



education

Department of
Education
FREE STATE PROVINCE

GRADE 12



PROJECT – TERM 2

MARKS: 100

TIME: 2 HOURS

EXAMINER: T. MOTLOUNG

MODERATOR: L. ANDREWS

ISSUE DATE 22 APRIL 2025



This project consists of 9 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. This is an **open book** task. Learners may bring resources such as textbooks, previous exam papers to complete this task. **Cell phones are NOT allowed.**
2. This task must be administered in class under the supervision of the teacher.
3. The 2 hours allocated for the completion of this task may either be on the same day or spread over two days (1 hour in day one and the other 1 hour in day two)
4. NOTE: Should the school choose to complete the task over two days, then the teacher must collect all question papers and answer books in day one and reissue them again in day two. Learners should **NOT** be allowed to take question papers and answer books home.

SECTION A: THEORY, CONCEPTS AND REPORTS [20]**REQUIRED:**

You are provided with information relating to the published financial statements of LONGSLEEVE LIMITED for the financial year ended 28 February 2025.

- 1.1 Explain the roles of the following stakeholders in the company?
 - Board of directors (1)
 - Chief Executive Officer (1)
 - Chief Financial Officer (1)
 - Internal Auditor (1)
 - Independent Auditor (1)
- 1.2 State TWO consequences for the independent auditors should they be found negligent of their duties. (2)
- 1.3 What are the main responsibilities of the directors regarding financial statements? (2)
- 1.4 Who appointed the independent auditors of the Company? (2)
- 1.5 To whom is the Audit report addressed and why? (2)
- 1.6 State the type of an audit opinion Longsleeve Limited received. (1)
Why should shareholders be happy with this type of report? State ONE point (1)
- 1.7 Name the other TWO types of audit reports. Not mentioned above. (2)
- 1.8 State the main TWO export products of the company. (2)
- 1.9 Who were the independent auditors of Longsleeve Limited for the financial year ended 28 February 2025? (1)

SECTION B: CALCULATION OF ADJUSTMENTS [10]**REQUIRED:**

Calculate the following figures in the Statement of Comprehensive Income on 28 February 2025:

- | | | |
|-----|-----------------|-----|
| 2.1 | Audit fees | (2) |
| 2.2 | Rent expenses | (4) |
| 2.3 | Directors' fees | (4) |

SECTION C: CASH FLOW STATEMENT [20]**REQUIRED:**

- | | | |
|-----|--|------|
| 3.1 | Prepare the Cash Flow Statement for 2025 | (20) |
|-----|--|------|

SECTION D: FINANCIAL INDICATORS CALCULATIONS FOR 2025 [35]**REQUIRED:**

Calculate the following financial indicators on 28 February 2025 to the first decimal:

- | | | |
|------|---|-----|
| 4.1 | Mark-up percentage | (2) |
| 4.2 | Operating expenses on sales | (2) |
| 4.3 | Net profit after tax on sales | (2) |
| 4.4 | Current Ratio | (3) |
| 4.5 | Acid Test Ratio | (4) |
| 4.6 | Net Asset Value Per Share | (3) |
| 4.7 | Stock holding period | (5) |
| 4.8 | Debt: Equity Ratio | (3) |
| 4.9 | Percentage Return on Shareholders' Equity | (5) |
| 4.10 | Earnings per share (Do not use the average shares. Use the 800 000) | (3) |
| 4.11 | Dividend per share (Do not use the average shares. Use the 800 000) | (3) |

SECTION E: ANALYSIS AND INTERPRETATION [15]**REQUIRED:**

- | | | |
|-----|---|-----|
| 5.1 | Comment on the profitability of the business. Quote TWO financial indicators with figures and comment. | (5) |
| 5.2 | Comment on the liquidity of the business. Quote TWO financial indicators with figures and comment. | (5) |
| 5.3 | Comment on the gearing and risk of the business. Quote TWO financial indicators with figures and comment. | (5) |

TOTAL: 100

INFORMATION

Directors' report

The directors have pleasure in presenting their report for the year ended 28 February 2025.

