



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

LIMPOPO DEPARTMENT OF EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

Stanmorephysics.com
QUESTION PAPER

ACCOUNTING

TERM 1 SBA TASK 2

Stanmorephysics.com

DATE OF ADMINISTRATION: 17 March 2026

MARKS : 100

DURATION: 90 MINUTES

This question paper consists of 09 pages, a formula sheet and a 08-page answer book.

INSTRUCTIONS:

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show all workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Write neatly and legibly.
7. Use the information on the table below as a guide when answering the question paper. Try NOT to deviate from its.com

QUESTION	TOPIC	MARKS	TIME ALLOCATED
1	Company Financial statements	40	30 minutes
2	Cash flow statement and financial indicators	30	30 minutes
3	Analysis and interpretation of financial information	20	20 minutes
4	Corporate governance	10	10 minutes
	TOTAL	100	90 minutes

QUESTION 1 COMPANY FINANCIAL STATEMENTS (40 Marks;30 Minutes)

1.1 MORETELE LTD

You are provided with information for the financial year 28 February 2026.

REQUIRED:

Complete the following for the year ended 28 February 2026

- 1.1.1 Statement of Comprehensive income (20)
- 1.1.2 Retained Income note (6)
- 1.2.3 Equity and Liabilities section of the Statement of Financial position (14)

A Balances/Totals on 28/29 February

	2026	2025
Ordinary share capital	8 816 000	6 976 000
Retained Income	?	697 300
Loan: ASSA bank	?	1 725 500
Trade creditors	414 120	
SARS: Income tax (provisional payments)	152 200	
Sales	2 101 720	
Cost of sales	?	
Total operating Income	879 440	
Salaries and Wages	601 200	
Audit Fees	65 400	
Rent Expense	79 240	
Directors Fees	319 077	
Sundry expenses	91 714	
Interest on fixed deposit	?	

B Adjustment and additional information

- (i) The company maintains a mark up of 120% on cost. Trade discount totalling R33 600 have been granted and recorded.
- (ii) 75% of the annual audit fees have been paid.
- (iii) The company had two directors on 1 March 2025 who earn the same monthly fee. A third director was appointed on 1 September 2025, earning a monthly fee of R1 089 less than the existing directors. All the directors were paid their fees for March 2026.
- (iv) Insurance was taken out on 1 May 2025. The annual premium of R97 320 was paid.
- (v) A storeroom was rented from 1 June 2025 at R11 200 per month. Rent increases by 7,5% on the 1 December 2025. Provide for outstanding rent.
- (vi) Loan from ASSA bank
- Fixed monthly repayments, including interest, R31 600
 - Capitalized Interest amounted to R121 250 for the year ended 28 February 2026
 - Interest for the next financial year is expected to be R162 000
 - Part of the loan will be paid within the next financial year
- (vii) R30 850 of the income tax is still due to SARS. The correct net profit after tax is R470 700. The tax rate is 28%.

(viii) **Share capital and dividends**

Authorised share capital: 1 600 000 ordinary shares

1 March 2025	80% of the shares were in issue
1 May 2025	150 000 shares were repurchased at R1,55 above the average share price.
31 August 2025	Interim dividends were paid at 30 cents per share
31 October 2025	500 000 additional shares were issued
28 February 2026	Final dividends of 13 cents per share were declared

QUESTION 2 CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(30 Marks; 30 Minutes)

2.1 You are provided with information relating to Lorraine Limited. The financial year end is 30 June 2025.

Required:

2.1.1 Complete Ordinary share capital note (7)

2.1.2 Complete the Cash Flow Statement for the year ended 30 June 2025. Show all workings in brackets. (18)

2.2 Calculate the following financial indicators on 30 June 2025:

2.2.1 Current ratio (2)

2.2.2 Dividends per share (3)

INFORMATION:

A. The following information was extracted from the Statement of Comprehensive Income for the year ended 30 June 2025:

Sales	5 950 000
Gross profit	2 700 000
Interest expense	120 100
Depreciation	196 700
Net profit after tax	1 160 600

NOTE: The income tax rate is 30%.

