Province of the
EASTERN CAPE
EDUCATION

Iphondo leMpuma Kapa: Isebe leMfundo
Provinsie van die Oos Kaap: Departement van Onderwys
Porafensie Ya Kapa Botjahabela: Lefapha la Thuto

NATIONAL SENIOR CERTIFICATE

GRADE 12

JUNE 2026

ACCOUNTING P1

MARKS: **150**

TIME: **2 hours**

This question paper consists of 12 pages, a formula sheet and an 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 questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer 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	TIME (minutes)
1	Company Financial Statements	60	55
2	Cash Flow Statement and Financial Indicators	40	30
3	Concepts and Interpretation of Financial Statements	35	25
4	Corporate Governance	15	10
	TOTAL	**150**	**120**

QUESTION 1: COMPANY FINANCIAL STATEMENTS (60 marks; 55 minutes)

The following information was taken from the accounting records of Talison Ltd. The financial year ended on 28 February 2026. The business trades with luxury travelling bags.

REQUIRED:

1.1 **Refer to Information A and B.**

Calculate the carrying value of fixed assets on 28 February 2026. (11)

1.2 Prepare the Retained Income Note. (7)

1.3 Prepare the Statement of Comprehensive Income for the year ended 28 February 2026. (20)

1.4 Prepare the Statement of Financial Position on 28 February 2026. (22)

NOTE:

- Some amounts have been entered in the ANSWER BOOK.
- Missing figures in the shaded areas must not be filled in.
- Show ALL workings in brackets.

INFORMATION:

A. Tangible Assets:

	Land and Buildings	**Vehicles**	**Equipment**
Cost		1 050 000	596 000
Accumulated depreciation			(304 000)
Carrying value (1 March 2025)	26 488 000	628 750	**?**
Movements			
Additions	0	0	114 000
Disposals	(398 000)	(270 625)	0
Depreciation		**?**	(104 000)
Carrying value (28 February 2026)	**?**	**?**	**?**
Cost		600 000	710 000
Accumulated depreciation			

- Depreciation is calculated as follows:
  - on vehicles at 15% p.a. on cost
  - on equipment at 20% p.a. on diminishing balance method

- A vehicle was sold on 30 November 2025 for R295 625. Accumulated depreciation on this vehicle was R128 750 on 1 March 2025.

- An unused portion of land was sold on 30 June 2025.

B. Extract from the accounting records on 28 February:

	2026 R	2025 R
Balance Sheet Accounts		
Fixed deposit: Tshongolene Bank	?	
Ordinary share capital	18 400 000	16 800 000
Retained Income	?	4 018 500
Fixed assets (carrying value)	?	
Loan: Twist Bank	?	?
SARS: Income Tax (provisional tax payments)	2 850 750	
Creditors' Control	1 351 000	
Shareholders for dividends	?	260 000
Debtors control	5 674 300	
Trading Stock	2 152 800	
Provision for bad debts		19 475
Bank (unfavourable)	?	
Nominal Accounts		
Sales	?	
Cost of Sales	?	
Directors' fees	1 065 000	
Rent Income	115 175	
Audit fees	66 725	
Ordinary share dividends	300 000	
Bad debts	10 160	

C. Adjustments and additional information:

(i) The mark-up achieved is 140% on cost. The correct gross profit on 28 February 2026 is R12 188 750.

(ii) Talison Ltd uses FIFO method to value a set of their newly introduced luxury bags. The closing stock of these goods was omitted on the final stock figures in the extract in information B. Its records are as follows:

	Quantity (units)	Unit Price	Total Cost
Stock on hand on 1 March 2025	400	R450	R180 000
Purchases during the year	**4 420**		**2 168 600**
10 March 2025	1 020	R480	489 600
18 July 2025	1 400	R485	679 000
05 November 2025	2 000	R500	1 000 000
Returns	120	R500	
Stock on hand on 28 Feb. 2026	620		

(iii) Rent was increased by 10% on 1 September 2025. The tenant was unhappy about the increase and threatened to vacate the building a few months after the increase because he felt that the increase was above the inflation rate. Talison agreed to reduce the increase to 5% with effect from 1 January 2026. Rent for March was also received and recorded.