Nature of business

The main business of the company is the selling of:

- Clothing
- Leather products

The principal activities of the company have remained unchanged during the year.

Share capital.

The authorised and issued share capital of the company changed during the year.

Auditor

Mokmot Incorporated was the external auditor of Longsleeve Limited for the financial year ended 28 February 2025.

Independent auditor's report

To the Shareholders of Longsleeve Limited

Our opinion

"In our opinion, the financial statements of Longsleeve Limited fairly represent its financial position as at 28 February 2025, and its financial performance for the year then ended, in all material respects, in accordance with IFRS and the requirements of the Companies Act 71 of 2008"

What we have audited

"The financial statements of Longsleeve Limited, presented on pages 23 to 34, include:

- The Statement of Comprehensive Income (Income Statement) for the year ended
- The Statement of Financial Position (Balance Sheet) as at the end of that year"

Basis for opinion

We performed our audit in compliance with International Standards on Auditing (ISAs), with our specific responsibilities outlined in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. In our judgment, the audit evidence obtained is adequate and relevant to support our opinion

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Other Information

The directors are responsible for the other information, which is contained within the "Longsleeve Limited's Annual Financial Statements 28 February 2025" document, including the Audit Committee Report, Directors' Report, and Company Secretary's Certificate, as required by the Companies Act. Our audit opinion on the financial statements does not extend to this other information, and we do not provide any assurance or conclusion regarding its accuracy. As part of our audit, we review the other information to identify any material inconsistencies with the financial statements or our audit findings. If we identify a material misstatement, we are obligated to report it. We have found no such issues to report."

The directors are accountable for the other information in the "Longsleeve Limited's Annual Financial Statements 28 February 2025.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Mokmot Incorporated

Director: Vanwetsa
Registered Auditor
Welkom, South Africa,
28 February 2025

Extract from Trial Balance on 28 February 2025		
	Debit	Credit
Audit Fees	735 000	
Rent expenses	1 446 000	
Directors' fees	5 053 000	

ADDITIONAL ADJUSTMENTS

- (i) Only 70% of the audit fees were paid during the year.
- (ii) Provide for the outstanding rent.
The company rents out TWO shops in Bethlehem.
- **Shop 1:**
Rental is R30 000 per month more than shop 2.
Take note: rent for February 2025 has not been paid yet.
 - **Shop 2:**
Has been rented since 1 August 2024.
- (iii) Directors' fees must still be adjusted:
- The company has three directors who are paid at fixed monthly rates. Z. Valley and M. Makoena have worked at the company for many years. M. Makoena monthly fees are 30% more than those earned by Z. Valley.
 - P. Patricia was recently appointed on 1 December 2024 on the same monthly rate as Z. Valley.
 - Z. Valley was paid for two months in advance, but no entry has been made for the appropriate year-end adjustment.
- (iv) **Share Capital**
- R30 000 000 was received for the new shares issued during the year.
 - R1 750 000 was used to repurchased shares during the year.
 - 800 000 shares were in issue on 28 February 2025
- (v) Total dividend for the year amounted to R33 450 000.
- (vi) Fixed assets were sold for R5 600 000 during the year. New vehicles were bought during the year

STATEMENT OF COMPREHENSIVE INCOME - FEBRUARY		
	2025	2024
Sales	180 000 000	120 000 000
Cost of sales	(120 000 000)	(80 000 000)
Gross profit	60 000 000	40 000 000
Other operating income	9 000 000	2 000 000
Gross Operating Income	69 000 000	42 000 000
Operating Expenses	(41 000 000)	(33 000 000)
<i>Audit fees</i>	2.1	
<i>Directors Fees</i>	2.2	
<i>Rent expenses</i>	2.3	
Depreciation	3 800 000	
Operating Profit	28 000 000	9 000 000
Interest Income	1 100 000	1 000 000
Net Profit before interest expense	29 100 000	10 000 000
Interest expense	(2 250 000)	(2 750 000)
Net Profit before tax	26 850 000	7 250 000
Income tax	(8 055 000)	(2 175 000)
Net Profit after tax	18 795 000	5 075 000

