



education

**MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA**

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ACCOUNTING P1

JUNE 2025

MARKS: 150

TIME: 2 Hours

**This question paper consists of 9-pages,
a formula sheet and a 11-page answer book.**

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to achieve 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 STATEMENT	60	50
2	CASH FLOW STATEMENT & FINANCIAL INDICATORS	40	35
3	ANALYSIS AND INTERPRETATION	35	25
4	AUDIT REPORT & COPERATE GOVERNANCE	15	10
TOTAL		150	120

QUESTION 1: COMPANY FINANCIAL STATEMENTS

(60 marks; 50 minutes)

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

REQUIRED:

- 1.1 Complete the Statement of Comprehensive Income for the year ended 28 February 2025. (36)
- 1.2 Prepare the Ordinary Share Capital Note. (8)
- 1.3 Complete the statement of Financial Position as at 28 February 2025. (16)

NOTE: Some amounts are provided in the Answer Book.

INFORMATION:

A. Extract: Balances and totals from the records on 28 February:

	2025	2024
	(R)	(R)
Ordinary share capital	?	3 084 000
Retained income	?	
Mortgage bond: ADSA Bank	433 500	
Trading stock (before the annual stock take)	231 700	
Debtors' control	540 000	
Provision for bad debts	?	19 600
SARS: Income tax (provisional tax payments)	300 000	
Creditors' control	395 200	
Rent income	168 000	
Advertising	20 596	
Salaries and wages	821 000	
Directors' fees	736 000	
Sundry expenses (balancing figure)	?	

B Adjustment and additional information:

- (i) The gross profit for the year ended 28 February 2025 was calculated at R3 150 000.
A mark-up of 60% on cost was achieved.
- (ii) A physical stock count revealed the following stock on hand 28 February 2025:
 - Trading stock R 207 500
- (iii) Provision for bad debts must be increased to R21 600.
- (iv) Advertising consists of a monthly contract with the local newspaper for the entire financial year. Advertising was paid for 11 months only. From 1 December 2024, the contract rate was decreased by R152 per month.

- (v) One employee was left out of the Salaries Journal for February 2025 by mistakes. The details from his January pay-slip were as follows:

Deductions	Employer's contribution	Net salary
R4 830	R1 950	R10 538

Note: EFT payments have already been processed for all relevant amount payable.
 All employer's contributions are recorded as part of Salaries and Wages.

- (vi) The company has two directors. Each director received the same monthly remuneration. One of the director took leave as from 1 January 2025 for 3 months. He requested his directors' fee for March to be paid in February.
- (vii) Included in the rent income amount is R48 000 annual rent for the period 1 June 2024 to 31 May 2025.
- (viii) **Loan: ADSA Bank**
 Interest on the loan is capitalized, but no entry has been made in the books. A monthly instalment of 5 200 (including interest) is paid. This was taken into account. The loan statement showed a closing balance of R487 000. The company plans to increase their loan repayments in order to settle 20% of the loan balance in the next financial year.
- (ix) R36 000 still owed to SARS for income tax.
- (x) Use the following percentages and financial indicator to calculate certain missing figures:
- Operating profit on sales was 14,5%.
 - Income tax rate: 28% of net profit.
 - The net asset value per share on 28 February 2025 is 620 cents.
- (xi) **Share capital and dividends**
- The company is registered with an authorized share capital of 1 200 000 ordinary shares
 - 85% of the authorized shares were in issue on 1 March 2024.
 - On 31 March 2024, the directors issued all the unissued shares. EFT payments totalling R756 000 were received.
 - On 27 February 2025, the company repurchased shares at R0,95 cents above the average share price. The transaction was recorded.
 - A final dividend of 25 cents per share was declared on 28 February 2025. All shareholders (including the shares repurchased) were entitled to final dividends. This must still be brought into account.

QUESTION 2: CASH FLOW STATEMENT & FINANCIAL INDICATORS.