(iv) Received and recorded R4 510 from the insolvent estate of a debtor which paid out 55 cents in rand. The rest must be written off as bad debts.

(v) Talison Ltd has paid 85% of audit fees. Provide for the outstanding fees.

(vi) Talison Ltd had three directors earning the same fee at the beginning of the financial year. Two more directors were appointed on 1 October 2025, each earning a monthly fee of R6 000 less than the existing directors. Two of the three directors were paid in advance from the beginning of the year their fees for March and April 2026.

(vii) Provision for bad debts must be increased to R21 710.

D. A fixed deposit of R468 750 will mature on 1 July 2029. This is 75% of the current fixed deposit. The rest will mature on 31 July 2026.

E. The loan from Twist Bank will be reduced by a capital portion of R572 000 in the 2027 financial year.

F. The following indicator was calculated on 28 February 2026 after all adjustments were processed:

- Debt-equity ratio 0,2 **:** 1

G. Income tax for the year is calculated at 30% of the net profit.

H. **Share capital and dividends:**

Date	Details
1 March 2025	70% of the authorised share capital of 1 600 000 ordinary shares were in issue.
31 July 2025	120 000 ordinary shares were repurchased from a disgruntled shareholder for R2 250 000 and would no longer qualify for dividends.
31 August 2025	An interim dividend was paid.
31 October 2025	200 000 ordinary shares were issued.
28 February 2026	A final dividend of 46 cents per share was declared.

60

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(40 marks; 30 minutes)

The information relates to Abukwe Ltd for the financial year ending 28 February 2026.

REQUIRED:

2.1 Complete the Reconciliation of Profit before taxation and Cash generated from operations note on 28 February 2026. (11)

2.2 Prepare the following sections of the Cash Flow Statement for the year ended 28 February 2026.

- Cash flow from operating activities (6)
- Cash flow from financing activities (4)
- Net change in cash and cash equivalents (4)

2.3 Calculate the following financial indicators on 28 February 2026:

- % return on average shareholders' equity (ROSHE) (4)
- Earnings per share (EPS) (3)
- Acid-test ratio (4)
- % operating expenses on sales (2)

2.4 **Refer to information B and C**.

The business is considering building its own premises for R2,5 million instead of renting one from Primadle Properties' buildings in Durban.

What funding options can the company consider, without taking out an additional loan? Provide TWO sources with figures. (2)

INFORMATION:

A. Extract from Statement of Comprehensive Income for the year ended 28 February 2026:

Sales	5 035 800
Depreciation	R401 000
Operating expenses	1 107 876
Interest on loan	R77 300
Net profit after tax	1 405 600
Income tax	30%

B. Extract from the Statement of Financial Position as at:

	28 February 2026	29 February 2025
	R	R
Shareholders' Equity	5 683 000	4 940 300
Ordinary share capital	4 650 000	
Retained Income	1 033 000	
Fixed assets (at carrying value)	5 244 000	3 936 000
Financial assets (Fixed Deposit)	1 400 000	1 650 000
Loan: East Bank (9% per annum)	850 000	545 000
Current Assets	1 014 230	1 067 600
Cash and cash equivalents	8 200	124 500
Inventories	558 230	436 000
Trade and other receivables	450 720	507 100
SARS (Income Tax)	24 080	0
Current Liabilities	1 125 230	1 168 300
Creditors control	542 000	650 000
Income received in advance (Rent)	-	19 000
Accrued expenses (Audit fees)	40 020	-
SARS (Income Tax)	0	28 400
Bank overdraft	51 710	0
Shareholders for dividends	466 500	437 000

C. Additional information:

(i) **Fixed assets:**

- During the year, the company purchased new equipment.
- The company sold an old vehicle at its book value of R150 000.

