



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

NOVEMBER 2025

**MARKS: 150**

**TIME: 2 hours**

This question paper consists of 15 pages,  
a formula sheet and an 11-page answer book.



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## 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 the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
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 Statements	50	45
2	Cash Flow Statement and Financial Indicators	45	35
3	Concepts and Interpretation of Financial Information	40	30
4	Corporate Governance	15	10
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: COMPANY FINANCIAL STATEMENTS (50 marks; 45 minutes)**

The following information was taken from the accounting records of Violet Limited. The financial year ended on 28 February 2025. The company trades with women's and men's clothing.

**REQUIRED:**

**1.1 Refer to Information B.**

Calculate the correct value of the closing stock of men's informal shirts. (6)

**1.2** Prepare the Ordinary Share Capital Note. (8)

**1.3** Prepare the Statement of Financial Position on 28 February 2025. (36)

**NOTE:**

- Show ALL workings in brackets.
- Certain figures are provided in the ANSWER BOOK.
- Missing amounts in shaded areas must NOT be filled in.

**INFORMATION:**

**A. The following amounts were extracted from the accounting records on:**

	28 Feb. 2025 R	29 Feb. 2024 R
Fixed deposit: Time Bank	?	
Trading stock	4 598 000	
Debtors' control	735 000	
Provision for bad debts	?	
<b>Ordinary shareholders' equity</b>	<b>?</b>	<b>16 200 000</b>
Ordinary share capital	17 875 000	11 395 000
Retained income	?	4 805 000
Mortgage loan: Delta Bank	3 200 000	
Creditors' control	878 500	
Bank (unfavourable)	?	

**B. Trading stock:**

It was discovered that the closing stock of one specific brand of men's informal shirts was valued according to the first-in-first-out stock valuation method instead of the weighted-average stock valuation method. This must be corrected.

The following records are applicable to this brand of informal shirts:

	Quantity	Cost	
		Per unit R	Total R
Stock (1 March 2024)	300		97 500
Purchases	4 800		1 605 000
Returns	100		42 500
Closing stock (28 Feb. 2025)	820		285 500

**C. Fixed deposit: Time Bank**

- A fixed deposit of R320 000 matured on 31 July 2025.
- The remaining 60% of the fixed deposit will mature on 31 December 2028.

**D. Transfer of balance and provision for bad debts:**

- A debtor, who had overpaid his account by R5 000 in the Debtors' Ledger, requested that this overpayment be transferred to his account in the Creditors' Ledger. This transfer has not yet been recorded.
- The provision for bad debts must be adjusted to 4% of the outstanding debtors.

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

	R
<b>Operating income</b>	
Commission income	169 400
Rent income	430 500
<b>Operating expenses</b>	
Directors' fees	1 998 750

**NOTE:** The following year-end adjustments were taken into consideration in the statement above:

- Commission income for February 2025, R6 400, was still outstanding.
- Rent for March and April 2025 was received and recorded. The rent was increased by 10% on 1 December 2024.
- The company had two directors on 1 March 2024, the beginning of the financial year. They both earned the same monthly directors' fees and were paid in full. A third director, Jack Jele, was employed on 1 June 2024, earning a monthly fee of 25% lower than the other directors. Jack was paid up to 31 March 2025.

**F. Mortgage loan: Delta Bank**



- Fixed monthly repayments of R45 000, including capitalised interest, has been made and correctly recorded for the financial year ended 28 February 2025.
- The monthly repayments will remain the same until the loan is fully repaid in approximately four years' time.
- Interest for the next financial year is expected to be R290 000.

**G. Shares and dividends:**

**NOTE:** The relevant entries have already been recorded.

- The company had an authorised share capital of 9 000 000 shares.
- 750 000 new shares were issued on 31 March 2024.
- An interim dividend was paid on 1 September 2024.
- 150 000 shares were repurchased on 31 January 2025. EFT payments totalling R1 710 000 were made in favour of shareholders.
- The directors declared a final dividend of 90 cents per share on the 2 750 000 shares in issue on 28 February 2025.

**H. Profit and income tax:**

- The assessment from SARS for the financial year ended 28 February 2025 indicated that the company qualifies for a tax refund of R70 000.
- The net profit after tax was accurately calculated to be R4 721 700 for the financial year ended 28 February 2025.

