GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2026

10711

ACCOUNTING

(PAPER 1)

ACCOUNTING P1

10711E

TIME: 2 hours

MARKS: 150

11 pages + a formula sheet and a 12-page answer book

X05

P.T.O.

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. A Financial Indicator Formula Sheet is attached at the end of this question paper.
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	55	45
2	Cash Flow Statement and Financial Indicators	35	30
3	Interpretation of Financial Statements	45	35
4	Corporate Governance	15	10
TOTAL		150	120

QUESTION 1: CONCEPTS AND STATEMENT OF FINANCIAL POSITION

(55 marks; 45 minutes)

1.1 Choose the correct concept from the list below which relates to each of the following statements. Write only the concept next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

Internal Auditor; SAICA; CIPC; IFRS; External Auditor

1.1.1 Guidelines for the preparation of financial statements to ensure consistency

1.1.2 Maintains the integrity of the profession and institutes disciplinary action against those who breach standards

1.1.3 Expresses an unbiased opinion on the financial statements of the company

(3 x 1) (3)

1.2 **SKYTECH LTD**

The following information relates to Skytech Ltd. The financial year ended on 28 February 2026. The company sells two types of laptops.

REQUIRED:

1.2.1 **Refer to information B.**

Calculate the value of the closing stock of the BMAH laptop on 28 February 2026. Use the specific identification method. (5)

1.2.2 Prepare the Ordinary Share Capital Note. (7)

1.2.3 Prepare the Statement of Financial Position (Balance Sheet) on 28 February 2026. (40)

NOTE:

- Show ALL workings in brackets.
- Some figures are provided in the ANSWER BOOK.

INFORMATION:

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

	2026 R	2025 R
Ordinary share capital	?	9 000 000
Retained income	?	425 000
Loan: Silver Bank	?	809 000
Fixed assets at carrying value	?	10 780 040
Fixed deposit: Gold Bank	?	
Trading Stock	672 000	
Trade debtors	716 000	
Provision for bad debts	?	18 500
Cash and cash equivalents	720 735	
Creditors' control	233 720	
SARS: Income tax (provisional payments)	360 300	
Directors' fees	2 000 000	
Fee income	117 500	
Rent expense	146 454	
Interest on fixed deposit	84 000	
Dividend on ordinary shares	520 000	

B. **Trading stock:**

A review of the stock records revealed that only the DMAK model was captured in the accounting records. The BMAH model was omitted in error, resulting in incomplete stock records. A correcting entry is required to record the omitted stock.

Stock records revealed the following:

	MODEL	UNITS	COST	
			PER UNIT R	TOTAL R
Opening stock	DMAK	60	8 400	504 000
	BMAH	40		
		680		
Purchases	DMAK	380	8 400	3 192 000
	BMAH	300		

NOTE: There were no returns during the year.

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

	DMAK	BMAH	TOTAL
Sales	R4 536 000	R2 788 500	R7 324 500
Cost of sales	3 024 000	2 145 000	5 169 000
Gross profit	1 512 000	643 500	2 155 500
Sales (in units)	360	275	

C. Share capital and dividends:

- The company's authorised share capital consists of 1 000 000 ordinary shares.
- 600 000 of these shares were issued by the end of 2025.
- The company issued 12% of the unissued shares on 1 June 2025.
- On 31 January 2026, the company repurchased shares from a retiring shareholder. An EFT payment of R442 750 was made, the amount paid exceeded the average issue price by R24 750.

D. Dividends:

- Interim dividends were paid on 31 August 2025.
- Final dividends were recommended on 28 February 2026. Only shares in the share register qualify for these dividends.
- Total dividends paid and declared for the year amounted to R850 000.

E. Paid R3 000 to a creditor with a credit balance of R2 000. Upon receiving the payment, the creditor agreed that the excess be transferred to their business account in Skytech Ltd's Debtors' Ledger.