(ii) **Shares and Dividends:**

- The average price of shares on 1 March 2025 was R3,00 per share.
- No shares were repurchased during the year.
- 450 000 shares were issued on 1 July 2025. The issue price was 25% above the current average price of shares.
- Interim dividends of R385 000 were declared and paid to shareholders on 31 October 2025.
- A final dividend was declared at the end of the year.
- 1 700 000 shares were in issue on 28 February 2026.

40

QUESTION 3: CONCEPTS AND INTERPRETATION OF FINANCIAL INFORMATION
(35 marks; 25 minutes)

DODO LTD and POKOLINA LTD

NOTE: Where **comments or explanations** are required, you should:
- Quote financial indicators and trends with figures
- Give a reason or explanation for the financial indicators quoted

REQUIRED:

3.1 Choose the category of indicators from the list given that matches the following descriptions. Write only the name of the category next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

Solvency; Liquidity; Return to Shareholders; Operating Efficiency; Risk and Gearing

3.1.1 Is the business managing its expenses effectively to increase profitability?

3.1.2 Will the company be able to pay off its current debts?

3.1.3 Is the investment in the company better than investing in a fixed deposit? (3)

3.2 **Operating efficiency:**

Comment on the operating efficiency of ONE company that showed an improvement in managing its expenses. Quote TWO financial indicators. (4)

3.3 **Liquidity:**

Explain how the credit policy has improved the liquidity of Dodo Ltd. Quote TWO financial indicators. (4)

3.4 **Dividends, earnings and returns:**

- Comment on the dividend pay-out policy of Dodo Ltd and Pokolina Ltd. Which company's change in policy is irresponsible and why? (8)
- Should the percentage return earned by Pokolina Ltd satisfy the shareholders? Explain by quoting a relevant financial indicator. (4)

3.5 **Share price:**

Comment on the reasons for the current performance of the share price for each company on the Johannesburg Securities Exchange (JSE). Provide TWO financial indicators. (6)

3.6 **Shareholding of Tobile Lester in both companies:**

Provide a calculation to show the effect which the purchase of shares in Pokolina had on Tobile's percentage shareholding. (4)

3.7 **Financing strategy:**

Dodo Ltd has decided not to increase the loan any further but to repay a large part of the loan during the 2026 financial year.

Comment to confirm this statement. Provide ONE financial indicator. (2)

INFORMATION:

A. Background information:

The information relates to Dodo Ltd and Pokolina Ltd, operating in the same industry, for the year ended 28 February 2026.

BACKGROUND INFORMATION:

- Both companies operate in the forestry industry. The financial year ends on the last day of February each year.
- Tobile Lester, the head of Human Resources, is a shareholder in both companies. On 1 September 2025, she convinced the board of directors of Dodo Ltd to repurchase 150 000 of her shares. She used the money received to purchase additional shares in Pokolina Ltd.

NOTE: These transactions took place at the beginning of the financial year.

B. Share capital:

	Dodo Ltd		**Pokolina Ltd**	
	2026	**2025**	**2026**	**2025**
Total number of shares in issue	650 000	800 000	1 000 000	850 000
Shares owned by Tobile	**?**	401 000	**?**	400 000
% Shareholding in each company	**?**	50,1%	**?**	47,06%

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

	DODO LTD		**POKOLINA LTD**	
	Feb. 2026	**Feb. 2025**	**Feb. 2026**	**Feb. 2025**
Shareholders Equity	R12 500 000	R15 500 000		
% operating expenses on sales	16,1%	22,3%	21,9%	14,4%
% net profit after tax on sales	15,8%	11,2%	10%	12,5%
Debtors collection period	30 days	38 days		
Creditors payment period	60 days	50 days		
Current ratio	2,1 : 1	2,0 : 1		
Stock turnover rate	4 times	4 times		
Debt-equity ratio	0,3 : 1	0,5 : 1	0,8 : 1	0,5 : 1
% return on capital employed	20,6%	17,0%	19,8%	15,2%
% return on shareholders' equity	15,3%	12,7%	16,9%	13,1%
Net asset value per share	169 cents	156 cents	509 cents	537 cents
Earnings per share	112 cents	96 cents	216 cents	195 cents
Dividends per share	134 cents	78 cents	138 cents	92 cents
Dividend pay-out rate	119,6%	81,3%	63,9%	47,2%
Interest on alternative investment	14%		14%	
Market price of shares	153 cents		550 cents	
Interest rate on loans	9%	9%	9%	9%

35

QUESTION 4: CORPORATE GOVERNANCE **(15 marks; 10 minutes)**

You are provided with an extract from an article about fraudulent corporate accounting activities.