(40 marks; 30 minutes)

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

REQUIRED:

- 2.1 Prepare the Retained Income note for the year ended 28 February 2025. (6)
- 2.2 Calculate the following as it would appear in the notes for the cash flow statement.
 - The cash generated from operations. (10)
 - Taxation paid (4)
- 2.3 Complete the following sections of the Cash Flow Statement:
 - Cash flow from investing activities. (7)
 - Net change in cash and cash equivalent. (3)
- 2.4 Calculate the following financial indicators for the year ended 28 February 2025:
 - Dividend pay-out rate (%) (3)
 - Debt-equity ratio (3)
 - Return on average shareholders' equity (ROSHE) (4)

INFORMATION:

A. Extract from the Statement of Comprehensive Income

	28 February 2025
Depreciation	950 000
Interest expense	144 150
Income tax	369 000
Net profit before tax	1 230 000

B. Extract from the Statement of Financial Positions.

	2025	2024
Fixed assets at carrying value	3 616 400	2 300 000
Financial assets	300 000	712 500
Inventories	903 900	1 044 700
Debtors	257 150	70 650
Cash and cash equivalents	70 000	(61 000)
Ordinary shareholders' equity	3 345 800	3 156 000
Ordinary share capital	1 932 000	2 000 000
Retained income	1 413 800	1 156 000
Loan	1 622 000	300 000

C. Fixed assets:

- Fixed assets were bought during the year.
- Fixed assets were sold during the year at a carrying value R225 000

D. Debtors:

	2025	2024
Trade debtors before provision for bad debts	207 650	70 000
Prepaid expenses	500	650
SARS (Income tax)	49 000	-

E. Creditors:

	2025	2024
Trade creditors	934 300	860 700
SARS (PAYE)	-	300
SARS (Income tax)	-	163 700
Shareholders for dividends	193 200	120 000
Income received in advance	10 500	28 300

F. Total dividends for the year amounted to R 368 000

QUESTION 3: ANALYSIS AND INTERPRETATION

(35 marks; 25 minutes)

SMARTSTAR LTD

The information related to SmartStar Ltd for the year ended 28 February 2025. SmartStar Ltd trades in smart TV's.

REQUIRED:

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

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

3.1 Profitability:

- The board of directors are worried about the operating expenses of the company. Quote TWO financial indicators to prove that their concerns are valid. (4)
- State TWO strategies to improve these financial indicators. (4)

3.2 Liquidity:

Comment on the liquidity situation of the company. Quote TWO relevant financial indicators (actual ratios or percentages) to support your answer. (6)

3.3 Financing strategies and gearing:

Refer to Information B:

The cash flow statement reflects some important decisions taken by the directors.

- Explain how this affected the gearing and risk of the company. Quote TWO financial indicators. (6)
- Explain what the directors have done with the cash inflow. State ONE point with figure. (2)

3.4 Dividends, earnings and returns:

- Comment on the dividends, earnings and returns earned by the shareholders. Will they be satisfied with these? Explain, quoting appropriate financial indicators (ratios/ percentages) to support your answer (7)

3.5 Shareholding:

The CFO, Michael Star, currently owns 45% of the issued shares. The board of directors has decided to issue all the unissued shares in July 2025.

- Calculate the minimum number of shares Michael must buy in July 2025 to gain control of the company. (5)
- Michael wants to purchase the additional shares at R5,80 without advertising the shares to the public. Give a reason why you would not approve of this arrangement. (1)

INFORMATION:

A. Share capital:

- Authorised shares 1 500 000
- 850 000 issued shares on 28 February 2025

B. Extract from the Cash Flow Statement for the year ended 28 Feb 2025:

	28 Feb 2025
Fixed assets	(1 000 000)
Proceeds of shares issued	840 000
Loan	550 000

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

	28 Feb 2025	29 Feb 2024
Mark-up percentage	60%	50%
% operating expenses on sales	16%	12%
% operating profit on sales	18%	24%
% net profit before tax on sales	17%	20%
Current ratio	1,9:1	2,4:1
Acid-test ratio	0,9:1	1,1:1
Stock turnover rate	2,6 times	3 times
Net asset value per share	590 cents	550 cents
Dividends per share	45 cents	63 cents
Earnings per share	60 cents	70 cents
Debt-equity ratio	0,2:1	0,1:1
% return on average capital employed	17%	19%
% return on shareholders' equity	7%	5%
Market value per share	640 cents	680 cents
Interest on alternative investment	9%	9%
Interest rate on loans	19%	19%

QUESTION 4: AUDIT REPORT AND CORPORATE GOVERNANCE

(15 marks; 12 minutes)

TECDATA LTD.

Independent auditor's report

To the Shareholders of Tecdata Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects ... for the year then ended in accordance with ...

What we have audited... pages 12 to 124

Independence

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).