**I. Financial indicators calculated on 28 February 2025 after the above have been taken into account:**

Current ratio	1,3 : 1
% return on average shareholders' equity	24%

**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS**  
**(45 marks; 35 minutes)**

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

**REQUIRED:**

2.1 Calculate the following amounts in respect of the Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2025:

- Change in receivables (3)
- Change in payables (4)

**NOTE:** Indicate inflow or outflow of cash for answers calculated.

2.2 Complete the Cash Flow Statement for the year ended 28 February 2025. (23)

**NOTE:**

- Certain figures are provided in the ANSWER BOOK.
- Missing amounts in shaded areas MUST NOT be filled in.

2.3 Calculate the following financial indicators for the year ended 28 February 2025:

- Net asset value per share (3)
- Acid-test ratio (5)
- Dividend pay-out rate (5)

2.4 The directors should be concerned about the cash resources of the company for the year ended 28 February 2025. Give ONE reason (with figures) for this concern. (2)

**INFORMATION:**

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

	<b>R</b>
Cost of sales	12 800 000
Interest on loan	316 250
Net profit before tax	720 000
Taxation for the year	201 600
Net profit after tax	518 400

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

	<b>28 Feb. 2025 R</b>	<b>29 Feb. 2024 R</b>
Ordinary shareholders' equity	7 140 120	5 500 000
Mortgage loan: Merchant Bank	2 880 000	?
Bank overdraft	775 000	0

**C. Fixed assets:**

	<b>28 Feb. 2025 R</b>	<b>29 Feb. 2024 R</b>
Land and buildings at cost	5 600 000	5 600 000
Equipment at cost	?	745 000
Vehicles at cost	2 900 000	2 520 000
Accumulated depreciation on equipment	?	233 000
Accumulated depreciation on vehicles	?	85 000

**Equipment:**

- An old fridge was sold for cash at carrying value on 30 June 2024. According to the Fixed Assets Register, the cost of the fridge was R55 000 and its carrying value was R16 000 on 1 March 2024.
- Equipment is depreciated at 15% p.a. at cost.

**Vehicles:**

A new delivery vehicle was bought for cash on 1 December 2024. No vehicles were sold during the year.

**D. Trade and other receivables:**

	<b>28 Feb. 2025 R</b>	<b>29 Feb. 2024 R</b>
Debtors' control	3 167 000	1 303 500
SARS: Income tax	0	32 000
	<b>3 167 000</b>	<b>1 335 500</b>

**E. Cash and cash equivalents:**

	28 Feb. 2025 R	29 Feb. 2024 R
Bank	0	405 000
Petty cash	18 000	10 000
	18 000	415 000

**F. Trade and other payables:**

	28 Feb. 2025 R	29 Feb. 2024 R
Creditors' control	1 450 000	1 323 500
Accrued expenses	14 600	0
Shareholders for dividends	129 480	162 000
SARS: Income tax	15 300	0
	1 609 380	1 485 500

**G. Shares and dividends:**

- The directors paid an interim dividend on 31 July 2024.
- 50 000 new shares were issued on 1 November 2024 at a price of R20 per share.
- 2 000 shares were repurchased at 40% more than the average share price of R11 per share.
- The directors declared a final dividend on 28 February 2025.
- There were 498 000 ordinary shares in issue on 28 February 2025.
- Dividends paid as per the Cash Flow Statement for the year ended 28 February 2025 was R252 000.

**H. Financial indicator:**

	28 Feb. 2025	29 Feb. 2024
Debt-equity ratio	?	0,6 : 1

**QUESTION 3: CONCEPTS AND INTERPRETATION OF FINANCIAL INFORMATION**  
**(40 marks; 30 minutes)**

**SHORTS LTD AND LYNN LTD**

The information relates to Shorts Ltd and Lynn Ltd, operating in the same industry, for the year ended 28 February 2025.

**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 indicators quoted

Use this key for abbreviations:

CEO: Chief executive officer

CFO: Chief financial officer

JSE: Johannesburg Securities Exchange

**REQUIRED:**

- 3.1 Choose the correct word(s) to complete each of the following descriptions. Write only the word(s) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

Companies and Intellectual Properties Commission (CIPC); director;  
International Financial Reporting Standards (IFRS); internal auditor

- 3.1.1 Guidelines for the preparation of financial statements to ensure consistency
- 3.1.2 An elected board member responsible for the running of the company and implementing policy
- 3.1.3 Responsible for maintaining records and control of new and existing companies (3 x 1) (3)

3.2 **Shorts Ltd**

3.2.1 **Operating efficiency:**

The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/financial data with trends to support his statement. (4)

3.2.2 **Liquidity:**

Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends. (4)



### 3.2.3 Shareholding of Lewis Clark in Shorts Ltd

Refer to Information A, B and C.

- Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding. (4)
- Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares. (4)
- Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE. (2)

### 3.3 Shorts Ltd and Lynn Ltd

#### 3.3.1 Returns and dividends pay-out policy:

- The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures. (4)
- A potential investor believes that **Lynn Ltd** has a better dividend pay-out policy when compared to **Shorts Ltd**. Explain why you would agree with her. Provide TWO points with figures. (4)

#### 3.3.2 Share price:

Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response. (4)

### 3.4 Lynn Ltd

The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion. (3)

### 3.5 Audit report of Lynn Ltd

- Explain why the shareholders should be concerned about this audit report. Provide TWO points. (2)
- State TWO possible decisions that the shareholders could make based on this audit report. (2)

## INFORMATION:

### A. Background information for Shorts Ltd:

- Lewis Clark, the CFO, is a shareholder of Shorts Ltd.
- He has convinced the board of directors to repurchase 400 000 shares from a dissatisfied shareholder at R3 each. These shares will not qualify for final dividends.
- The transaction above occurred before the final dividends were declared. All parties involved agreed to the offer and the EFT payment was made accordingly.

### B. Share capital of Shorts Ltd:

Number of shares	28 Feb. 2025	29 Feb. 2024
Authorised shares	3 000 000	3 000 000
Repurchase of shares	(400 000)	0
Number of shares in issue	1 383 250	1 783 250

### Shareholding of Lewis Clark, the CFO:

	28 Feb. 2025	29 Feb. 2024
% shareholding	?	40%

### C. Financial data, financial indicators, market prices of shares and interest rates:

	Shorts Ltd		Lynn Ltd	
	28 Feb. 2025	29 Feb. 2024	28 Feb. 2025	29 Feb. 2024
Sales	R77 m	R48 m	R85 m	R90 m
Mark-up %	50%	65%	60%	45%
% operating expenses on sales	17,8%	18,2%		
% net profit after tax on sales	26,4%	22%		
Current ratio	2,4 : 1	2,2 : 1		
Acid-test ratio	1,8 : 1	1,4 : 1		
Debtors' collection period	31 days	42 days		
Creditors' payment period	90 days	71 days		
Debt-equity ratio			0,6 : 1	0,4 : 1
% return on total capital employed			21,8%	19,2%
% return on shareholders' equity	6%	14,7%	16,1%	14,5%
Earnings per share	130 cents	165 cents	510 cents	528 cents
Dividends per share	162 cents	81 cents	275 cents	260 cents
Dividend pay-out rate	124,6%	49,1%	53,9%	49,2%
Net asset value per share	270 cents	258 cents	958 cents	930 cents
Market price on last day for year	256 cents		976 cents	
Interest on loans	14,2%		12,5%	
Interest on fixed deposit	7,1%		6,7%	

D. Extract from the audit report of Lynn Ltd:

**... Audit Opinion**

In our opinion, the financial statements fairly represent the financial position of the company, except for matters mentioned below.

The audit evidence revealed that supporting documentation of some expenditures were missing and could not be traced.

40



## QUESTION 4: CORPORATE GOVERNANCE

(15 marks; 10 minutes)

You are provided with an extract of a social and ethics committee report, as well as two unrelated articles. Use the information given and your knowledge on companies to answer the questions.

### Refer to Information A.

- 4.1 Some shareholders are concerned about the donations made for environmental initiatives, believing that it is not their responsibility.

Advise the shareholders on why corporate donations are important for the company. Provide TWO points. (2)

### Refer to Information B.

- 4.2
- Explain TWO points why it is important for employees to report unethical behaviour in a business. (2)
  - Suggest TWO actions that the company could take to prevent similar incidents in the future. (2)

### Refer to Information C.

- 4.3 Explain the meaning of the term *insolvent*. (2)
- 4.4 Comment on how the 'rights issue' improved the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance was favourable. (3)
- 4.5 Give TWO reasons why the existing shareholders responded positively to participating in the rights issue. (4)

## INFORMATION

### A. Extract from the social and ethics committee report of Shiloh Ltd:

The company has made donations to support community initiatives, including environmental seminars on recycling of tins, plastics and paper. The evidence for these donations is sufficient and properly recorded in the financial statements.