Answer the following questions using the information given and corporate governance knowledge acquired through your accounting studies.

4.1
- Explain TWO consequences of corporate accounting fraud other than those mentioned in the extract. (2)
- Explain why it is important for external auditors to report fraudulent entries identified in the financial statements during their audit. Give THREE points. (3)
- Explain the meaning of the term *bankruptcy*. (2)

4.2 External auditors should be appointed for public companies.

Explain why public companies should be audited by external auditors. Mention TWO points. (4)

4.3 The board of directors wants to buy building materials from a certain hardware company for R3 million. You discover that the CEO's son is a majority shareholder of the hardware company.

- Express your opinion on the above-mentioned scenario. Provide ONE point.
- How should this scenario be handled by a board of directors or by shareholders? Provide ONE point. (4)

Article: Accounting fraud and Audit Risk of Pulenik Ltd:

Two massive US corporations, Thorrio and Bumico collapsed in the late 1900s because they hid their debt using Special Purpose Entities and capitalised billions in operating expenses (with no supporting documents) to inflate profits and to deceive investors. This led to huge bankruptcy, criminal charges for executives and scrutiny of corporate ethics. Solly Fegurson, the chief auditor of the two companies, exposed the fraud. [Adapted]

15

TOTAL: 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets **:** Total liabilities	Current assets **:** Current liabilities
(Current assets – Inventories) **:** Current liabilities	Non-current liabilities **:** Shareholders' equity
(Trade 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)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

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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GRADE 12

JUNE 2026

ACCOUNTING P1 ANSWER BOOK

QUESTION	MAX. MARKS	MARKS OBTAINED	MODERATED MARKS		
			School	District	Province
1	60				
2	40				
3	35				
4	15				
TOTAL	150				

This answer book consists of 11 pages.

QUESTION 1

1.1 Calculate the carrying value of fixed assets on 28 February 2026.

WORKINGS	ANSWER
Land and Buildings:	
Vehicles:	
Equipment:	

11

1.2 RETAINED INCOME

Balance on 1 March 2025	**4 018 500**
Ordinary share dividends	
• **Interim**	**300 000**
Balance on 28 February 2026	

7

1.3 TALISON LTD

Statement of Comprehensive Income for the year ended 28 February 2026

Sales	
Gross Profit	12 188 750
Other Income	
Rent Income (115 175	
Gross Operating Income	
Operating Expenses	
Salaries and wages	
Stationery	
Directors' fees (1 065 000	
Audit fees (66 725	
Bad debts (10 160	
Operating Profit	
Interest Income	
Profit before Interest Expense	
Interest Expense	
Profit before Tax	
Net Profit for the year	7 084 000

20

1.4 Statement of Financial Position on 28 February 2026

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Financial assets	
CURRENT ASSETS	
Inventories (2 152 800	
Trade and other receivables (5 674 300	
Cash and cash equivalents (2 180 940	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Shareholders' equity	
Ordinary share capital	**18 400 000**
Retained income	
NON-CURRENT LIABILITIES	
Loan: Twist Bank	
CURRENT LIABILITIES	**3 776 540**
Trade and other payables (1 351 000	
Bank overdraft	
TOTAL EQUITY AND LIABILITIES	

22

TOTAL MARKS
60

QUESTION 2

ABUKWE LTD

2.1 Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2026:

Profit before Taxation	
Adjustment for:	
Operating Profit before changes in working capital	
Changes in Working Capital	
Cash generated from operations	