STATEMENT OF FINANCIAL POSITION - FEBRUARY		
	2025	2024
ASSETS		
NON-CURRENT ASSETS	340 530 000	318 725 500
Fixed assets	331 175 000	311 225 500
Fixed Deposit	9 355 000	7 500 000
CURRENT ASSETS	268 570 000	284 474 500
Inventory	118 100 000	136 900 600
Trade and other receivables Note 5	151 650 000	147 163 900
Cash and Cash equivalents	3 740 000	410 000
TOTAL ASSETS	609 100 000	603 200 000
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY	340 000 000	317 500 000
Ordinary share capital	318 750 000	290 000 000
Retained income	21 250 000	27 500 000
NON-CURRENT LIABILITIES	119 000 000	127 000 000
Loan: Fast Bank	119 000 000	127 000 000
CURRENT LIABILITIES	150 100 000	158 700 000
Trade and other payables Note 8	144 150 000	151 770 000
Current portion of loan	5 950 000	6 350 000
Bank overdraft	0	580 000
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	609 100 000	603 200 000

Note 5	2025	2024
TRADE AND OTHER RECEIVABLES		
SARS – Income tax	0	1 245 000

Note 8	2025	2024
TRADE AND OTHER PAYABLES		
Shareholders for dividends	19 500 000	14 567 000
SARS – Income tax	1 156 000	0

B. Financial indicators, interest rate and market price of shares:

	Feb. 2025	Feb. 2024
% operating expenses on sales	?	27,5%
% operating profit on sales	15,5%	7,5%
% net profit after tax on sales	?	4,3%
Current ratio	?	1,8:1
Acid test ratio	?	0,9:1
Stock holding period	?	399 days
Debtors' collection period	29 days	41 days
Debt-equity ratio	?	0,4 : 1
% return on capital employed	11,4%	15,8%
% return on shareholders' equity	?	12,2%
Net asset value per share	?	44 000 cents
Interest rate on loans	13%	13%
Interest on fixed deposit	7%	7%
Earnings per share	?	2 800
Dividend per share	?	3 600



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GRADE 12

PROJECT –TERM 2

SCHOOL: _____

LEARNER: _____

	MARKS	MODERATED
SECTION A		
SECTION B		
SECTION C		
SECTION D		
SECTION E		
TOTAL	100	

SECTION A: THEORY, CONCEPTS AND REPORTS

1.1

Explain the roles of the following stakeholders in the company?
Board of directors

Chief Executive Officer

Chief Financial Officer

Internal Auditor



Independent Auditor

5

1.2

State TWO consequences for the independent auditors should they be found negligent of their duties.

2

1.3

What are the main responsibilities of the directors regarding financial statements?

2

1.4

Who appointed the independent auditors of the Company?

1

1.5

To whom is the Audit report addressed and why?

2

1.6

State the type of an audit opinion Longsleeve Limited received.

Should shareholders be happy with this type of report? State ONE point.

3

1.7

Name the other TWO type of audit reports. Not mentioned above.

2

1.8

State the main TWO export products of the company.

2

1.9

Who were the independent auditors of Longsleeve Limited for the financial year ended 28 February 2025?

