



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

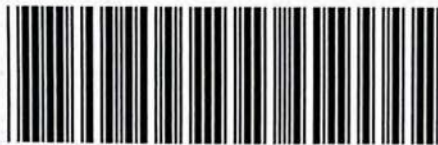
**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING P1
JUNE 2026**

MARKS: 150

TIME: 2 hours



MYEACNP1

**This question paper consists of 12 pages, a formula sheet
and 11-page answer book.**

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL 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 questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Company Financial Statements	60	50
2	Cash Flow Statement, and Financial Indicators	40	30
3	Interpretation of Company Financial Information	35	30
4	Audit Report and Corporate Governance	15	10
TOTAL		150	120

QUESTION 1: COMPANY FINANCIAL STATEMENTS

(60 marks; 50 minutes)

BOUTIQUE LTD

The information relates to Boutique Ltd, which sells clothes and materials and provides sewing services for the year ended 28 February 2026.

REQUIRED:

- 1.1 Finalise the following notes to the Financial Statements for the year ended 28 February 2026:
- 1.1.1 Ordinary Share Capital (10)
 - 1.1.2 Retained Income (8)
 - 1.1.3 Trade and other Receivables (10)
- 1.2 Complete the Statement of Financial Position. (32)

INFORMATION:

NOTE: SOME AMOUNTS ARE PROVIDED IN THE ANSWER BOOK

A Extract: Balances from the Financial Statements on 28 February 2025

Balance Sheet Section	R
Ordinary share capital (at R6,25 per share)	?
Retained income	6 410 000
Shareholders for dividends (25c per share)	1 875 000
Accrued expenses for February 2025: Water and Electricity	12 400

B Extract: Balances/ Totals from the Pre-Adjustment Trial Balance on 28 February 2026

Balance Sheet Section	R
Trading stock	8 602 400
Debtors' control	3 260 000
SARS: Income tax (provisional payment)	645 000 Dr.
Loan: Derby Bank (9% per annum)	750 000
Creditors control (Including Accrued expense; Water and Electricity for February 2025)	7 252 400
Nominal Accounts Section	
Sales	37 900 500
Cost of sales	12 571 000
Debtors' allowances	187 500
Discount allowed	32 500
Fee income (from sewing services)	1 256 000
Rent income	251 250
Packing material	48 600
Water and electricity	176 500
Advertising	213 500
Interest expense	72 000
Directors' fees	312 000
Ordinary share interim dividends	1 612 500
Net profit after tax	2 226 000

C Shares and dividends:

DATE	DETAILS OF SHARES AND DIVIDENDS
	10 000 000 shares authorised
1 March 2025	? Ordinary shares at the beginning of the year.
1 May 2025	1 500 000 ordinary shares issued for R11 175 000.
31 December 2025	500 000 Shares repurchased at R8,00 each.
28 February 2026	Final dividend of R2 635 000 declared but not yet paid.

- D**
- Mark-up of 200% on the cost of all goods is added.
 - Current ratio is 1,3 : 1

E Additional information and adjustments that still need to be considered:

- (a) An amount of R14 000 is still owed by a customer for several outfits that were sewn for her in February 2026.
- (b) The bookkeeper had forgotten to reverse the accrued water and electricity expenses at the beginning of the year. The water and electricity account for February 2026 has been received, but has not been paid. It was 25% more than the account of February 2025.
- (c) The business had forgotten to pay the 3-month advertising contract of R64 500 for the period January to March 2026. The payment was made on 27 February 2026 but has not yet been recorded.
- (d) The bank statement on 28 February 2026 revealed the following, which still needs to be recorded:
- Bank charges R890
 - A debtor had made a direct deposit of R7 500 to settle his account of R8 000.
- (e) Goods that would have been sold for R18 000 were returned to a credit supplier as they were damaged. The supplier charged Boutique Limited R150 for collecting the goods.
- (f) While reconciling the annual physical stocktaking figures, it was discovered that;
- Packing material worth R4 000 has been ordered and paid for but has not yet been delivered by the supplier.
 - Packing material used during the year amounted to R41 200.
- (g) Provision for bad debts must be decreased to R95 200.
- (h) Rent income:
- A new tenant started renting a premise from Boutique Ltd on 1 March 2025. The tenant paid a refundable deposit for breakages of R24 000. The deposit was received but not recorded.
 - Since 1 November 2025, the tenant downsized their shop space, and as such, the rent was decreased by R1 750 per month. The rent is received one month in advance.
 - An amount of R2 000 was refunded from the original deposit due to the decrease in rent. The payment has been made but not recorded.
- (i) The company has four directors, each of whom earns R100 000 in directors' fees each year. Not all directors have been paid in full, as the bookkeeper was unsure of how to record the following, and thus no entries have been made:
- A director took stock with a cost price of R8 000 for her own use.
 - An old vehicle with a book value of R30 000 was sold to a director for R35 000.
- (j) The loan is repaid annually in quarterly instalments of R25 000 each, excluding interest. Interest is not capitalised.
- (k) After the annual income tax was calculated, an amount of R309 000 was still owed to SARS.