11

2.2

Cash flow from Operating Activities	
Cash generated from operations	
Interest paid	**(77 300)**
Taxation paid	
Dividends paid	

6

Cash flow from Financing Activities	
Proceeds from shares issued	
Loan obtained	

4

Net change in Cash and Cash Equivalents	
Cash and Cash Equivalents at beginning of the year	
Cash and Cash Equivalents at end of the year	

4

2.3 % return on average shareholders' equity (ROSHE)

WORKINGS	ANSWER

4

Earnings per share

WORKINGS	ANSWER

3

Acid-test ratio

WORKINGS	ANSWER

4

% operating expenses on sales

WORKINGS	ANSWER

2

2.4 The business is considering building its own premises for R2,5 million instead of renting one from Primadle Properties' buildings in Durban.

What funding options can the company consider, without taking out additional loan? Provide TWO sources with figures.

2

TOTAL MARKS
40

QUESTION 3

3.1 Choose the category of indicators.

3.1.1	
3.1.2	
3.1.3	

3

3.2 Operating efficiency:

Comment on the operating efficiency of ONE company that showed an improvement in managing its expenses. Quote TWO financial indicators.

4

3.3 Liquidity:

Explain how the credit policy has improved the liquidity of Dodo Ltd. Quote TWO financial indicators.

4

3.4 **Dividends, earnings and returns:**

Comment on the dividend pay-out policy of Dodo Ltd and Pokolina Ltd. Which company's change in policy is irresponsible and why? **Dodo Ltd:** **Pokolina Ltd:**
Should the percentage return earned by Pokolina Ltd satisfy the shareholders? Explain by quoting a relevant financial indicator.

8

4

3.5 **Share price:**

Comment on the reasons for the current performance of the share price for each company on the Johannesburg Securities Exchange (JSE). Provide TWO financial indicators. **Dodo Ltd:** **Pokolina Ltd:**

6

3.6 **Shareholding of Tobile Lester in both companies:**

Provide a calculation to show the effect which the purchase of shares in Pokolina had on Tobile's percentage shareholding.	
WORKINGS	**ANSWER**

4

3.7 **Financing strategy:**

Dodo Ltd has decided not to increase the loan any further but to repay a large part of the loan during the 2026 financial year. **Comment to confirm this statement. Provide ONE financial indicator.**

2

TOTAL MARKS
35

QUESTION 4

4.1

Explain TWO consequences of corporate accounting fraud other than those mentioned in the extract.

2

Explain why it is important for external auditors to report fraudulent entries identified in the financial statements during their audit. Give THREE points.

3

Explain the meaning of the term *bankruptcy*.

2

4.2 **Explain why public companies should be audited by external auditors. Mention TWO points.**

4

4.3 **Express your opinion on the above-mentioned scenario. Provide ONE point.**

How should this scenario be handled by a board of directors or by shareholders? Provide ONE point.

4

TOTAL MARKS
15

TOTAL: 150

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GRADE 12

JUNE 2026

ACCOUNTING P1 MARKING GUIDELINE

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 marking guideline for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max. -2 per Q).
8. 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, the marker must inspect the reasonableness of the answer, before awarding a mark.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. **NOTE:** check operation must be +. -, x, ÷ as per candidate's calculation (if valid) or per the marking guideline.
11. In calculations, do not award marks for workings if numerator and 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 guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 11 pages.

QUESTION 1

1.1

Calculate the carrying value of fixed assets on 28 February 2026.	
WORKINGS	**ANSWER**
Land and Buildings: 26 488 000 – 398 000 = 26 090 000 ✓	
Vehicles: Depreciation: 15/100 x 600 000 = 90 000 ✓ 15/100 x 9/12 x 450 000 = 50 625 ✓☑ 140 625 Therefore: 628 750 - 270 625 – 140 625 ☑ = 217 500 ✓	
Equipment: [596 000 – 304 000] ✓ + 114 000 ✓ – 104 000 ✓ = 302 000 ☑	
26 090 000 + 217 500 + 302 000	26 609 500 ☑