1

TOTAL MARKS
20

SECTION B: CALCULATIONS

2.1

Audit Fees WORKINGS	ANSWER

2

2.2

Rent expense WORKINGS	ANSWER

4

2.3

Directors fee WORKINGS	ANSWER

4

TOTAL MARKS
10

SECTION C: CASH FLOW STATEMENT FOR 2025

3.1 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Tax paid	
Dividends paid	
CASH FLOW FROM INVESTING ACTIVITIES	
Fixed asset purchased	
Fixed asset sold	
Fixed deposit	
CASH FLOW FROM FINANCING ACTIVITIES	
Shares issued	30 000 000
Shares repurchased	(1 750 000)
Loan repaid	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS AT BEGINNING	
CASH AND CASH EQUIVALENTS AT END	

TOTAL MARKS
20

SECTION D: FINANCIAL INDICATORS CALCULATIONS FOR 2025

Calculate the following financial indicators on 28 February 2025 to the first decimal:

4.1 **Mark- up percentage**

WORKINGS	ANSWER

2

4.2 **Operating expenses on sales**

WORKINGS	ANSWER

2

4.3 **Net profit after tax on sales**

WORKINGS	ANSWER

2

4.4 **Current Ratio**

WORKINGS	ANSWER

3

4.5 **Acid Test Ratio**

WORKINGS	ANSWER

4

4.6 **Net Asset Value Per Share**

WORKINGS	ANSWER

3

4.7	Stock holding period	
	WORKINGS	ANSWER

5

4.8	Debt: Equity Ratio	
	WORKINGS	ANSWER

3

4.9	Percentage Return on Shareholders' Equity	
	WORKINGS	ANSWER

5

4.10	Earnings per share (do not use weighted average – use 800 000 shares)	
	WORKINGS	ANSWER

3

4.11	Dividend per share (do not use weighted average – use 800 000 shares)	
	WORKINGS	ANSWER

3

TOTAL MARKS
35

SECTION E: ANALYSIS AND INTERPRETATION FOR 2025

5.1 Comment on the profitability of the business. Quote TWO financial indicators with figures and comment.

Comment

5

5.2 Comment on the liquidity of the business. Quote TWO financial indicators with figures and comment.

Comment:

5

5.3 Comment on the gearing and risk of the business. Quote TWO financial indicators with figures and comment.

Comment:

5

TOTAL MARKS
15

TOTAL MARKS = 100



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GRADE 12

PROJECT –TERM 2

MARKING GUIDELINE

APRIL 2025 *rephysics.com*

This marking guideline consists of 8 pages, including the cover page.

SECTION A: THEORY, CONCEPTS AND REPORTS

1.1 Explain the role of the following people in the company?

Board of directors
Sets broad policies and makes important decisions on behalf of the company and its shareholders/ Smooth running of the company and hire the CEO. ✓

Chief Executive Officer
Lead the company and making major decisions / setting strategic direction /overseeing operations/ acting as the main point of communication between the board of directors and corporate operations. ✓

Chief Financial Officer
Do the financial planning and analysis of the company / financial reporting and compliance / cash flow management / cost control / tax planning etc. ✓

Internal Auditor
Provide independent and objective assurance to an organization's management / internal control measures / controlling of books before independent auditors arrive ✓

Independent Auditor
Provide an objective and unbiased opinion on a company's financial statements / ensuring they are free from material misstatements /present a true and fair view, thereby building investor confidence / to avoid conflicts of interest / ensure the integrity of performing an audit ✓

5

1.2 State TWO consequences for the independent auditors should they be found negligent of their duties.

Any TWO ✓ ✓

- Their professional body would deregister them if found guilty of negligence.
- Disciplinary action might be taken against them.
- Shareholders may sue them / they may face civil action in court / they may be arrested / face a jail term.
- They may lose public confidence / nobody would want to do business with them.