### B. Article 1: Dismissal of senior financial manager of Tekko Ltd

An investigation by Tekko Ltd revealed that a senior financial manager had mismanaged company funds and had intimidated employees, who raised concerns, in her department. She had also sent threatening messages, creating a toxic work environment. The company responded by terminating her service, ensuring staff safety and launching a financial audit.

**C. Article 2: Working its way out of insolvency**

Piranna Ltd was declared insolvent in March 2025. Companies that are insolvent need drastic measures to improve their financial situation. Piranna Ltd opted for the implementation of a 'rights issue', where new shares would be issued to existing shareholders only.

After receiving all the approvals to implement the rights issue, Piranna Ltd offered five million shares at a 30% discounted price of R27 per share to its existing shareholders. The shares of the company were trading at approximately R39 per share.

Shareholders responded positively to this rights issue and the company has raised sufficient cash to move out of insolvency.

**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
(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.)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<p><b>NOTE:</b></p> <ol style="list-style-type: none"> <li>1. 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.</li> <li>2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).</li> <li>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.</li> </ol>	



STICKER

CENTRE NUMBER

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EXAMINATION NUMBER

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**NATIONAL SENIOR CERTIFICATE**

**ACCOUNTING P1**

**GRADE 12**

**NOVEMBER 2025**

***SPECIAL ANSWER BOOK***

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 11 pages.

QUESTION 1

1 Calcul

## 1.1

6

## 1.2

8
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1.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025

<b>Assets</b>	
<b>Non-current assets</b>	
<b>Fixed assets at carrying value</b>	
<b>Current assets</b>	<b>5 798 000</b>
<b>Trade and other receivables</b> <b>(735 000)</b>	
<b>Cash and cash equivalents</b>	
<b>Total assets</b>	
<b>Equity and liabilities</b>	
<b>Shareholders' equity</b>	
<b>Non-current liabilities</b>	
<b>Current liabilities</b>	
<b>Trade and other payables</b> <b>(878 500)</b>	
<b>Bank overdraft</b>	
<b>Total equity and liabilities</b>	

36

**TOTAL MARKS**

50

## QUESTION 2

### 2.1 Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2025:

Change in receivables		
WORKINGS	ANSWER	INFLOW/OUTFLOW

3

Change in payables		
WORKINGS	ANSWER	INFLOW/OUTFLOW

4

### 2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash generated from operations	
Interest paid	(316 250)
Dividends paid	(252 000)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Change in fixed deposit	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
<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>	

23

**2.3 Calculate the following financial indicators for the year ended 28 February 2025:**

Net asset value per share	
WORKINGS	ANSWER
	

[illegible]

Acid-test ratio		
	WORKINGS	ANSWER

5

Dividend pay-out rate	
WORKINGS	ANSWER

5

**2.4** The directors should be concerned about the cash resources of the company for the year ended 28 February 2025. Give ONE reason (with figures) for this concern.

2

<b>TOTAL MARKS</b>
<b>45</b>

## QUESTION 3

### 3.1

	3

### 3.2

### 3.2.1

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4

### 3.2.2

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4

**3.2.3 Shareholding of Lewis Clark in Shorts Ltd:**

**Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding.**

WORKINGS	ANSWER
	

4

**Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares.**

<div style="text-align: center;">  </div>
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4

**Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE.**

WORKINGS	ANSWER

2

### 3.3 Shorts Ltd and Lynn Ltd

#### 3.3.1 Returns and dividends pay-out policy:

The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures.



4

A potential investor believes that Lynn Ltd has a better dividend pay-out policy when compared to Shorts Ltd. Explain why you would agree with her. Provide TWO points with figures.

4

#### 3.3.2 Share price:

Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response.

4

3.4 Lynn Ltd

The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion.

3

3.5 Audit report of Lynn Ltd

Explain why the shareholders should be concerned about this audit report. Provide TWO points.

2

State TWO possible decisions that the shareholders could make based on this audit report.

2

TOTAL MARKS

40

**QUESTION 4**

- 4.1** Some shareholders are concerned about the donations made for environmental initiatives, believing that it is not their responsibility.

Advise the shareholders on why corporate donations are important for the company. Provide TWO points.



2

- 4.2** Explain TWO points why it is important for employees to report unethical behaviour in a business.

2

Suggest TWO actions that the company could take to prevent similar incidents in the future.

2

4.3 Explain the meaning of the term *insolvent*.

2

4.4 Comment on how the 'rights issue' improved the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance was favourable.