B Extract from the Statement of Financial Position on 30 June:

	2025	2024
Fixed/tangible assets carrying value	5 445 900	5 040 600
Current assets	4 180 200	2 892 800
Inventories (all stock)	1 120 900	970 100
Trade and other receivables	490 700	520 600
Cash and cash equivalents	944 000	119 500
Ordinary shareholder's equity	?	
Ordinary share capital (see F.)	6 800 000	3 800 000
Retained Income	956 000	871 050
Loan: Bayern Bank (12,5% p.a.)	3 840 000	4 255 000
Current liabilities	1 678 900	1 544 700
Trade and other Payables	1 223 000	1450 000
Shareholders for dividends	212 500	198 000
Bank overdraft	0	419 800

C Fixed assets on 30 June:

- A vehicle was sold at carrying value for R60 800 cash during the year. This transaction was correctly recorded.
- Extensions to land and buildings were completed during the year.

D. Trade and other receivables on 30 June 2024 include a balance of R49 800 owed by SARS.

E. Trade and other payables on 30 June 2025 include a balance of R52 500 owed to SARS.

F. Ordinary share capital and dividends:

- 760 000 shares were in issue on 1 July 2024
- On 1 September 2024, 150 000 additional shares were issued
- Interim dividends of R182 000 were paid on 28 February 2025
- A total amount of R600 000 was paid on 30 June 2025 to repurchase 60 000 shares from a disgruntled shareholder.
- A final dividend was declared on 30 June 2025.

QUESTION 3

(20 Marks; 15 Minutes)

ANALYSIS AND INTERPRETATION OF FINANCIAL INFORMATION

TLK PERFUMES LTD

The financial year ends on 28/29 February each year.

REQUIRED:

NOTE: Where comments or explanations are required, you must:

- Quote financial indicators and trends with figures
- Give a reason or an explanation on the relevant financial indicators

- 3.1 Choose the statement from COLUMN B that matches a category of financial indicators in COLUMN A. Write only the letter (A-C) next to the question numbers (3.1.1 to 3.1.2) in the ANSWER BOOK. (2)**

COLUMN A		COLUMN B	
3.1.1	Liquidity	A.	Will the company be able to pay off all its debts using existing assets?
3.1.2	Risk and gearing	B.	Will the company be able to pay off its current debts?
		C.	How is the company managing loans or borrowed capital?

- 3.2 The directors are satisfied with the improvement in the current ratio and acid-test ratio. Explain why you would disagree with them regarding the company's liquidity position. Quote TWO financial indicators. (4)**
- 3.3 Explain why the shareholders should be satisfied with the return they get from investing in the company. Quote ONE financial indicator and figures. (3)**
- 3.4 Comment on the gearing and the degree of risk for 2026. Quote TWO financial indicators with figures and trends. (4)**
- 3.5 All the new shares issued on 29 February 2026 were sold to the CEO, Ephraim, without advertising them to the public. Explain TWO points why you think the shareholders are not happy with this. Quote figures. (4)**
- 3.6 Calculate Ephraim's percentage shareholding on 29 February 2026. Comment on your findings. (3)**

INFORMATION:

A. Financial indicators, market prices of shares and interest rates:

	2026	2025
Mark-up %	60%	70%
Current ratio	2.2:1	1,6:1
Acid test ratio	0,9:1	0,7:1
Debtors' collection period	49 days	30 days
Stockholding period	103 days	69 days
Debt equity ratio	0,4:1	0,1:1
Earnings per share	98 cents	96 cents
Dividends per share	85 cents	77 cents
Return on average shareholders' equity (ROSHE)	13,5%	11,9%
Return on capital employed (ROTCE)	16,4%	15,3%
Net asset value per share	778 cents	728 cents
Interest on loan	13%	12%
Market value on JSE	780 cents	725 cents
Interest on fixed deposit	10%	10%
Price at which new shares were issued	510 cents	