Cooper & House
Chartered Accountants (SA)
Registered Accountants and Auditors
Durban 25 July 2024

- 4.1 Briefly explain why this audit report is addressed to the shareholders. (2)
- 4.2 Briefly explain the significance of the reference to "independence" (2)
- 4.3 Explain why the auditors found it necessary to stipulate the page numbers (that is 12 to 124) in this report. (2)
- 4.4 State the type of audit report received by the company. Briefly explain how the firm of Cooper & House arrived at the opinion that they express in this report. Give TWO points. (5)
- 4.5 An item of equipment (laptop) was taken over by one of the directors, Thabo Mdluli, on 30 June 2024 for personal use for R800 cash. Another director, Samkelo Khoza, has complained that Thabo Mdluli has acted unethically in taking over the computer for R800. Thabo disagrees.
 - Give ONE opinion to support Thabo.
 - Give ONE opinion to support Samkelo (4)

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: * In this case, 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.	

NAME OF SCHOOL

NAME OF CANDIDATE

CLASS

NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

PAPER 1

JUNE 2025

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consist out of 11 pages

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	
Cost of sales	
Gross profit	3 150 000
Other operating income	
Commission income	24 000
Gross operating income	
Operating expenses	
Audit fees	73 500
Depreciation	316 500
Operating profit	
Interest income	
Net Profit before interest expense	
Interest expense	
Profit before income tax	
Income tax	(336 000)
Net profit after tax	

1.2 Ordinary Share Capital Note for the year ended 28 February 2025

Authorised shares		
1 200 000 Ordinary share capital		
Issued Shares		
		(192 000)
1 140 000	Ordinary shares issued at the end	3 648 000

8

1.3 STATEMENT OF FINANCIAL POSITION ON 28 February 2025.
 EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY	
Non-current liabilities	
Current liabilities	
Trade and other payables (395 200)	
TOTAL EQUITY AND LIABILITIES	

16

TOTAL MARKS
60

QUESTION 2:

ADILA LTD

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 28 FEBRUARY 2025

Balance at the beginning of the year	1 156 000
Ordinary share dividends	
Balance at the end of the year	1 413 800

6

2.2.

• **CASH GENERATED FROM OPERATIONS**

Profit before tax	1 230 000
Adjust to:	
Depreciation	950 000
Interest paid	144 150
Profit before changes in working capital	2 324 150
Changes in working capital	
Cash generated from operations	

10

• **TAXATION PAID**

WORKINGS	ANSWER

4

2.3

• Cash flow from investing activities		
		7

• Net change in Cash and Cash equivalent		
Cash and Cash equivalent at the beginning		
Cash and Cash equivalent at the end		3

2.4 Calculate the following for the financial year ended 28 February 2025.

• Dividends pay-out rate (%)		
	WORKINGS	ANSWER
		3

• Debt/equity ratio		
	WORKINGS	ANSWER
		3

• Return on average shareholders' equity (ROSHE)		
	WORKINGS	ANSWER
		4

TOTAL MARKS
40

QUESTION 3

3.1 Profitability:

- **The board of directors are worried about the operating expenses of the company. Quote TWO financial indicators to prove that their concerns are valid.**

--

4

- **State TWO strategies to improve these financial indicators.**

--

4

3.2 Liquidity:

Comment on the liquidity situation of the company. Quote TWO relevant financial indicators (actual ratios or percentages) to support your answer.

--

6

3.3 Financing strategies and gearing:

- Explain how this affected the gearing and risk of the company. Quote TWO financial indicators.

--

6

- Explain what the directors have done with this cash inflow. State ONE point with figure.

--

2

3.4 Dividends, earnings and returns:

Comment on the dividends, earnings and returns earned by the shareholders. Will they be satisfied with these? Explain, quoting appropriate financial indicators (ratios/ percentages) to support your answer

--

7

3.5 Shareholding:

- Calculate the minimum number of shares Michael must buy in July 2025 to gain control of the company.

--

5

- Michael wants to purchase the additional shares at R5,80 without advertising the shares to the public. Give a reason why you would not approve of this arrangement.

--

1

TOTAL MARKS
35

QUESTION 4

4.1 Briefly explain why this audit report is addressed to the shareholders.



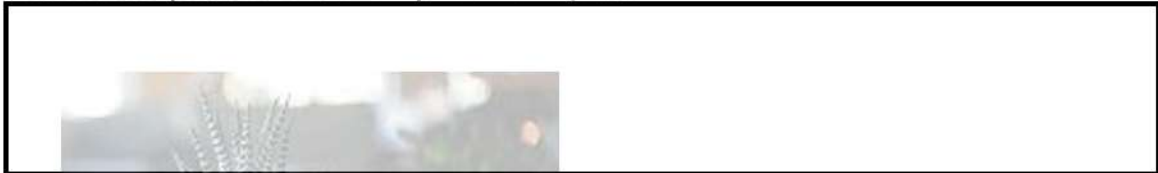
2

4.2 Briefly explain the significance of the reference to “independence”



2

4.3 Explain why the auditors found it necessary to stipulate the page numbers (that is 12 to 124) in this report.



2

4.4 State the type of audit report received by the company. Briefly explain how the firm of Cooper & House arrived at the opinion that they express in this report. Give TWO points.