11

1.2 RETAINED INCOME

Balance on 1 March 2025	**4 018 500**
Net profit after tax	7 084 000 ✓
Shares repurchased (120 000 x R3,75) or (2 250 000 - 1 800 000)	(450 000) ✓☑*
Ordinary share dividends interim + final	(852 000) ☑
- **Interim**	**300 000**
- Final (1 200 000 x 46c)	552 000 ✓☑*
Balance on 28 February 2026	9 800 500 ☑*

*one part correct

7

1.3 TALISON LTD

Statement of Comprehensive Income for the year ended 28 February 2026

Sales (12 188 750 x 240/140)	20 895 000 ✓✓$
Cost of sales (12 188 750 x 100/140) balancing. figure	(8 706 250) ☑
Gross Profit	**12 188 750**
Other Income	
Rent Income (115 175 – 8 925 ✓✓)	106 825 ☑#
Profit on sale of asset (128 750 + 50 625 see 1.1 vehicles) (450 000 – 179 375☑ – 295 625 ✓)	25 000 ☑*
Gross Operating Income	
Operating Expenses	
Salaries and wages	
Stationery	
Directors' fees (1 065 000 – 90 000 ✓✓)	1 035 000 ☑#
Audit fees (66 725 + 11 775 ✓)	78 500 ☑#
Bad debts (10 160 + 3 690 ✓)	13 850 ☑#
140 625 Depreciation (90 000 + 50 625 + 104 000)	244 625 ☑*
Provision for bad debts adjustment (21 710 – 19 475)	2 235 ✓
Operating Profit	
Interest Income	
Profit before Interest Expense	
Interest Expense	
Profit before Tax	
Income Tax (7 084 000 x 30/70)	(3 036 000) ✓✓
Net Profit for the year	**7 084 000**

20

#check operation $ 2 marks can be allocated to cost of sales if calculation is shown on COST OF SALE then will be bal fig for 1 mm * one part correct

1.4 Statement of Financial Position on 28 February 2026.

ASSETS	
NON-CURRENT ASSETS	
Fixed assets see 1.1	26 609 500 ☑
Financial assets	
CURRENT ASSETS	
Inventories (2 152 800 + 310 000 ✓)	2 462 800 ☑*
Trade and other receivables **(5 674 300** – 21 710 ✓ + 90 000 ✓ - 3 690 ☑)	5 738 900 ☑*
Cash and cash equivalents **(2 180 940** + 156 250 ✓✓)	2 337 190 ☑ operation
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Shareholders' equity	28 200 500 ☑
Ordinary share capital	**18 400 000**
Retained income see 1.3	9 800 500 ☑
NON-CURRENT LIABILITIES (28 200 500 x 0,2 ✓) see shareholders equity	5 640 100 ☑*
Loan: Twist Bank (calculation above may be done here)	5 640 100
CURRENT LIABILITIES	**3 776 540**
Trade and other payables **(1 351 000** + 8 925 ☑ + 11 775 ☑) Rent Audit fees	1 371 700 ☑*
Current portion/ short term loan	572 000 ✓
SARS (Income tax) (3 036 000 – 2 850 750)	185 250 ✓☑
Shareholders for dividends see 1.3	552 000 ☑
Bank overdraft balancing figure	1 095 590 ☑
TOTAL EQUITY AND LIABILITIES	

*one part correct

22

TOTAL MARKS
60

QUESTION 2

ABUKWE LTD

2.1 Reconciliation of Profit before Taxation and Cash Generated from Operations note on 28 February 2026:

Profit before Taxation (1 405 600 x 100/70)	2 008 000 ✓✓	
Adjustment for:		
- Depreciation	401 000 ✓	
- Interest expense	77 300 ✓	
Operating Profit before changes in working capital	2 486 300	
Changes in Working Capital	(152 830)	
Change in Inventories (558 230 – 436 000)	(122 230) ✓✓	
Change in Debtors (507 100 – 450 720)	56 380 ✓✓	
Change in Creditors (669 000 – 582 020)	(86 980) ✓✓	
Cash generated from operations	2 333 470 ☑	11