QUESTION 2: CASH FLOW STATEMENT, AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

2.1 ELLIS LTD

The information relates to Ellis Ltd for the financial year ended 28 February 2026.

REQUIRED:

- 2.1.1 Complete the note for: "Reconciliation between net profit before tax and cash generated from operations" to the Cash Flow Statement. (7)
- 2.1.2 Conclude the Cash Flow Statement on 28 February 2026. (25)
- 2.1.3 Calculate the following on 28 February 2026:

NOTE: Where applicable, show ALL calculations to ONE decimal point.

- % Mark-up (4)
- % Return on average Shareholders' Equity (ROSHE) (4)

INFORMATION:

A Extract from the Statement of Comprehensive Income on 28 February 2026:

Sales	7 650 000
Cost of sales	3 220 000
Depreciation	615 000
Interest on loans	?
Income tax (30%)	?
Net profit after tax	1 631 000

B Extract from the Statement of Financial Position on 28 February:

	2026	2025
Fixed assets (carrying value)	12 600 000	10 800 000
Fixed deposit	300 000	
Loan: Mogwase Bank	6 500 000	?
Inventories	5 430 000	?
Trade debtors	?	2 240 000
Trade creditors	4 105 000	3 640 000
Accrued expenses (Insurance)	12 000	9 000
Bank	0	126 000
Petty Cash	10 000	7 000
Shareholders' equity	12 124 000	10 249 600
SARS: Income tax	18 000 Cr	11 000 Dr
Shareholders for dividends	510 000	265 000
Bank Overdraft	84 000	0

C Fixed assets:

- A new warehouse and equipment for the warehouse were purchased during the year.
- An old vehicle was sold at carrying value; R420 000.

D Share capital and dividends:

DATE	DETAILS OF SHARES AND DIVIDENDS
	3 000 000 authorised ordinary shares
1 March 2025	2 400 000 shares in issue at R16 800 000
30 September 2025	Total dividends paid: R800 000; as it appears in the Cash Flow Statement.
31 January 2026	Additional shares were issued for R2 053 000
1 February 2026	30 700 shares were repurchased at R10 per share

E Loan and interest:

- Total interest capitalised: R 740 000
- Repayments for the year, including interest: R1 400 000

F Working capital:

- The change in trade and other receivables resulted in the cash inflow of R154 000.
- Inventories increased by R675 000.



KEEP THIS PAGE BLANK.

QUESTION 3: INTERPRETATION OF COMPANY FINANCIAL INFORMATION**(35 marks; 30 minutes)****3.1 CONCEPTS:**

Match the financial indicator in COLUMN A with the most appropriate interpretation in COLUMN B. Write only the letter (A–D) next to the question number (3.1.1–3.1.5) in your ANSWER BOOK.

(5)

COLUMN A		COLUMN B	
3.1.1	Current Ratio	A	Measures how effectively the company generates profit from shareholders' funds.
3.1.2	Debt-equity ratio	B	Indicates the company's ability to pay short-term debts.
3.1.3	Return on shareholders' equity	C	Shows the proportion of borrowed funds compared to owners' equity.
3.1.4	Dividend payout rate	D	Indicates the percentage of earnings distributed to shareholders.
3.1.5	Solvency	E	To reflect the performance of a company in terms of its gross, operating and net profit.
		F	Indicates the company's ability to pay all its debts.