3

4.5 Give TWO reasons why the existing shareholders responded positively to participating in the rights issue.

4

TOTAL MARKS

15

TOTAL: 150



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

### NATIONAL SENIOR CERTIFICATE

GRADE 12

#### ACCOUNTING P1 NOVEMBER 2025 MARKING GUIDELINES

<p>Approved</p> <p>V DELUHLAZO DBE Internal moderator 03 November 2025</p>	<p>Approved</p> <p>M SEEVNARAIN DBE Internal moderator 03 November 2025</p>	<p>Approved</p> <p>S MDITSHWA Umalusi External moderator 03 November 2025</p>	<p>Approved</p> <p>M VANNEER Umalusi External moderator 03 November 2025</p>
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**MARKS: 150**

#### 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 answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark 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 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 benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
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, marker must inspect reasonableness of the answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
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 valid 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 13 pages.**

## QUESTION 1

1.1	<b>Calculate the correct value of the closing stock of men's informal shirts.</b>
<p><b>WORKINGS</b></p> <p>[97 500 + 1 605 000 – 42 500] one mark one m mark</p> <p><u>1 660 000</u> ✓✓ x 820 ✓</p> <p>5 000 ✓✓</p> <p>[300 + 4 800 – 100] one mark one m mark</p> <p>332 four marks</p>	<p><b>ANSWER</b></p> <p>272 240 ✓</p> <p>one part correct if x by 820</p>

6

Numerator and denominator must be marked as such.  
 Do not award marks for any stand-alone figures. E.g. no ticks if only written 97 500/300

## 1.2 ORDINARY SHARE CAPITAL NOTE

NUMBER	DETAILS	AMOUNT
2 150 000 ✓* Inspect (+SBB – SI)	Shares in issue at beginning	11 395 000 ✓
750 000 ✓	Shares issued during year	7 455 000 ✓* Inspect (+SBB – S@B)
(150 000) ✓#	Shares repurchased (ASP: R6,50 ✓) Do not accept R1 710 000	(975 000) ✓#
<b>2 750 000</b>	<b>Shares in issue at end</b>	<b>17 875 000</b> ✓

8

\* one part correct, check correct operation for balancing figure. i.e. (+SBB – SI)  
 #Ignore brackets  
 if answer of 975 000 is correct, award two marks if R6,50 is not shown  
 -1 presentation/details (max -1)

### 1.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025

<b>Assets</b>	
<b>Non-current assets</b>	
<b>Fixed assets at carrying value</b>	
Fixed deposit: Time Bank (320 000 x 60 / 40) OR 800 000 – 320 000 <b>2</b>	480 000 ✓✓
<b>Current assets</b>	<b>5 798 000</b>
Inventories (4 598 000 ✓ – 13 260 ✓✓) if 1.1 is > CS, sign should be +ve <small>one mark one m. mark (– 285 500 + 272 240 see 1.1)</small>	4 584 740 ✓*
<b>Trade and other receivables</b> <small>Transfer Prov. bd Comm. Inc. Dir. fees SARS IT</small> (735 000 + 5 000 ✓ – 29 600 ✓✓ + 6 400 ✓ + 48 750 ✓✓ + 70 000 ✓)	835 550 ✓*
<b>Cash and cash equivalents</b>	
<b>Total assets</b> <b>12</b>	
<b>Equity and liabilities</b>	
<b>Shareholders' equity</b> <small>39 347 500 three marks</small> [(4 721 700 ✓ x 100 / 24 ✓) x 2 ✓] – 16 200 000 ✓	23 147 500 ✓*
Ordinary share capital <small>see 1.2</small>	17 875 000 ✓
Retained income <small>SHE – OSC; can be -ve.</small> <b>7</b>	5 272 500 ✓
<b>Non-current liabilities</b>	
Mortgage loan: Delta Bank <small>– 250 000 three marks</small> (3 200 000 ✓ + 290 000 ✓ – 540 000 ✓✓) <b>5</b>	2 950 000 ✓*
<b>Current liabilities</b>	<b>4 460 000 ✓✓</b>
<b>Trade and other payables</b> <small>Transfer Rent inc</small> (878 500 + 5 000 ✓ + 77 000 ✓✓)	960 500 ✓*
Current portion of loan <small>see NCL</small>	250 000 ✓
Shareholders for dividends	2 475 000 ✓✓
<b>Bank overdraft</b> <small>balancing figure; can be -ve.</small>	774 500 ✓
<b>Total equity and liabilities</b> <b>10</b>	<b>36</b>