B. Share capital and shareholding of Ephraim.

	2026	2025
Number of shares Authorised	4 000 000	4 000 000
Number of shares issued	2 550 000	2 500 000
Number of shares owned by Ephraim	1 295 000	1 245 000

QUESTION 4 COPORATE GOVERNANCE (10 Marks; 10 Minutes)

- 4.1 Choose the audit opinion from COLUMN B that describes the audit report in COLUMN A. Write only the letter (A–C) next to the question numbers (4.1.1 to 4.1.2) in the ANSWER BOOK (2)

	COLUMN A		COLUMN B
4.1.1	Unqualified audit report	A	We were not able to obtain sufficient evidence to provide for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Orion Ltd for the year ended.
4.1.2	Disclaimer of opinion	B	Except for the effect of the unauthorized CFO trip expenditure to Mauritius, the annual financial statements present fairly, in all material respects, the financial position of Swiss Ltd.
		C	The annual financial statements fairly present, in all material respects, the financial position of Latino Ltd.

- 4.2 Extract from an article in the Other News:

Mr. Simon Sizzle, one of the non-executive directors, expressed a concern over the news that broke about the involvement of Mr Munnuy, the company CEO in dodgy deals. An investigation revealed that Mr Munnuy created large numbers of purchase orders outside of regular work hours, totalling to R4 million. It was also believed that the CEO received kickbacks from various suppliers.

- 4.2.1 Explain the difference between the roles performed by the executive and non-executive directors in a company. (4)
- 4.2.2 Explain your concern as a shareholder in the company regarding the CEO's actions. Give ONE point. (2)
- 4.2.3 What implications will this have for the CEO. Mention TWO points (2)

TOTAL:100

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 and other receivables + Cash and 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>NOTE: 1. Trading stock at the end of a financial year may be used if required in question. 365 days is applicable only if relevant to the whole year. 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 shares issued during a financial year, the weighted average number of shares is used in practice.</p>	



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GRADE 12

ANSWER BOOK

ACCOUNTING

TERM 1 SBA TASK 2

Name of a Learner _____

Name of School _____

Question	MAXIMUM MARKS	MARKS OBTAINED	SCHOOL MOD.	DISTRICT MOD.	PROVINCE MOD.
1	40				
2	30				
3	20				
4	10				

This Answer Book consists of 08 pages.

QUESTION 1

1.1 MORETELE LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE EAR ENDED 28 FEBRUARY 2026

Sales		2 101 720
Cost of Sales		
Gross profit		
Other operating income		879 440
Gross Income		
Operating expenses		
Salaries and wages		601 200
Operating profit		
Interest income		
Net profit before interest expense		
Interest expense		
Net profit before tax		
Income tax		
Net profit after tax		470 700

1.1.2 RETAINED INCOME

Balance on 1 March 2025	697 300
Ordinary share dividends	
Balance on 28 February 2026	

6

1.1.3 EQUITY AND LIABILITIES SECTION OF THE STATEMENT OF FINANCIAL POSITION

SHAREHOLDERS' EQUITY	
Ordinary share capital	8 816 000
Retained Income	
NON- CURRENT LIABILITIES	
Loan: ASSA Bank	
Trade and other payables	

14

QUESTION 2

2.1 **LORRAINE LTD**

2.1.1 **ORDINARY SHARE CAPITAL**

760 000	Shares in issue at beginning	3 800 000
		6 800 000

7

2.1.2

CASH EFFECTS OF OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Taxation paid	
Dividends paid	
CASH EFFECTS OF INVESTING ACTIVITIES	
Proceeds from sale of fixed assets	
Investment matured	
CASH EFFECT OF FINANCING ACTIVITIES	
Funds used to buy back of shares	600 000
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents at the end of the year	944 000

18

2.2 Calculate the following financial indicators for February 2026

2.2.1

Current ratio	
WORKINGS	ANSWER

2

2.2.2

Dividends per share	
WORKINGS	ANSWER

3

30

3.3 Explain why the shareholders should be satisfied with the return they get from investing in the company. Quote ONE financial indicator and figures.