3.2 ORBIT LTD AND NOVA LTD

Thabo Mokoena inherited R5,6 million five years ago and invested R2,8 million in each of the following companies:

COMPANY DETAILS	INVESTMENT AMOUNT
ORBIT LTD	
400 000 shares at R7 per share	R2,8 million
NOVA LTD	
100 000 shares at R28 per share	R2,8 million

Thabo has approached you for advice regarding his investments.

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
- Where applicable, show ALL calculations to ONE decimal point.

REQUIRED:

- 3.2.1 Assess the liquidity position of BOTH companies. State which company has the stronger liquidity and quote TWO relevant financial indicators. (4)
- 3.2.2 Comment on the level of risk and gearing of BOTH companies. Quote TWO relevant financial indicators in your answer. (6)
- 3.2.3 Compare the dividend payout rates of the TWO companies and explain why the directors of EACH company may have decided on their payout rate. (4)
- 3.2.4 Evaluate the performance of ORBIT LTD in terms of its Return on Shareholders' Equity. Give ONE reason why shareholders are likely to be satisfied. (4)
- 3.2.5 Analyse the market value of NOVA LTD.'S shares. Explain TWO observations based on the information provided. (4)
- 3.2.6 Thabo wants to increase his investment in ORBIT LTD to become the majority shareholder. Calculate the amount he will need to pay for the additional shares required, at the current market price. (4)
- 3.2.7 Thabo wants to convince the directors of ORBIT LTD to let him buy the shares he needs to become the majority shareholder, at the current net asset value, without advertising them to the public. As an existing shareholder, why would you not be satisfied with this arrangement? Explain. Provide TWO points. (4)

INFORMATION:**Financial Indicators and other data of Orbit Ltd and Nova Ltd:**

	ORBIT LTD		NOVA LTD	
	2026	2025	2026	2025
Total number of issued shares	1 100 000 shares		700 000 shares	
Shares originally bought by Thabo	400 000 shares		100 000 shares	
Price per share (originally invested)	R7 per share		R28 per share	
Thabo's % shareholding	36%		14%	
Current market value per share	R12,50		R18,80	
Ordinary share capital	R9 900 000		R11 900 000	
Retained income	R1 890 000		R600 000	
Long-term loan	R9 432 000		R2 500 000	
Current ratio	1,7 : 1		4,2 : 1	
Acid-test ratio	0,9 : 1		3,6 : 1	
% Operating profit on sales	16%	16%	14%	18%
Debt: Equity ratio	0,8 : 1		0,2 : 1	
Net asset value per share	R10,72		R17,86	
Earnings per share (EPS)	273 cents	233 cents	171 cents	266 cents
Dividends per share (DPS)	110 cents		200 cents	
% Return on shareholders' equity	25%	14%	9%	15%
% Return on capital employed	20%	12%	10%	14%
Interest rate on loans	13%	13%	13%	13%
Interest rate on fixed deposits	6%	6%	6%	6%

QUESTION 4: AUDIT REPORT AND CORPORATE GOVERNANCE (15 marks; 10 minutes)

BRIGHT FUTURE LTD

Bright Future Ltd is a public company listed on the JSE. The company received the independent auditor's report below for the financial year ended 28 February 2026.

REQUIRED:

- 4.1 Identify the type of audit opinion expressed in the audit report. (1)
- 4.2 Explain TWO possible consequences of this audit report for the shareholders of Bright Future Ltd. (4)
- 4.3 Explain the TWO main differences between internal auditors and external auditors. Mention TWO points in each case. (4)
- 4.4 Suggest TWO internal control measures the company could implement to improve control over cash receipts. (4)
- 4.5 Explain how the board of directors should apply the King Code principles of ethical leadership and effective control to address the weaknesses identified. Mention any TWO points. (2)

INFORMATION:

Independent auditor's report for the financial year ended 28 February 2026:

"In our opinion, except for the effects of the matter described in the "Basis for Opinion" paragraph, the financial statements present fairly, in all material respects, the financial position of Bright Future Ltd in accordance with IFRS."