TYPE OF AUDIT REPORT:



5

- 4.5 An item of equipment (laptop) was taken over by one of the directors, Thabo Mdluli, on 30 June 2024 for personal use for R800 cash. Another director, Samkelo Khoza, has complained that Thabo Mdluli has acted unethically in taking over the computer for R800. Thabo disagrees.

Give ONE opinion to support Thabo.

Give ONE opinion to support Samkelo.

4

TOTAL MARKS
15

TOTAL: 150



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**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING P1
JUNE 2025
MARKING GUIDELINES**

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, 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. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in 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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 11 pages.

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales (3 150 000 x 160/60)	Cos + GP	8 400 000 ✓✓
Cost of sales (3 150 000 x 100/60)	Sales - GP	(5 250 000) ✓✓
Gross profit	4	3 150 000
Other operating income	operation	180 000 ✓
Commission income		24 000
Rent income (168 000 ✓ – 12 000 ✓✓)		156 000 ✓*
Gross operating income	GP + OI 6	3 330 000 ✓
Operating expenses	GOI-OP	(2 112 000) ✓
Audit fees		73 500
Depreciation		316 500
Trading stock deficit		24 200 ✓✓
Provision for bad debts adjust		2 000 ✓✓
Advertising (20 596 + 1 748 ✓✓)		22 344 ✓*
Salaries and wages (821 000 + 15 368 ✓✓ + 1 950 ✓)		838 318 ✓*
	10 538 + 4 830 one mark one marks	
Directors' fees (736 000 – 29 440 ✓✓)		706 560 ✓*
Sundry expenses	balancing figure 16	128 578 ✓
Operating profit	14,5% of sales	1 218 000 ✓✓
Interest income	NP before interest expense - OP	35 500 ✓ OR 97 900 one m.m
Net Profit before interest expense	Np before tax + inter exp	1 253 500 ✓ OR 1 315 900 one m.m
Interest expense (487 000 – 433 500)		(53 500) ✓✓
OR		OR
(487 000 + 62 400 – 433 500)		(115 900) two marks
Profit before income tax	NP after tax + income tax	1 200 000 ✓✓
Income tax		(336 000)
Net profit after tax	Income tax must be subtracted 10	864 000 ✓✓

*one part correct

1.2 Ordinary Share Capital Note for the year ended 28 February 2025

Authorised shares		
1 200 000 Ordinary share capital		
Issued Shares		
1 020 000 ✓✓	Ordinary share issued at the beginning	3 084 000✓
180 000✓ <input checked="" type="checkbox"/> If 1 200 000 – figure above	Ordinary shares issued during the year	756 000✓
(60 000) <input checked="" type="checkbox"/> balancing figure	Repurchase of shares at R3.20✓ Ignore brackets in this line; mark figures only	(192 000)
1 140 000	Shares issued at the end of the year	3 648 000

8

1.3 STATEMENT OF FINANCIAL POSITION ON 28 February 2025.
 EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY	see 1.2 (1 140 000 x 6,2)	7 068 000✓ <input checked="" type="checkbox"/> *
Ordinary share capital	see 1.2	3 648 000 <input checked="" type="checkbox"/>
Retained income	SHE-OSC	3 420 000 <input checked="" type="checkbox"/>
Non-current liabilities		389 600
Loan (487 000 ✓ – 97 400✓) OR (487 000 x 80%)	one mark one mark	389 600 <input checked="" type="checkbox"/> *
Current liabilities	operation	842 348 <input checked="" type="checkbox"/>
Trade and other payables (395 200 + 1 748 <input checked="" type="checkbox"/> + 12 000 <input checked="" type="checkbox"/>)	see advert see RI	408 948 <input checked="" type="checkbox"/> *
Current portion of loan	can be part of T&OP see NCL	97 400 <input checked="" type="checkbox"/>
SARS: Income tax	can be part of T&OP	36 000✓
Shareholders' for dividends (1 200 000 x 25 cents)	can be part of T&OP	300 000✓ <input checked="" type="checkbox"/> *
TOTAL EQUITY AND LIABILITIES		7 121 948<input checked="" type="checkbox"/>*