\* one part correct

Inspect CPL and SFD may be included in T&OP.  
-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

<b>TOTAL MARKS</b>
<b>50</b>

## QUESTION 2

### 2.1 Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2025:

Calculate: Change in receivables		
WORKINGS	ANSWER	INFLOW/OUTFLOW
$3\,167\,000 - 1\,303\,500$ Ignore working and brackets	1 863 500 ✓✓	Outflow ✓*

3

Calculate: Change in payables		
WORKINGS	ANSWER	INFLOW/OUTFLOW
$[1\,450\,000 + 14\,600]$ $1\,464\,600 \checkmark - 1\,323\,500 \checkmark$ If workings are not shown, award full marks for the answer. Do not award a mark for any operation done on stand-alone figures for each year.	$141\,100 \checkmark$ one part correct CY – PY or vice versa	Inflow ✓*

4

\*Award marks for answer/detail if not in the relevant column.

### 2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	(316 250)
Taxation paid $(201\,600 \checkmark - 32\,000 \checkmark - 15\,300 \checkmark)$ OR $-201\,600 + 32\,000 + 15\,300$ Accept ledger format or use of brackets as workings. For use of reserved signs; ensure that only one option is marked consistently.	(154 300) ✓*#
Dividends paid	4 (252 000)
CASH FLOW FROM INVESTING ACTIVITIES	
Fixed asset purchased	(380 000) ✓✓
Sale of fixed asset $[55\,000 \times (15\% \times 4/12)]$ one mark one mark one mark $(16\,000 \checkmark - 2\,750 \checkmark \checkmark)$ OR $55\,000 - 41\,750$ 6	13 250 ✓*#
Change in fixed deposit	
CASH FLOW FROM FINANCING ACTIVITIES	
Sale of shares	1 000 000 ✓✓
Shares repurchased $(2\,000 \times R15,40 \checkmark \checkmark)$ OR $22\,000 + 8\,800$ one mark one mark	(30 800) ✓*#
Change in loan $(3\,300\,000 \checkmark \checkmark - 2\,880\,000 \checkmark)$	9 (420 000) ✓*#
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1 172 000) ✓*
CASH AND CASH EQUIVALENTS AT BEGINNING	415 000 ✓
CASH AND CASH EQUIVALENTS AT END	4 (757 000) ✓✓

23

\*one part correct and must indicate correct operation & correct use of brackets

If no brackets, assume answer is an inflow of cash – award marks for workings only.

#If the correct amount is provided without the brackets, and without workings, award all marks allocated for workings only.

-1 presentation (max -1); misplaced items award marks for workings only.

2.3 Calculate the following financial indicators for the year ended 28 February 2025:

Net asset value per share	
WORKINGS	ANSWER
$\frac{7\,140\,120}{498\,000} \times \frac{100}{1}$	1 433,8 cents ✓* one part correct calculated as R/c; R/c not necessary Accept R14,34 / R14,33 / 1 433c / 1 434c

3

Acid-test ratio	
WORKINGS	ANSWER
one mark      one mark      one mark      one mark (3 167 000 + 18 000)      (1 609 380 + 775 000) 3 185 000 ✓✓ : 2 384 380 ✓✓	1,3 : 1 ✓* one part correct in form x : 1 Accept 1,34 : 1

5

Dividend pay-out rate	
WORKINGS	ANSWER
two marks      one mark (90 000 + 129 480) $\frac{219\,480}{518\,400} \times \frac{100}{1}$	42,3% ✓* one part correct Do not accept 0,42

5

For EACH calculation, the 'x 100' does not constitute 'one part correct'.

Numerator and denominator must be marked as such.

Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R7 140 120 / 498 000 / 518 400.

2.4 The directors should be concerned about the cash resources of the company for the year ended 28 February 2025. Give ONE reason (with figures) for this concern.

Reason ✓      Figure/s ✓

- The cash and cash equivalents have changed (from a favourable balance of R415 000) to an unfavourable balance of R757 000 see 2.2.
- The net cash outflow of R1 172 000 see 2.2 indicates that the company's operations did not generate enough cash to cover its needs.