The "Basis for Opinion" paragraph stated that there were material weaknesses in internal control over cash receipts. Supporting documentation for certain cash transactions could not be verified.

During the year, the internal audit department reported concerns about poor division of duties in the finance department. The audit committee met only twice during the financial year.

A shareholder raised concerns at the AGM that the board may not be fully applying the principles of ethical leadership and effective control as recommended by the King Code of Corporate Governance.

15

TOTAL 150 MARKS

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE:	
1. Trading stock at the end of a financial year may be used if required in a question. 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 issued shares during a financial year, the weighted-average number of shares is used in practice.	



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REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

STICKER

SCHOOL:

LEARNER NAME & SURNAME:

NATIONAL SENIOR CERTIFICATE

ACCOUNTING P1

GRADE 12

JUNE 2026

SPECIAL ANSWER BOOK

QUESTION	MARKS	MARKS ACHIEVED	SCHOOL MODERATOR	DISTRICT MODERATOR
1	60			
2	40			
3	35			
4	15			
TOTAL	150			

This answer book consists of 11 pages.

QUESTION 1
BOUTIQUE LTD

1.1.1

ORDINARY SHARE CAPITAL		
	Shares issued during the year	11 175 000
(500 000)		
	Issued shares on 28 February 2026	

10

1.1.2 RETAINED INCOME

Balance at the beginning	
Ordinary share dividends	
Balance at the end	

8

1.1.3 TRADE AND OTHER RECEIVABLES

Debtors control (3 260 000)	
Provision for bad debts	
Net trade debtors	

10

1.2 STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2026

NOTE: NO ANSWERS ARE REQUIRED IN THE SHADED AREAS

NON-CURRENT ASSETS	
Fixed assets	
Financial assets	
CURRENT ASSETS	
Inventory	8 602 400
TOTAL ASSETS	
SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained Income	
NON - CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other Payables (7 252 400)	
TOTAL EQUITY AND LIABILITIES	

32

TOTAL MARKS
60

QUESTION 2

2.1 ELLIS LTD

2.1.1 RECONCILIATION BETWEEN PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS

Adjustments in respect of:	
Depreciation	615 000
Operating profit before changes in working capital	
Cash effects of changes in working capital	
Decrease in receivables	154 000
Cash generated from operations	3 632 000

7

2.1.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2026

CASH EFFECTS OF OPERATING ACTIVITIES		
Cash generated from operations		3 632 000
Interest paid		
CASH EFFECTS OF INVESTING ACTIVITIES		
Purchase of fixed assets		
Investment placed (fixed deposit)		(300 000)
CASH EFFECTS OF FINANCING ACTIVITIES		
Proceeds of shares issued		2 053 000
NET CHANGE IN CASH EQUIVALENTS		

2.1.3 Calculate the following on 28 February 2026:

NOTE: Where applicable, show ALL calculations to ONE decimal point.

% Mark-up	
WORKINGS	ANSWER

4

% Return on average shareholders' equity (ROSHE)	
WORKINGS	ANSWER

4

TOTAL MARKS
40

QUESTION 3

3.1 Match the financial indicator in COLUMN A with the most appropriate interpretation in COLUMN B. Write only the letter (A–D) next to the question number (3.1.1–3.1.5) in your ANSWER BOOK.

3.1.1	
3.1.2	
3.1.3	
3.1.4	
3.1.5	

5

3.2.1 Assess the liquidity position of BOTH companies. State which company has the stronger liquidity and quote TWO relevant financial indicators.



4

3.2.2 Comment on the level of risk and gearing of BOTH companies. Quote TWO relevant financial indicators in your answer.

Stanmorephysics.com ORBIT LTD	
NOVA LTD	

6

3.2.3 Compare the dividend payout rates of the TWO companies and explain why the directors of EACH company may have decided on their payout rate.

ORBIT LTD	
NOVA LTD	

4

3.2.4 Evaluate the performance of ORBIT LTD in terms of its Return on Shareholders' Equity. Give ONE reason why shareholders are likely to be satisfied.