3

3.4 Comment on the gearing and degree of risk for 2026. Quote TWO relevant indicators in your comment.



4

3.5 All the new shares issued on 29 February 2026 were sold to the CEO, Ephraim without advertising them to the public. Explain TWO points why you think the shareholders are not happy with this. Quote figures.



4


3.6 Calculate Ephraim's percentage shareholding on 29 February 2026. Comment on your findings.

3

QUESTION 4

4.1	4.1.1	
	4.1.2	

2

4.2.1	Explain the difference between the roles performed by the executive and non-executive directors in a company.	
	Executive directors	Non-executive directors
		

4

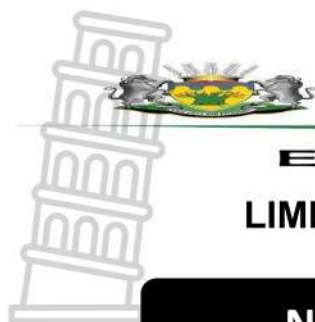
4.2.2	Explain your concern as a shareholder in the company regarding the CEO's actions.
-------	--

2

4.2.3	What implications will this have for the CEO. Mention TWO points.
-------	--

2

10



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MARKING GUIDELINES

GRAAD 12

ACCOUNTING
CONTROLLED TEST 1 TASK 2
17 MARCH 2026

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 incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for 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 earning full marks not related to Q (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 answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, 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.

This Marking guideline consists of 08 pages.

QUESTION 1

1.1 MORETELE LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE EAR ENDED 28 FEBRUARY 2026

Sales		2 101 720
Cost of Sales (2 101 720 +33 600 x 100/220)		(970 600) ✓☑
Gross profit	Sales-CoS	1 131 120 ☑
Other operating income		879 440
Gross Income		2 010 560 ☑
Operating expenses		(1 255 000)☑
Salaries and wages		601 200
Audit fees (65 400 +21 800)		87 200 ✓✓
Rent expense (79 240 + 24 080)		103 320 ✓✓
Directors' fees (319 077 – 28 611)		290 466 ✓✓
Insurance (97 320 -16 220)		81 100 ✓
Sundry expenses		91 714 ✓
Operating profit		755 560 ☑
Interest income	balancing figure	19 440☑
Net profit before interest expense		775 000 ☑
Interest expense		(121 250) ✓
Net profit before tax		653 750 ✓
Income tax (152 200 + 30 850) or (470 700 X 28/72)		(183 050) ✓✓
Net profit after tax		470 700

1.1.2 RETAINED INCOME

Balance on 1 March 2025		697 300
Net profit after tax		470 700
Share repurchased (150 000 x 1,55)	ignore brackets	(232 500) ✓ <input checked="" type="checkbox"/> *
Ordinary share dividends	ignore brackets	(550 900) <input checked="" type="checkbox"/> *
Interim dividends (1130 000 x 0,30)		339 000 ✓
Final dividends (1630 000 x 0,13)		211 900 ✓
Balance on 28 February 2026		384 600 <input checked="" type="checkbox"/>*#

