities	✓
(ii)	Income tax paid	Operating activities	✓
(iii)	Sale of fixed assets	Investing activities	✓

(3 x 1)

3

3.3.2 Explain ONE decision taken by the directors of Nipho Limited that affects risk and gearing. Quote and comment on TWO financial indicators.

Decisions

Decision one mark

Amount one mark

Repurchase of shares – R180 000

Repaid the loan – R400 000

Risk and gearing

TWO financial indicators ✓ ✓ figures and trends ✓ ✓ Comment ✓ ✓

The debt-equity ratio decreased (from 0,5 : 1) to 0,2 : 1.

The company has a low risk.

The ROTCE increased (from 14,3%) to 17,5%/by 3,2% points/by 22,4%.

The returns are more than the interest on the loan (14%), therefore they have a positive gearing.

8

TOTAL MARKS

35

QUESTION 4

4.1

4.1.1	Insider trading	✓
4.1.2	Money laundering	✓
4.1.3	Price fixing	✓

3

4.2.1

Identify the report type and explain why the auditor issued this type of report.

Type of report:

Qualified report ✓

Reason:

One valid reason ✓

- The financial statements fairly present the financial position of the company, except for the expenses for the overseas trip.
- A specific item (overseas expenses) cannot be verified.
- Procedures were not followed/Records not prepared per GAAP/IFRS/Company Act.

2

4.2.2

Explain TWO points why shareholders would be concerned about the company receiving such a report.

TWO valid points ✓ ✓ ✓ ✓ Part marks for incomplete or unclear response

- It shows a lack of internal control – possible mismanagement /fraud.
- It will have a negative impact on the company's image and therefore share price.
- Potential investors would not be willing to invest in the company which will lead to decrease in demand for share and decrease in MP.
- Investors might want to sell their shares.
- Directors are not reliable/Not re-elect the directors

4

4.2.3

The CEO requested that the auditor classify the expenses for the overseas trip as marketing and adjust the audit opinion accordingly. Provide TWO reasons why the auditor would disagree with the suggestion.

TWO valid points ✓ ✓ ✓ ✓ Part marks for incomplete or unclear response

- He is part of a professional body (SAICA) and must adhere to the code of conduct.
- The request is unethical and misleads the shareholders.
- He might be worried about his reputation and might be disciplined.
- Auditors must be independent in giving an opinion on the financial statements.
- Manipulation of figures is illegal, and SARS would consider this as Tax Evasion.

4

4.2.4

Apart from the issues above, explain why the company would be accused of poor corporate governance.

Any one reason ✓ ✓ Part marks for incomplete or unclear response

- The CEO must put the interest of the company and the shareholders first.
- He must be ethical in the execution of company matters.
- All roll players must be encouraged to be part of the decisions.
- He must take responsibility for all the tasks given to him and be accountable for his actions.
- Remuneration committee should have authorised the trip, which also indicate a lack of proper corporate governance.

2

TOTAL MARKS

15

TOTAL: 150