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4

3.2.5 Analyse the market value of NOVA LTD.'S shares. Explain TWO observations based on the information provided.

OBSERVATION 1:	OBSERVATION 2:

4

3.2.6 Thabo wants to increase his investment in ORBIT LTD to become the majority shareholder. Calculate the amount he will need to pay for the additional shares required, at the current market price.

Stanmorephysics.com

4

3.2.7 Thabo wants to convince the directors of ORBIT LTD to let him buy the shares he needs to become the majority shareholder, at the current net asset value, without advertising them to the public. As an existing shareholder, why would you not be satisfied with this arrangement? Explain. Provide TWO points.

4

TOTAL MARKS
35

**QUESTION 4:
BRIGHT FUTURE LTD.**

4.1 Identify the type of audit opinion expressed in the audit report.

1

4.2 Explain TWO possible consequences of this audit report for the shareholders of Bright Future Ltd.

4

4.3 Explain the TWO main differences between internal auditors and external auditors. Mention TWO points in each case.

INTERNAL AUDITORS:

EXTERNAL AUDITORS:

4

4.4

Suggest TWO internal control measures the company could implement to improve control over cash receipts.



4

4.5

Explain how the board of directors should apply the King Code principles of ethical leadership and effective control to address the weaknesses identified. Mention any TWO points.



2

TOTAL MARKS
15

TOTAL 150 MARKS



DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING P1
JUNE 2026
MARKING GUIDELINES**

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 a 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: figures stipulated in the marking guidelines as components of workings are marked together; these do not carry the method mark for parts thereof.
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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, markers must inspect reasonableness of the answer.
10. 'Operation' means check operation. 'One part correct' means operation and one part correct.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 11 pages.

**QUESTION 1
 BOUTIQUE LTD**

1.1.1

ORDINARY SHARE CAPITAL		
$\frac{1\,875\,000 \checkmark}{0,25 \checkmark}$ = 7 500 000 <input checked="" type="checkbox"/> *	Issued shares on 1 March 2025 at R6,25	46 875 000 <input checked="" type="checkbox"/> #
1500 000 <input checked="" type="checkbox"/>	Shares issued during the year	11 175 000
(500 000)	Repurchased shares @ R6,45 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	(3 225 000) <input checked="" type="checkbox"/> #
8 500 000 <input checked="" type="checkbox"/> @	Issued shares on 28 February 2026	54 825 000 <input checked="" type="checkbox"/> @

*one part correct and operation #operation only @issued must be added and repurchased subtracted

10

1.1.2 **RETAINED INCOME**

Balance at the beginning	6 410 000 <input checked="" type="checkbox"/>
Net profit after tax	2 226 000 <input checked="" type="checkbox"/>
Repurchase of shares (500 000 x 1,55)	(775 000) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *
Ordinary share dividends	(4 247 500) <input checked="" type="checkbox"/> #
Interim dividends paid	1 612 500 <input checked="" type="checkbox"/>
Final/declared dividends	2 635 000 <input checked="" type="checkbox"/>
Balance at the end	3 613 500 <input checked="" type="checkbox"/> @

*one part correct and operation #operation only @OSD and repurchased must be subtracted

8

1.1.3 **TRADE AND OTHER RECEIVABLES**

Debtors control (3 260 000 – 8 000 <input checked="" type="checkbox"/>)	3 252 000 <input checked="" type="checkbox"/> *
Provision for bad debts	(95 200) <input checked="" type="checkbox"/>
Net trade Debtors	3 156 800 <input checked="" type="checkbox"/> #
Prepaid expenses (21 500 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> + 4 000 <input checked="" type="checkbox"/>)	25 500 <input checked="" type="checkbox"/> *
Accrued income	14 000 <input checked="" type="checkbox"/>
	3 196 300 <input checked="" type="checkbox"/> #