F. Provision for bad debts must be adjusted to 3% of outstanding debt.

G. Fee income includes R72 900 for half yearly fees from 1 January 2026.

H. A storeroom was rented from 1 November 2025 at R15 400 per month. Rent increased by 8,5% per month on 1 February 2026. Rent was paid until 31 July 2026.

I. Skytech Ltd. has invested the fixed deposit amount since March 2024. Interest on the fixed deposit is not capitalised and is calculated at 7% p.a. Interest for the last two months is still receivable.

J. The company's two directors, Godfrey and David have been employed since 2021. Godfrey earns R20 000 per month more than David, but he has not yet been compensated for January and February 2026. David took unpaid leave for four months during the financial year.

K. Equipment with a cost price of R100 800 was sold on 31 December 2025. The carrying value on 1 March 2025 was R40 320.

NOTE:
- Equipment depreciates at 20% p.a. on cost.
- Total depreciation for the year after taking the above into consideration:
  - Equipment R71 610
  - Vehicles: R230 000

L. Only 10% of the outstanding loan will be settled during the next financial year.

M. Income tax for the year amounted to R385 300.

55

QUESTION 2: CASH FLOW STATEMENT, INTERPRETATION AND RATIOS
(35 marks; 30 minutes)

The following information relates to Green Ltd. The financial year ends on 31 May each year.

REQUIRED:

2.1 Prepare the Retained Income Note. (6)

2.2 Complete the Cash Flow Statement for the year ended 31 May 2026. (19)

NOTE:
- Certain figures are provided in the ANSWER BOOK.
- Missing amounts in the shaded areas MUST NOT be filled in.

2.3 Calculate the following financial indicators for the year ended 31 May 2026:

- % operating expense on sales (2)
- Current ratio (5)
- Dividend payout rate (3)

INFORMATION:

A. Extract: Statement of Comprehensive Income for the year ended 31 May 2026

	R
Sales	2 040 000
Cost of sales	850 000
Operating expenses	742 000
Income tax (30%)	?
Net profit after tax	1 120 000

B. Extract from the Statement of Financial Position on 31 May 2026:

	31 MAY 2026 R	31 MAY 2025 R
Fixed deposit	346 500	?
Inventories	452 000	531 500
Cash and cash equivalents	106 000	620 000
Ordinary share capital	11 172 000	8 250 000
Retained income	?	740 900
Loan: YB Bank	?	340 000
Bank overdraft	400 000	0
Short term loan: YB Bank	103 800	

C.

Trade and other receivables	2026	2025
Trade debtors	905 540	544 000
Income receivable	39 700	23 850
SARS (Income tax)	0	56 000
	945 240	623 850

D.

Trade and other payables	2026	2025
Trade creditors	306 700	584 500
Income received in advance	12 200	9 320
Shareholders for dividends	350 000	120 000
SARS (Income tax)	80 000	0
	748 900	792 820

E. Fixed deposit:

At the beginning of the 2021 financial year, Green Ltd invested equal amounts with three different financial institutions. During the year, only one of these investments matured.

F. Share capital:

- The authorised share capital comprises 5 000 000 ordinary shares.
- There were 2 000 000 ordinary shares in issue at the beginning of the 2025 financial year.
- New shares were issued on 1 July 2025 at 600 cents per share.
- On 31 May 2026, shares were repurchased from a dissatisfied shareholder at 30% above the average share price. An EFT payment amounting to R438 750 was made to the shareholder.

G. Dividends:

- An interim dividend of 10 cents per share was paid on 31 October 2025.
- The directors declared final dividends on 31 May 2026.

H. Total capital employed, after all adjustments were recorded, was R13 132 250.

35

QUESTION 3: ANALYSIS AND INTERPRETATION OF FINANCIAL INFORMATION
(45 marks; 35 minutes)

KAMO LTD

The information below relates to Kamo Ltd for the year ended 30 April 2026.

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 indicator quoted.