2

1.3 What are the main responsibilities of the directors regarding financial statements?

Stanmorephysics.com
Directors are required to run a company to the best of their ability / The directors are responsible for the preparation and fair presentation of the financial statements according to IFRS and Companies Act of South Africa ✓✓

2

1.4 **Who appointed the independent auditors of the Company?**
 Shareholders ✓ 1

1.5 **To whom is the Audit report addressed and why?**
 Shareholders ✓
 They are the owners of the company ✓ 2

1.6 **State the type of an audit opinion Longsleeve Limited received.**
 Unqualified report ✓
Should shareholders be happy with this type of report? State ONE point.
 Yes ✓
 Financial statements are fairly presented, in all material respects, of the financial position of the company. It is a report without mistakes. ✓✓ 3

1.7 **Name the other TWO type of audit reports. Not mentioned above.**
 Qualified ✓
 Disclaimer ✓ 2

1.8 **State the main TWO export products of the company.**
 Clothing ✓
 Leather products ✓ 2

1.9 **Who were the independent auditors of Longsleeve Limited for the financial year ended 28 February 2025?**
 Mokmot Pty (Ltd) ✓ 1

TOTAL MARKS
20

SECTION B: CALCULATIONS

2.1.1	Audit Fees	ANSWER	
	WORKINGS		
	735 000 / 70 x 100	1 050 000 ✓✓ one part correct	2

2.1.2	Rent expense	ANSWER	
	WORKINGS		
	1 446 000 – 330 000 = 1 116 000 1 116 000/18 = 62 000 + 30 000 = 92 000 1 446 000✓ + 92 000✓✓✓	1 538 000 ✓ one part correct	4

2.1.3	Directors fee	ANSWER	
	WORKINGS		
	(12 x 1,3) = 15,6 + 14 + 3 = 32,6 5 053 000/32,6 = 155 000 x 2 = 310 000 / 5 053 000 x 2/32,6 OR 5 053 000✓ – 310 000✓✓	4 743 000✓* one part correct	4

TOTAL MARKS
10

SECTION C: CASH FLOW STATEMENT FOR 2025

3.1 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations		
Interest paid		
Tax paid		
$- 1\,245\,000 \checkmark + 8\,055\,000 \checkmark - 1\,156\,000 \checkmark$ $+ 1\,245\,000 - 8\,055\,000 + 1\,156\,000$	OR	(5 654 000) <input checked="" type="checkbox"/> *
Dividends paid $33\,450\,000 - 19\,500\,000$ $14\,567\,000 \checkmark + 13\,950\,000 \checkmark \checkmark$	8	(28 517 000) <input checked="" type="checkbox"/> *
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset purchased		
$331\,175\,000 \checkmark + 3\,800\,000 \checkmark + 5\,600\,000 \checkmark - 311\,225\,500 \checkmark$		(29 349 500) <input checked="" type="checkbox"/> *
Fixed asset sold		5 600 000 <input checked="" type="checkbox"/>
Fixed deposit		8 (1 855 000) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
CASH FLOW FROM FINANCING ACTIVITIES		
Shares issued		30 000 000
Shares repurchased		(1 750 000)
Loan repaid		2 (8 000 000) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
NET CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT BEGINNING $- 580\,000 + 410\,000$		(170 000) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
CASH AND CASH EQUIVALENTS AT END		2

TOTAL MARKS
20

SECTION D: FINANCIAL INDICATORS CALCULATIONS FOR 2025

Calculate the following financial indicators on 28 February 2025 to the first decimal:

4.1 **Markup percentage**

WORKINGS	ANSWER
$\frac{60\,000\,000}{120\,000\,000} \times \frac{100}{1}$	50% ✓✓ No part mart marks.
	2

4.2 **Operating expenses on sales**

WORKINGS	ANSWER
$\frac{41\,000\,000}{180\,000\,000} \times \frac{100}{1}$	22,8% ✓✓ No part mart marks
	2

4.3 **Net profit after tax on sales**

WORKINGS	ANSWER
$\frac{18\,795\,000}{180\,000\,000} \times \frac{100}{1}$	10,4% ✓✓ No part mart marks
	2

4.4 **Current Ratio**

WORKINGS	ANSWER
268 570 000 ✓ : 150 100 000 ✓	1,8:1 ☑ One part correct. Must be x:1
	3