*one part correct and operation #operation only

10

1.2 STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2026

NON-CURRENT ASSETS	TA-CA	56 074 830	☑	
Fixed assets				
Financial assets	1			
CURRENT ASSETS	10 378 900 X 1.3	13 492 570	✓✓	
Inventory		8 602 400		
Trade and other receivables	see 1.1.3	3 196 300	☑@	
Cash and cash equivalent	balancing figure	1 693 870	☑	
TOTAL ASSETS	must be the same as Total E & L	5	69 567 400	☑
SHAREHOLDER EQUITY	3	58 438 500	☑#	
Ordinary share capital	see 1.1.1	54 825 000	☑@	
Retained Income	see 1.1.2	3 613 500	☑@	
NON-CURRENT LIABILITIES	3	750 000		
Loan 850 000 ✓ – 100 000 ✓		750 000	☑*	
CURRENT LIABILITIES	operation	10 378 900	☑*	
Trade and other Payables 7 252 400 - 6 000 ✓✓ +150 ✓ - 12 400 ✓✓ +15 500 ✓✓ + 45 000 ✓✓ + 18 250 ✓✓)		7 312 900	☑*	
Deposit: Rent income (24 000 ✓ – 2 000 ✓)		22 000	☑*	
Current portion of loan	see subtracted from loan	100 000	☑@	
Shareholders for dividends	see 1.1.2	2 635 000	☑@	
SARS (Income tax)		309 000	✓	
TOTAL EQUITY AND LIABILITIES	20	69 567 400	☑*	

32

* one part correct and correct operation #operation only @transfer
 Inspect: SARS: IT, SFD, and deposit for rent income may be included in T&OP
 - 1 foreign item (max -2); presentation -1 (max -1);
 If T&OP are misplaced, award marks for workings only, if the whole item has been placed under CA
 Note Principle 11 when awarding method marks: Operation as per the candidate's operation, unless specified.

TOTAL MARKS
 60

QUESTION 2

2.1 ELLIS LTD

RECONCILIATION BETWEEN PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS

2.1.1	Net profit before tax ($1\,631\,000 \times \frac{100}{70}$)	2 330 000 ✓✓
	Adjustments in respect of:	
	Depreciation	615 000
	Interest expense	740 000 ✓
	Operating profit before changes in working capital	3 685 000 no mark
	Cash effects of changes in working capital	(53 000) ✓
	Increase in inventory	(675 000) ✓
	Decrease in receivables	154 000
	Increase in payables $4\,105\,000 + 12\,000 - 3\,640\,000 + 9\,000$ $(4\,117\,000 - 3\,649\,000)$	468 000 ✓✓ must not be in brackets 1 method mark if in brackets
	Cash generated from operations	3 632 000

7

2.1.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2026

CASH EFFECT OF OPERATING ACTIVITIES	1 422 000 <input checked="" type="checkbox"/> @
Cash generated from operations	3 632 000
Interest paid	(740 000)✓*
#Dividends paid	(800 000)✓*
#Income tax paid $(1\,631\,000 \times \frac{30}{70})$ two marks 11 000✓ - 699 000 ✓✓ + 18 000 ✓ OR -11 000 + 699 000 – 18 000	(670 000) <input checked="" type="checkbox"/> * 4 marks without brackets
CASH EFFECTS OF INVESTING ACTIVITIES	(2 715 000) <input checked="" type="checkbox"/> @
#Purchase of fixed assets 10 800 000✓ - 420 000✓ - 615 000✓ - 12 600 000 ✓ OR -10 800 000 +420 000 + 615 000 +12 600 000	(2 835 000)✓* 4 marks without brackets
Proceeds from the sale of fixed assets	420 000 ✓ do not accept brackets
Investment placed (fixed deposit)	7 (300 000)
CASH EFFECTS OF FINANCING ACTIVITIES	1 086 000 <input checked="" type="checkbox"/> @
Proceeds of shares issued	2 053 000
Repurchase of shares (30 700 x R10,00)	(307 000)✓✓* two or nothing
Decrease in Loan 1 400 000 ✓ - 740 000 ✓ OR 7 160 000 one mark – 6 500 000 one mark	(660 000) <input checked="" type="checkbox"/> * 6
NET CHANGE IN CASH EQUIVALENTS	(207 000) <input checked="" type="checkbox"/> @
Cash and cash equivalents at the beginning of the year (126 000 + 7 000)	133 000✓
Cash and cash equivalents at the end of the year (84 000 – 10 000)	(74 000)✓✓* 4