*one part correct and operation // #repurchase and OSD must be subtracted

6

1.1.3 EQUITY AND LIABILITIES SECTION OF THE STATEMENT OF FINANCIAL POSITION

SHAREHOLDERS' EQUITY		9 200 600 <input checked="" type="checkbox"/>
Ordinary share capital		8 816 000
Retained Income	see 1.1.2	384 600 <input checked="" type="checkbox"/>
NON- CURRENT LIABILITIES		1 250 350
Loan: ASSA Bank		
$(1\ 725\ 500 - 31\ 600 \times 12 - 379\ 200 + 121\ 250 - 162\ 000 + 217\ 200)$		1 250 350 <input checked="" type="checkbox"/>
Current Liabilities		919 950 <input checked="" type="checkbox"/>
Trade and other payables		460 000 <input checked="" type="checkbox"/>
Audit fees rent exp $(414\ 120 + 21\ 800 + 24\ 080)$		
Shareholders for dividends	see RI	211 900 <input checked="" type="checkbox"/>
SARS (Income tax)		30 850 ✓
Current portion of loan	see NCL above	217 200 <input checked="" type="checkbox"/>
	Operation one part correct	11 370 900 <input checked="" type="checkbox"/>

14

40

QUESTION 2

2.1 LORRAINE LTD

2.1.1 ORDINARY SHARE CAPITAL

760 000	Shares in issue at beginning	3 800 000
150 000 ✓	Share issued during the year balancing figure	3 480 000 <input checked="" type="checkbox"/>
(60 000) ✓	Shares repurchased R8 ✓ <input checked="" type="checkbox"/>	(480 000) ✓
850 000 <input checked="" type="checkbox"/> Operation, one part correct	Shares in issue at the end	6 800 000

7

2.1.2

CASH EFFECTS OF OPERATING ACTIVITIES													
Cash generated from operations													
Interest paid													
Taxation paid (49 800 ✓ – 497 400 ✓ + 52 500 ✓) OR (- 49 800 + 497 400 - 52 500) OR SARS (INCOME TAX) <table border="1" style="margin-left: 20px;"> <tr> <td>Bal b/d</td> <td>49 800</td> <td>Income tax</td> <td>497 400</td> </tr> <tr> <td>Bank</td> <td>395 100</td> <td></td> <td></td> </tr> <tr> <td>Bal c/d</td> <td>52 500</td> <td></td> <td></td> </tr> </table>	Bal b/d	49 800	Income tax	497 400	Bank	395 100			Bal c/d	52 500			(395 100) <input checked="" type="checkbox"/> *
Bal b/d	49 800	Income tax	497 400										
Bank	395 100												
Bal c/d	52 500												
signs can be reversed; mark one option consistently													
Dividends paid (182 000 ✓ + 198 000 ✓)	(380 000) <input checked="" type="checkbox"/> *												
CASH EFFECTS OF INVESTING ACTIVITIES													
Proceeds from sale of fixed assets													
Purchase of fixed assets (5 040 600 ✓ - 196 700 ✓ - 60 800 <input checked="" type="checkbox"/> - 5 445 900 ✓) OR (5 445 900 + 60 800 + 196 700 – 5 040 600) signs can be reversed; mark one option consistently	(662 800) <input checked="" type="checkbox"/> *												
Investment matured													
CASH EFFECT OF FINANCING ACTIVITIES													
Proceeds from sale of shares see 2.1.1	3 480 000 <input checked="" type="checkbox"/>												
Funds used for buying back of shares	600 000												
Loan (4 255 000 – 3 840 000)	(415 000) ✓ <input checked="" type="checkbox"/> *												
NET CHANGE IN CASH AND CASH EQUIVALENTS	1 244 300 <input checked="" type="checkbox"/> <small>operation</small>												
Cash and cash equivalents at the beginning of the year (119 500 – 419 800)	(300 300) ✓ <input checked="" type="checkbox"/> *												
Cash and cash equivalents at the end of the year	944 000												

18

* one part correct and the correct flow of cash shown

2.2 Calculate the following financial indicators for February 2026

2.2.1

Current ratio	
WORKINGS	ANSWER
4 180 200: 1 678 900	2,5: 1 ✓ <input checked="" type="checkbox"/> one part correct;x:1

2

2.2.2

Dividends per share	
WORKINGS	ANSWER
$\frac{182\ 000}{910\ 000} \times 100 + \frac{2\ 12\ 500}{850\ 000} \times 100$ $= 20c \checkmark + 25c \checkmark$	45 cents <input checked="" type="checkbox"/> one part correct accept 0.45 / R0.45 Do not accept 46 cents assume cents if not specified

3

30

QUESTION 3

3.1 Choose the statement from **COLUMN B** that matches a category of financial indicators in **COLUMN A**. Write only the letter (A-C) next to the question numbers (3.1.1 to 3.1.2) in the **ANSWER BOOK**.