4.5 **Acid Test Ratio**

WORKINGS	ANSWER
268 570 000 – 118 100 000 150 470 000 ✓✓ : 150 100 000 ✓	1:1 ☑ One part correct. Must be x:1
151 650 000 + 3 740 000 OR 155 390 000 ✓✓ : 150 100 000 ✓	
	4

4.6 **Net Asset Value Per Share**

WORKINGS	ANSWER
$\frac{340\,000\,000 \checkmark}{800\,000 \checkmark} \times \frac{100}{1}$	42 500 cents R425 ☑ One part correct.
	3

4.7	Stock holding period	
	WORKINGS	ANSWER
	$\frac{127\,500\,300 \text{ three marks}}{120\,000\,000 \checkmark} \times 365$ $\frac{1}{2} \checkmark (118\,100\,000 \checkmark + 136\,900\,600) \checkmark$	387,8 days <input checked="" type="checkbox"/> One part correct.
		5

4.8	Debt: Equity Ratio	
	WORKINGS	ANSWER
	$119\,000\,000 \checkmark : 340\,000\,000 \checkmark$	0,4:1 <input checked="" type="checkbox"/> Accept 0,35:1 One part correct. Must be x:1
		3

4.9	Percentage Return on Shareholders' Equity	
	WORKINGS	ANSWER
	$\frac{18\,795\,000 \checkmark}{328\,750\,000} \times \frac{100}{1}$ $\frac{1}{2} \checkmark (340\,000\,000 \checkmark + 317\,500\,000 \checkmark)$	5,7% <input checked="" type="checkbox"/> One part correct.
		5

4.10	Earnings per share (do not use weighted average – use 800 000 shares)	
	WORKINGS	ANSWER
	$\frac{18\,795\,000 \checkmark}{800\,000 \checkmark} \times \frac{100}{1}$	2 349,4 cents R23,49 <input checked="" type="checkbox"/> One part correct
		3

4.11	Dividend per share (do not use weighted average – use 800 000 shares)	
	WORKINGS	ANSWER
	$\frac{33\,450\,000 \checkmark}{800\,000 \checkmark} \times \frac{100}{1}$	4181,25cent R41,81 <input checked="" type="checkbox"/> One part correct
		3

TOTAL MARKS
35

SECTION E: ANALYSIS AND INTERPRETATIONS FOR 2025

5.1 Comment on the profitability of the business.

Financial indicator any TWO ✓ ✓ Figures ✓ ✓ Comment ✓

- % operating expenses on sales decreased from 27,5% to 22,8% by 4,7pp / by 17,1% **see 4.2**
- % operating profit on sales increased from 7,5% to 15,5% by 8%pp / 106,7%
- % net profit after tax on sales increased from 4,3% to 10,4% by 6,1pp / 141,9% **see 4.3**

Comment ✓

Profitability is much better in 2025.

5

5.2 Comment on the liquidity. Quote TWO financial indicators.

Financial indicator any TWO ✓ ✓ Figures ✓ ✓

- Current ratio stayed the same from 1,8 : 1 to 1,8 : 1 **see 4.4**
- Acid test ratio has increase from 0,9 : 1 to 1 : 1 **see 4.5**
- Stockholding period improved from 399 days to 387,8 **see 4.7**
- Debtors' collection period decreased from 41 days to 29 days.

Comment: ✓

The liquidity situation has improved / is able to meet current debts / liquidity ratios have decreased / liquidity ratios are more efficient.

5

5.3 Comment on the gearing and risk of the business. Quote TWO financial indicators.

Financial indicator ✓ ✓ Figures ✓ ✓ Explanation ✓

- Debt -equity ratio stayed the same 0,4 : 1 to 0,4 : 1 **see 4.8**
- ROTCE decrease from 15,8% to 11,4% / by 4,4 pp / by 27,8%

Comment: ✓

Both risk and gearing decreased. Lower than interest rate on loans

5

TOTAL MARKS
15

TOTAL MARKS = 100