2.2

Cash Flow from Operating Activities	770 390 ☑	
Cash generated from operations see 2.1	2 333 470 ☑	
Interest paid	**(77 300)**	
Taxation paid (28 400 + 602 400 + 24 080)	(654 880) ✓☑	
Dividends paid (437 000 + 385 000)	(822 000) ✓☑	6

Cash Flow from Financing Activities	1 992 500 ☑	
Proceeds from shares issued (450 000 x R3,75)	1 687 500 ✓☑	
Loan obtained (850 000 – 545 000)	305 000 ✓	
		4

Net change in Cash and Cash Equivalents	(168 010) ☑	
Cash and Cash Equivalents at beginning	124 500 ✓	
Cash and Cash Equivalents at end (8 200 – 51 710)	(43 510) ✓✓	4

2.3 **% return on average shareholders' equity (ROSHE)**

WORKINGS	ANSWER	
1 405 600 ✓ / ½ ✓(5 683 000 + 4 940 300) ✓ 10 623 300 one mark 5 311 650 two marks	26,5% ☑ one part correct assume % if not specified	4

Earnings per share

WORKINGS	ANSWER	
1 405 600 ✓ / 1 700 000 ✓ x 100	82,7 cents ☑ assume cents if not specified	3

Acid-test ratio

WORKINGS	ANSWER	
(1 014 230 ✓ – 558 230 ✓) : 1 125 230 ✓ 456 000 two marks	0,4 : 1 ☑ One part correct must be x : 1	4

% Operating expenses on sales

WORKINGS	ANSWER	
1 107 876 / 5 035 800 x 100	22% ✓✓ assume % if not specified	2

2.4 **The business is considering building its own premises for R2,5 million instead of renting one from Primadle Properties' buildings in Durban.**

What funding options can the company consider, without taking out additional loan? Provide TWO sources with figures.

Type of funding with figures ✓ ✓

- Retained Income – R1 033 000
- Funds from shares issued – R1 687 500
- Funds from vehicle sold – R150 000

2

TOTAL MARKS
40

QUESTION 3

3.1 Choose a category of indicators

3.1.1	Operating efficiency	✓
3.1.2	Liquidity	✓
3.1.3	Return to shareholders	✓

3

3.2 Operating efficiency:

Comment on the operating efficiency of ONE company that showed an improvement in managing its expenses. Quote TWO financial indicators.

Financial Indicators ✓ ✓ Figures with trends ✓ ✓

Dodo Ltd shows improvement:

- Operating expenses on sales have improved/decreased from 22,3% to 16,1% / by 6,2% points.
- Net profit after tax on sales has improved/increased from 11,2% to 15,8% / by 4,6% points.

4

3.3 Liquidity:

Explain how the credit policy has improved the liquidity of Dodo Ltd. Quote TWO financial indicators.

Financial Indicators ✓ ✓ Figures and trend ✓ ✓

- Debtors collection period has improved (from 38 days) to 30 days / by 8 days.
- Creditors payment period has improved (from 50 days) to 60 days / by 10 days.

4

3.4 Dividends, earnings and returns:

Comment on the dividend pay-out policy of Dodo Ltd and Pokolina Ltd. Which company's change in policy is irresponsible and why?

Financial Indicator with figures ✓✓ ✓✓ Comment for each company ✓ ✓
Irresponsibility selection and reason ✓✓

Dodo Ltd:
- They did not retain any funds from the current year but had used 19,6% from the previous financial year/ Depleting previous year's reserves by 19,6%

Pokolina Ltd:
- Dividend payout rate increased (from 47,2%) to 63,9% and thus retaining 36,1% of its earnings / indicating that they have plans for future expansion.

Dodo Ltd shows an irresponsible change:
The company is depleting its reserves/retained funds (which could be effectively used to rebuild profitability) / the company directors are trying to keep the shareholders happy at the expense of the company / they are trying to influence the market price of shares by increasing dividends.