*one part correct and operation, reflected as an outflow (brackets). @ one part correct and operation per learner's work.
 # Be alert to alternative workings, such as ledger accounts or use of brackets or signs reversed, for use of reversed signs, ensure that only one option is marked consistently.
 If no brackets, assume it is an inflow of cash- award marks for workings only.
 If a working amount is shown as a final figure, award the mark/s allocated; ignore the brackets where applicable.
 If the correct final answer is provided without workings or the brackets, award all working marks only (not the final mark).

2.1.3 Calculate the following on 28 February 2026:

% Mark-up	
WORKINGS	ANSWER
$\frac{(7\,650\,000 - 3\,220\,000) - 3\,220\,000}{3\,220\,000} \times 100$ <p>4 430 000 ✓✓ 3 220 000 ✓</p> <p>For 4 430 000 do not split marks, two or nothing *100 is not considered one part correct Do not award marks if numerator and denominator are swapped</p>	<p>137,6% ✓</p> <p>one part correct % sign not necessary DO NOT ACCEPT 138%</p>

4

% Return on average shareholders' equity (ROSHE)	
WORKINGS	ANSWER
$\frac{1\,631\,000}{\frac{1}{2}(12\,124\,000 + 10\,249\,600)} \times 100$ <p>1 631 000 ✓ 22 373 600 two marks</p> <p>*100 is not considered one part correct Do not award marks if the numerator and denominator are swapped</p>	<p>14,6% ✓</p> <p>one part correct, and if ½ is used % sign not necessary DO NOT ACCEPT 15%</p>

4

TOTAL MARKS
40

QUESTION 3

3.1

Match the financial indicator in COLUMN A with the most appropriate interpretation in COLUMN B. Write only the letter (A–D) next to the question number (3.1.1–3.1.5) in your ANSWER BOOK.

3.1.1	B ✓
3.1.2	C ✓
3.1.3	A ✓
3.1.4	D ✓
3.1.5	F ✓

5

3.2 **ORBIT LTD AND NOVA LTD:**

3.2.1

Assess the liquidity position of BOTH companies. State which company has the stronger liquidity and quote TWO relevant financial indicators.

If Nova is mentioned, award 2 marks only; for the indicator and figure, no marks for choice of company.

Liquidity ratios of Orbit Ltd ✓✓ are more efficient.

Current ratio 1,7:1 ✓

Acid test ratio 0,9:1 ✓

4

3.2.2

Comment on the level of risk and gearing of BOTH companies. Quote TWO relevant financial indicators in your answer.

THREE marks per company: Two Financial Indicators with figures and comment per company.

ORBIT LTD

ROTCE with figure ✓
 Debt: Equity with figure ✓
 Comment: ✓

Debt-equity ratio is 0,8 : 1
 ROTCE is 20%

The business makes extensive use of loans (high risk) / ROTCE is higher than the interest rate on loans of 13%, indicating positive gearing.

NOVA LTD

ROTCE with figure ✓
 Debt: Equity with figure ✓
 Comment: ✓

Debt-equity ratio is 0,2 : 1
 ROTCE is 10%

The business does not rely on loans (low risk) / ROTCE is lower than the interest rate on loans of 13%, indicating negative gearing.

6

3.2.3 Compare the dividend payout rates of the TWO companies and explain why the directors of EACH company may have decided on their payout rate.

ORBIT LTD	$110 \div 273 \times 100/1 = 40\% \checkmark$ Accept 40,3% Orbit retains more profit for growth/ <u>future expansion</u> \checkmark
NOVA LTD	$200 \div 171 \times 100/1 = 117\% \checkmark$ Nova distributes most/all earnings to shareholders to <u>keep shareholders satisfied.</u> \checkmark

4

3.2.4 Evaluate the performance of ORBIT LTD in terms of its Return on Shareholders' Equity. Give ONE reason why shareholders are likely to be satisfied.