16

*one part correct

TOTAL MARKS
60

QUESTION 2:

ADILA LTD

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 28 FEBRUARY 2025

Balance at the beginning of the year		1 156 000
Net profit after tax (1 230 000 – 369 000)		861 000 ✓✓
Repurchase of shares	balancing figure	(235 200) ✓
Ordinary share dividends	operation	(368 000) ✓
Interim dividends	part correct	174 800 ✓
Final dividends		193 200 ✓
Balance at the end of the year		1 413 800

6

2.2.

• CASH GENERATED FROM OPERATIONS

Profit before tax		1 230 000
Adjust to:		
Depreciation		950 000
Interest paid		144 150
Profit before changes in working capital		2 324 150
Changes in working capital	operation & part correct	58 800 ✓
Change inventories		140 800 ✓✓
Change in receivables (207 650 + 500) ✓ – (70 000 + 650) ✓ 208 150 one mark 70 650 one mark		(137 500) ✓*
Change in payables (934 300 + 10 500) ✓ – (860 700 + 28 300 + 300) ✓ 944 800 one mark 889 300 one mark		55 500 ✓*
Cash generated from operations	operation	2 382 950 ✓

10

• TAXATION PAID

WORKINGS	ANSWER
$369\ 000\checkmark + 163\ 700\checkmark + 49\ 000\checkmark$ <p style="text-align: center;">OR</p> $-369\ 000 - 163\ 700 - 49\ 000$ <p style="text-align: center;">Can use general ledger to calculate amount</p>	part correct 581 700 ✓

4

2.3

Cash flow from investing activities		
Purchase of non-current assets (3 616 400✓ + 950 000✓ + 225 000✓ – 2 300 000✓)	(2 491 400)✓*	
Proceeds from sales of fixed assets	225 000✓	
Fixed deposit matured	412 500✓	7
Net change in cash and cash equivalent		131 000✓*
Cash and cash equivalent at the beginning of the year	(61 000) ✓	
Cash and cash equivalent at the end of the year	70 000✓	3

*part correct

2.4 Calculate the following for the financial year ended 28 February 2025.

Dividends pay-out rate (%)		
WORKINGS	ANSWER	
$\frac{368\,000 \checkmark}{861\,000 \checkmark} \times \frac{100}{1}$ <p style="text-align: center; font-size: small;">See 2.1</p>	42,7%✓ One part correct % sign not necessary	3

Debt/equity ratio		
WORKINGS	ANSWER	
$1\,622\,000 \checkmark : 3\,345\,800 \checkmark$	0,48 : 1✓ One part correct	3

Return on average shareholders' equity (ROSHE)		
WORKINGS	ANSWER	
$\frac{861\,000 \checkmark}{\frac{1}{2}(3\,345\,800 \checkmark + 3\,156\,000 \checkmark)} \times \frac{100}{1}$ <p style="text-align: center; font-size: small;">See 2.1 two marks</p>	26%✓ or 26,5%/27% One part correct % sign not necessary	4

- 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 operation done to stand-alone figure e.g. no tick if anything else is added to R441 200

TOTAL MARKS
40

QUESTION 3

3.1 Profitability:

- **The board of directors are worried about the operating expenses of the company. Quote TWO financial indicators to prove that their concerns are valid.**

TWO financial indicators ✓ ✓ Figures and trends ✓ ✓

- % operating expenses on sales increased from 12% to 16% / by 4% / 33,3%
- % operating profit on sales decreased from 24% to 18% / by 6% / 25%
- % net profit before tax on sales decreased from 20% to 17% / by 3% / 15%

4

- **State TWO strategies to improve these financial indicators.**

Any TWO strategies ✓ ✓ ✓ ✓

- Decrease expenses with better internal control
- Pay back loan to decrease the interest expense
- Increase sales

4

3.2 Liquidity:

Comment on the liquidity situation of the company. Quote TWO relevant financial indicators (actual ratios or percentages) to support your answer.