2

TOTAL MARKS

45

### QUESTION 3

3.1	3.1.1	International Financial Reporting Standards (IFRS) ✓
	3.1.2	Director ✓
	3.1.3	Companies and Intellectual Properties Commission (CIPC) ✓

3

### 3.2 Shorts Ltd

#### 3.2.1 Operating efficiency:

**The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/ financial data with trends to support his statement.**

Financial indicators/financial data ✓ ✓ Figures with trends ✓ ✓

- Mark-up % decreased (from 65%) to 50%/by 23,1%/by 15% points.
- % net profit after tax on sales increased (from 22%) to 26,4% by 20%/by 4,4% points.
- Sales have improved (from R48 m) to R77 m/by R29 m.

Do not accept operating expense on sales

4

#### 3.2.2 Liquidity:

**Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends.**

Financial indicators ✓ ✓ Figures with trends ✓ ✓

- Debtors' collection period has improved (from 42 days) to 31 days/by 11 days
- Creditors' payment period improved (from 71 days) to 90 days/by 19 days

Do not accept current ratio and acid test ratio

4

### 3.2.3 Shareholding of Lewis Clark in Shorts Ltd:

Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding.	
WORKINGS	ANSWER
$\frac{[1\ 783\ 250 \times 40\%]}{1\ 383\ 250} \times \frac{100}{1} \quad \text{OR} \quad \frac{669\ 950}{1\ 383\ 250} \times \frac{100}{1}$ <p style="text-align: center;">100% – 48,4%</p>	51,6% one part correct % sign not necessary Accept 51% / 52%

'x 100' does not constitute 'one part correct'.  
 Numerator and denominator must be marked as such.  
 Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to 713 300 / 1 383 250.

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4

**Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares.**

Any TWO valid explanations ✓✓ ✓✓

part-marks for incomplete/unclear answers

- The CFO is now the majority shareholder / reduce the influence of minority shareholders.
- Lewis acted for personal gain, not the company's benefit.
- It took place just before final dividends were declared, which could also have benefited Lewis unjustly.
- CFO's influence could undermine board independence and lead to biased decisions.
- Using company's funds to enrich himself is an improper use of company assets / embezzlement of company funds / he took advantage of his position to convince the board.
- His actions risk damaging trust and the company's reputation.
- They paid a higher price than the NAV and MP.

4

**Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE.**

WORKINGS	ANSWER
$400\ 000 \times \frac{[3,00 - 2,56]}{0,44} \quad \text{OR} \quad 1\ 200\ 000 - 1\ 024\ 000$	176 000 ✓✓ one part correct

2

### 3.3 Shorts Ltd and Lynn Ltd

#### 3.3.1 Returns and dividends pay-out policy:

**The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures.**

Financial indicator with figures ✓ ✓ Explanation/comment ✓ ✓

##### **Shorts Ltd**

- ROSHE has decreased (from 14,7%) to 6%/by 8,7% points/by 59,2%.
- Directors will acknowledge this decrease and indicate that they are working on improving it in the new financial year.
- The return from ROSHE is less than what could have been earned from fixed deposit.

##### **Lynn Ltd**

- ROSHE has increased (from 14,5%) to 16,1%/by 1,6% points/by 11%.
- Directors will remind the shareholders that they are earning more than the interest of fixed deposit.
- Investing more in the company has better returns than they would earn from a fixed deposit.

4

**A potential investor believes that Lynn Ltd has a better dividend pay-out policy when compared to Shorts Ltd. Explain why you would agree with her. Provide TWO points with figures.**

Financial indicator with figures ✓ ✓ Explanation ✓ ✓

##### **Shorts Ltd**

- They did not retain any funds but had used 24,6% (162c of 130c) of funds from the previous financial year / it increased (from 49,1%) to 124,6%.
- This was to distract shareholders from the decrease in the profitability (EPS) of the company in the current financial year.
- Hiding company share performance in the market/shares undervalued.
- They wanted to make the shareholders happy.

##### **Lynn Ltd**

- They have retained 46,1% (235c of 510c) of its earnings / it increased (from 49,2%) to 53,9%.
- This indicates that they have plans for future expansion purposes which will benefit shareholders in the future / allowed reinvestment in profitable projects.

4

3.3.2 Share price:

**Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response.**

Comparison of NAV – MP ✓ ✓ Figures with trends ✓ ✓

**Shorts Ltd**

- NAV of 270 cents is higher than the MP of 256 cents/by 14 cents.

**Lynn Ltd**

- MP of 976 cents is higher than the NAV of 958 cents/by 18 cents.