COLUMN A	COLUMN B
3.1.1	B ✓
3.1.2	C ✓

2

3.2 The directors are satisfied with the improvement in the current ratio and acid-test ratio. Explain why you would disagree with them regarding the company's liquidity. Quote **TWO** financial indicators.

Financial Indicator with figures and trend ✓ ✓

- Stock holding period increased from 69 days to 103 days/by 34 days
- Debtors' collection period increased from 30 days to 49 days/ by 19 days
- Current ratio increased from 1,6:1 to 2,2:1 and the acid test ratio increased from 0,7:1 to 0,9:1* **must quote both CR and ATR*

Explanation: ✓ ✓

- Too much cash is tied up on stock /over investment in stock
- The difference between current ratio and acid test ratio reflects stock piling/ stock can become obsolete.
- The business has neglected its collection policies/ The business may experience cash flow problems

4

3.3 **Explain why the shareholders should be satisfied with the return they get from investing in the company. Quote ONE financial indicator and figures.**

Financial Indicator with figures and trend ✓

ROSHE increased from 11,9% to 13,5%

Comparison with interest on fixed deposit ✓ ✓

ROSHE of 13,5% is better than the interest on fixed deposit of 10%

3

3.4 **Comment on the gearing and the degree of risk for 2026. Quote TWO financial indicators with figures and trends.**

Financial Indicator with figures and trend ✓ ✓

Debt quit ratio increased from 0,1:1 to 0,4:1

ROTCE increased from 15,3% to 16,4%

Comments: ✓ ✓

Although debt equity ratio increased it is still a low risk

ROTCE is higher than the interest on loan of 13% - positively geared company is making better use of loan.

4

3.5 **All the new shares issued on 29 February 2026 were sold to the CEO, Ephraim without advertising them to the public. Explain TWO points why you think the shareholders are not happy with this. Quote figures.**

TWO Points ✓ ✓ ✓ ✓

- Shares were sold at 510 cents which is below the NAV of 788 cents and below MP of 780 cents
- The CEO used his position to disadvantages the business financially.
- The business would have made R390 000 if shares were sold at MP(50 000 X 780 cents)
- Shares should be advertised- requirements by the company's Act

4

3.6 **Calculate Ephraim's percentage shareholding on 29 February 2026. Comment on your findings.**

$$\frac{1\,295\,000}{2\,550\,000} \times 100 = 50,8\% \quad \checkmark \checkmark$$

2 550 000

He is now a majority shareholder ✓

3

QUESTION 4

4.1	4.1.1	C ✓
	4.1.2	A ✓

2

4.2.1	Explain the difference between the roles performed by the executive and non-executive directors in a company.	
	Executive directors ✓✓	Non-executive directors ✓✓
	<ul style="list-style-type: none"> Are involved in day-to-day running of the company/ involved with internal functioning (operations) of the company 	They serve as a watch-dog role to: <ul style="list-style-type: none"> protect or to safeguard the investment of shareholders hold executive directors accountable for their decisions check the work of the executive directors and report to the board. They provide an objective judgement on the issues.

4

4.2.2	Explain your concern as a shareholder in the company regarding the CEO's actions.
	Any ONE valid point ✓✓ Conflict of interests – The CEO used business resources for his gain/Act of corruption/Caused financial loss to the company through his actions/Failed to perform his duty of not accepting benefits from third parties.

2

4.2.3	What implications will this have on the CEO. Mention TWO points.
	TWO valid points ✓ ✓ <ul style="list-style-type: none"> Could be voted out of office / demoted. Bad reputation and credentials. Could face disciplinary action.

2

10