Financial indicator \checkmark figures and trend \checkmark Comment (must compare with interest), 2 or nothing $\checkmark \checkmark$ ROSHE increased from 14% to 25% ROSHE (25%) is higher than the interest on fixed deposits/ alternative investments (6%)
--

4

3.2.5 Analyse the market value of NOVA LTD.'S shares. Explain TWO observations based on the information provided.

TWO valid observations/ \checkmark \checkmark Comparative Figures for each observation \checkmark \checkmark	
OBSERVATION 1:	OBSERVATION 2:
Must compare to NAV: The market value of R18,80 is higher than the NAV of R17,86 (by 0,94c). This indicates good demand for the shares/ positive image of the company.	Must compare to original investment price: He originally bought the shares for R28,00, but the market price is now R18,80. This indicates poor financial return/ His shares are now worth R9,20 less per share than when purchased.

4

3.2.6

Thabo wants to increase his investment in ORBIT LTD to become the majority shareholder. Calculate the amount he will need to pay for the additional shares required, at the current market price.

51%
 $(561\ 100 \checkmark - 400\ 000 \checkmark) \times R12,50 \checkmark = R\ 2\ 012\ 500 \checkmark^*$
 161 000 two marks

*one part correct, must be x R 12,50

OR
 50% + 100
 $(550\ 100 - 400\ 000) \times R12,50 = R1\ 876\ 250$
 150 100 two marks

OR
 $1\ 100\ 000/2 + 1$
 $(550\ 001 - 400\ 000) \times R12,50 = R\ 1\ 875\ 012,50$
 150 001 two marks

OR
 $(51 - 36) 15\% \times 1\ 100\ 000$
 $165\ 000 \text{ two marks} \times R12,50 \text{ one mark} = R2\ 062\ 500$

4

3.2.7

Thabo wants to convince the directors of ORBIT LTD to let him buy the shares he needs to become the majority shareholder, at the current net asset value, without advertising them to the public. As an existing shareholder, why would you not be satisfied with this arrangement? Explain. Provide TWO points.

Any TWO valid points ✓✓ ✓✓

- It is illegal and unethical to act against the law as prescribed by the Companies Act.
- Companies Act requires that shares be advertised to the public (prospectus).
- He wants to pay less than the market price- this would disadvantage the company (investors willing to pay more).

4

TOTAL MARKS
35

QUESTION 4:

BRIGHT FUTURE LTD.

4.1

Identify the type of audit opinion expressed in the audit report.

Qualified audit opinion ✓

1

4.2

Explain TWO possible consequences of this audit report for the shareholders of Bright Future Ltd.

Any TWO consequences ✓✓ ✓✓

Must link clearly to shareholders.

- Share price may decrease
- Reduced investor confidence
- Possible impact on dividends
- Risk of fraud/misuse of funds
- Damage to the company's reputation
- Difficulty attracting future investors

4

4.3

Explain the TWO main differences between internal auditors and external auditors. Mention TWO points in each case.

Accept any relevant points that refer to who employs each and their main job.

INTERNAL AUDITORS:

- Employed by the company ✓
- Evaluate internal controls ✓

EXTERNAL AUDITORS:

- Independent of the company ✓
- Express unbiased opinion on financial statements ✓

4

4.4

Suggest TWO internal control measures the company could implement to improve control over cash receipts.

Any TWO measures must relate to cash receipts ✓✓ ✓✓

- Division of duties, the person receiving the cash should not be the same person banking the cash. (If division is not explained, allow one mark only)
- Daily banking of cash receipts
- Pre-numbered receipts
- Independent bank reconciliations
- Surprise cash counts
- Increased use of EFT instead of cash
- Greater reliance on electronic payment systems
- Secure accounting software with restricted access

4

4.5

Explain how the board of directors should apply the King Code principles of ethical leadership and effective control to address the weaknesses identified. Mention any TWO points.

Any TWO relevant points ✓✓ ✓✓

- Demonstrate ethical, effective, and responsible leadership
- Promote a culture of integrity/ fairness
- Strengthen oversight of financial controls
- Improve accountability
- Improve transparency
- Ensure audit committee effectiveness

2

TOTAL MARKS
15

TOTAL 150 MARKS