**FOR FOUR MARKS:**

In Shorts Ltd shares are undervalued at 14 cents, while in Lynn Ltd shares are overvalued at 18 cents.

4

### 3.4 Lynn Ltd

**The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion.**

Financial indicator with figures ✓ Explanation ✓✓

- ROTCE has increased (from 19,2%) to 21,8%/by 2,6% points/by 13,5%.
- ROTCE is higher than the interest rate (12,5%), the company is positively geared / company has effectively used the borrowed funds to generate higher profits.

3

### 3.5 Audit report of Lynn Ltd

**Explain why the shareholders should be concerned about this audit report. Provide TWO points.**

Any TWO valid points ✓✓

- This is a qualified report / this implies bad report.
- This report will affect the company's image or reputation.
- There is lack of internal control processes (poor recording).
- Possibility of mismanagement of funds or fraud.
- Reduces confidence in directors' integrity.
- It can reduce market confidence and cause a fall in share price / it will create doubt to possible new investors.
- It can lower the company's creditworthiness / contribute to a lower credit rating.

2

**State TWO possible decisions that the shareholders could make based on this audit report.**

Any TWO valid points ✓ ✓

- Investigate financial practices in the company.
- Vote against reappointing directors / vote against rewarding current directors.
- Appoint a new internal auditor due to lack of trust in the current one.
- Demand clarification from directors to ensure transparency / demand improved internal controls or governance.
- Sell their shares due to increased risk.
- Avoid additional investment in the company / pause further investment until issues are resolved.

2

**TOTAL MARKS**

**40**

#### QUESTION 4

**4.1** Some shareholders are concerned about the donations made for environmental initiatives, believing that it is not their responsibility.

**Advise the shareholders on why corporate donations are important for the company. Provide TWO points.**

Any TWO valid points ✓ ✓

- Reflects good governance, which will contribute to well-being of community / donating to community projects helps improve people's lives / it builds a stable society.
- King Code encourages investment in environmental sustainability.
- It reduces company's taxable income.
- Companies that help the community are more popular with customers.
- Good publicity boosts company image or share demand.
- Builds strong community relationships to prevent disruptions / maintains loyalty through good community relations.

2

4.2

**Explain TWO points why it is important for employees to report unethical behaviour in a business.**

Any TWO valid points ✓ ✓

- It promotes accountability / good ethical behaviour / ensures employee's commitment to ethical values / shows commitment to ethical standards.
- It guarantees employees investment in the long-term success of the company / it proves that employees care about the success of the company.
- Helps detect and solve issues early / motivates employees by addressing misconduct effectively.
- Encourages a positive culture of being honest and transparent.
- Protects company reputation / protects company financial health.
- Creates a safe, productive work environment / protects employees' performance.
- Boosts morale by ensuring fairness and addressing misconduct / enhances confidence by ensuring fairness

2

**Suggest TWO actions that the company could take to prevent similar incidents in the future.**

Any TWO valid points ✓ ✓

- Improve internal financial controls system / perform regular audits to identify irregularities early.
- Regular ethics training to all employees.
- Protect whistle-blowers / create a safe reporting channel for employees.
- Monitor and evaluate leadership conduct more often / increase oversight of leadership behaviour.
- Use a suggestion box for employees to share their views on ethical conduct.
- Establish clear rules of conduct and consequences for violations / apply strict consequences for any harassment or bullying.
- Encourage transparency to reduce conflict / promote openness to reduce toxic behaviour.

2

**4.3 Explain the meaning of the term *insolvent*.**

Any valid explanation ✓✓

- The liabilities exceed the assets / company does not have enough money or assets to pay what you owe.
- The company will not be able to settle its liabilities with its assets if it is liquidated / financially unable to meet obligations.
- The company has a negative equity.

2

**4.4 Comment on how the 'rights issue' improved the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance was favourable.**

- Assets will increase as more cash is received. ✓
- Equity will increase as more shares have been issued. ✓
- Liabilities will remain unchanged. ✓

3

**4.5 Give TWO reasons why the existing shareholders responded positively to participating in the rights issue.**

Any TWO valid reasons ✓✓ ✓✓ **part-marks for incomplete/unclear answers**

- They want to safeguard their previous investments in the company.
- They are getting the shares at a discounted price.
- They can resell these shares at the market price and make a profit.
- Minimise the chances of liquidation / save the company from insolvency.
- They showed confidence in the company's recovery and management.

4

**TOTAL MARKS**

**15**

**TOTAL: 150**