8

Should the percentage return earned by Pokolina Ltd satisfy the shareholders? Explain by quoting a relevant financial indicator.

ROSHE ✓ Figures and trend ✓ Comment, comparing with interest on fixed deposit ✓✓

ROSHE increased from 13,1% to 16,9% / by 3,8% points

Comment:
- Shareholders will be satisfied with this improvement because ROSHE exceeds the interest rate on alternative investment (14%) which shows that the returns are getting better.

4

3.5 Share price:

Comment on the reasons for the current performance of the share price for each company on the Johannesburg Securities Exchange (JSE). Provide TWO financial indicators.

Comparison of NAV and MP ✓ ✓ figures and trends ✓ ✓ Comment ✓ ✓

Dodo Ltd:
- NAV of 169 cents is higher than the MP of 153 cents / by 16 cents. This is due to lack of investor confidence.

Pokolina Ltd:
- MP of 550 cents is higher than the NAV of 509 cents / by 41 cents. This is due to high demand of shares.

6

3.6 Shareholding of Tobile Lester in both companies:

Provide a calculation to show the effect which the purchase of shares in Pokolina had on Tobile's percentage shareholding.	
WORKINGS	**ANSWER**
400 000 + 150 000 = 550 000 $\frac{550\ 000 ✓}{1\ 000\ 000 ✓}$ x 100 He is now a majority shareholder ✓	55% ☑ one part correct assume % if not specified

4

3.7 Financing strategy:

Dodo Ltd has decided not to increase the loan any further but to repay a large part of the loan during the 2026 financial year.
Comment to confirm this statement. Provide ONE financial indicator.

Comment ✓ Financial Indicator with trend ✓

The debt-equity ratio has decreased from 0,5 : 1 to 0,3 : 1 indicating a low financial risk for the company caused by the large decrease in loan.

2

TOTAL MARKS
35

QUESTION 4

4.1

Explain TWO consequences of corporate accounting fraud other than those mentioned in the extract.

Any TWO valid points ✓ ✓

- Those implicated will face heavy fines
- Destroyed company reputation
- Loss of trust by investors and customers
- Potential business failure affecting employees and investment
- employees implicated in fraud will have their careers ruined
- Market price of shares at JSE will drop

2

Explain why it is important for external auditors to report fraudulent entries identified in the financial statements during their audit. Give THREE points.

Any THREE valid points ✓ ✓ ✓

- To uphold the credibility of the auditing profession
- To protect stakeholders and investors
- It is their legal responsibility to report fraudulent entries
- To maintain market confidence
- It serves as a corrective action to prevent financial losses and collapse of the organization
- To avoid disciplinary measures being taken against them by IRB

3

Explain the meaning of the term *bankruptcy*.

Any valid explanation ✓✓

- Bankruptcy is a legal process for businesses who are unable to repay their debts to creditors by seeking relief from some or all of their debts.
- Bankruptcy is a legal process for businesses who can no longer pay their debts to creditors of seeking a fresh start by liquidating their assets to pay their debts or by creating a repayment plan.

2

4.2	**Explain why public companies must be audited by external auditors. Mention TWO points.** Any TWO valid points ✓✓ ✓✓ • It is a requirement of the company's Act. • Express an unbiased opinion on the fair presentation of the financial statements of the audited organisation. • To protect public investment • Gives assurance that financial statements are reliable	4
4.3	**Express your opinion on the above-mentioned scenario. Provide ONE point.** Any valid point ✓✓ This amounts to a conflict of interest / Abuse of power / The CEO must have declared his indirect personal interest in this transaction. / He would be guilty of an offence as he will have known of his son's involvement. / Unethical business practice / May appear as nepotism, which could ruin the company's image. **How should this scenario be handled by a board of directors or by shareholders? Provide ONE point.** Any valid point ✓✓ The transaction should be cancelled by the board / shareholders may influence the board to cancel the transaction / CEO must be held accountable / disciplinary hearing / face a criminal charge.	4

TOTAL MARKS
15

TOTAL: 150