TWO financial indicators ✓ ✓ Figures and trends ✓ ✓ Comment ✓ ✓

Current ratio decreased from 2,4:1 to 1,9:1
 Comment: Business has not enough current assets to pay current liabilities

Acid-test ratio decreased from 1,1:1 to 0,9:1
 Comment: The business cannot pay its short-term liabilities without having to sell stock

Stock turnover rate decreased from 3 times to 2,6 times
 Comment: Stock is not selling fast enough

6

3.3 Financing strategies and gearing:

• **Explain how this affected the gearing and risk of the company. Quote TWO financial indicators.**

TWO financial indicators ✓✓ Figures and trends ✓✓ Comment ✓✓

Debt/equity ratio increased from 0,1:1 to 0,2:1
 %Return on capital employed decreased from 19% to 17%

Although debt/equity decreased it is still low risk and they can borrow money
 % return on capital employed 17%, is lower than the interest on loan of 19% - negatively geared

6

• **Explain what the directors have done with the cash inflow. State ONE point with figure.**

Point with figure ✓✓

- Bought new fixed assets/ expanded the business R1 000 000

2

3.4 Dividends, earnings and returns:

Comment on the dividends, earnings and returns earned by the shareholders. Will they be satisfied with these? Explain, quoting appropriate financial indicators (ratios/ percentages) to support your answer

TWO financial indicators ✓✓✓ Figures and trends ✓✓✓
 ROSHE compare to alternative interest rates ✓

- EPS decreased from 70c to 60c
- DPS decreased from 63c to 45c
- % ROTSHE increased from 5% to 7%

Lower than the interest on alternative investment of 9%

7

3.5 Shareholding:

- Calculate the minimum number of shares Michael must buy in July 2025 to gain control of the company.

$1\,500\,000 \times 51\% = 765\,000 \checkmark\checkmark$ or $750\,001$ two marks
 $850\,000 \times 45\% = (382\,500)\checkmark\checkmark$ $(382\,500)$ two marks
 $382\,500 \checkmark$ $367\,500$ m.m
Part correct

5

- Michael wants to purchase the additional shares at R5,80 without advertising the shares to the public. Give a reason why you would not approve of this arrangement.

It is unethical to sell shares without advertising it to all the shareholders or the public. ✓

1

TOTAL MARKS
35

QUESTION 4

4.1 Briefly explain why this audit report is addressed to the shareholders.

Any suitable relevant response ✓✓

The auditors are appointed by the shareholders – they own the company but they do not have access to the books and records of the company.

Any reasonable explanation focusing on the separation of ownership (by shareholders) from control (by directors).

2

4.2 Briefly explain the significance of the reference to “independence”

Any suitable relevant response ✓✓

Refers to the impartiality and objectivity of an auditor in conducting an audit, free from conflicts of interest and bias.

It aims to increase public confidence in financial reporting by ensuring that the auditor's opinions and assessments are unbiased.

2

4.3 Explain why the auditors found it necessary to stipulate the page numbers (that is 12 to 124) in this report.

They are only responsible for the pages that have been stipulated in the auditors' report ✓✓

2

4.4 State the type of audit report received by the company. Briefly explain how the firm of Cooper & House arrived at the opinion that they express in this report. Give TWO points.

Unqualified audit report ✓

Any suitable response. ✓✓ ✓✓

- They must assess the internal control.
- They must do checks of a sample of transactions and compare to source document.

5

4.5 An item of equipment (laptop) was taken over by one of the directors, Thabo Mdluli, on 30 June 2024 for personal use for R800 cash. Another director, Samkelo Khoza, has complained that Thabo Mdluli has acted unethically in taking over the computer for R800. Thabo disagrees.

Give ONE opinion to support Thabo.

Any one valid opinion. ✓✓

Part marks may be awarded if an answer is unclear or incomplete

- The computer is already more than three years old, and computers have a relatively short lifespan.
 - The computer is outdated; it cannot be upgraded
 - The depreciation causes the carrying value of computer lag.
- NB: Do not assume that directors are owners.

Give ONE opinion to support Samkelo.

Any one valid opinion. ✓✓

Part marks may be awarded if an answer is unclear or incomplete

- Thabo is benefited with a very low price on an asset that is worth much more and the company (and therefore the shareholders) is disadvantaged as a result of this transaction. (a large loss was made on the asset sale.)
- This creates a bad precedent for the company (abuse of his position as a director), other workers may feel that they are entitled to similar perks.
- The directors are not the owners of the company, the shareholders are the owners of the company.
- There are also tax implications - the director should pay tax on this fringe benefit.
- The transaction is not transparent - no discussion / declaration before the sale.
- Assets could still be used in the company, the director has no right to take them over.

4

TOTAL MARKS

15

TOTAL: 150