REQUIRED:

3.1 **Profitability:**

The CFO of Kamo Ltd believes that rising expenses have negatively impacted the company's financial performance. Quote TWO financial indicators to justify why his opinion may not reflect the true situation. (4)

3.2 **Liquidity:**

Explain to the directors of Kamo Ltd why the liquidity position of the business is not improving. Quote TWO financial indicators to support this concern. (6)

3.3 **Dividend and retention policy:**

Comment on the company's dividend pay-out policy. Explain how it supports a shareholder's statement, that opening new branches in another province will take time and requires significant funding. (3)

3.4 **Share price on the stock exchange/Director's performance:**

Explain why the shareholders of Kamo Ltd are happy with the performance of the directors as compared to the previous year. Quote TWO financial indicators with trends to support the shareholders' view. (6)

3.5 **Financing strategy:**

- The directors are concerned that the company's risk and gearing have increased over the current accounting period. Quote TWO financial indicators to support your answer. (4)

- What factor caused the risk and gearing of the company to increase/decrease? Provide evidence/financial data to support your answer. (2)

3.6 **Thandi's shareholding and returns:**

Refer to Information A and C.

Sesha Ltd

- How much did Thandi pay for the new shares she purchased in Sesha Ltd on the JSE? (3)

Kamo Ltd

- Calculate the minimum number of shares that Thandi purchased in Kamo Ltd to become the majority shareholder. (3)
- Thandi is confident that her investment in Kamo Ltd will produce positive returns. Quote THREE financial indicators/financial data points to justify her confidence. (6)
- Give TWO reasons why Thandi would want to be a majority shareholder. (4)

3.7 **Insider trading:**

Refer to Information B.

What impact would insider trading have on a public company registered on the JSE, as well as on its directors? Provide ONE point for each. (4)

INFORMATION:

A. Background information regarding Thandi's shareholding in Kamo Ltd. and Sesha Ltd:

- Thandi Totsi holds shares in two companies: Kamo Ltd and Sesha Ltd.
- Thandi is considering purchasing more shares in Kamo Ltd Shares are sold in bundles of 500.
- Thandi purchased shares in Sesha Ltd at the end of the current year.

	KAMO LTD		SESHA LTD	
	30 APRIL 2026	**30 APRIL 2025**	**30 APRIL 2026**	**30 APRIL 2025**
Total number of shares in issue	480 000	360 000	900 000	900 000
Shares owned by Thandi	**?**	160 000	405 000	380 000
% shareholding in each company	**?**	44,4%	45%	42,2%
Dividends received	**?**	R67 200	R101 250	R83 600

NOTE: Both companies did not repurchase shares during the current year.

B. Ethical investment decision:

Thandi refused to engage with one of the directors who wanted to discuss the company's shares with her before she made her investment decision. She chose to rely only on publicly available information to ensure that her investment decision was fair and lawful.

C. Financial indicators, market prices of shares and other financial data on 30 April:

	KAMO LTD	
	2026	**2025**
Mark-up percentage	56%	50%
% operating expenses on sales	27,2%	26%
% operating profit on sales	15,5%	13,9%
% net profit after tax on sales	12,7%	10,5%
Acid-test ratio	0,9 : 1	1,3 : 1
Stock turnover rate p.a.	6 times	6 times
Average debtors' collection period	31 days	33 days
Average creditors' payment period	40 days	52 days
Earnings per share	87c	43,5c
Dividends per share	84c	42c
Dividend pay-out rate	96,6%	96,6%
Net asset value per share	252,5c	254,4c
% return on shareholder's equity	24,2%	18%
% return on total capital employed	32,8%	25%
Debt-equity ratio	0,6 : 1	0,9 :1
Interest rate on loans	13%	12%
Interest rate on fixed deposits	7,5%	7,5%
JSE market price per share	260c	220c

	SESHA LTD	
	2026	**2025**
JSE market price per share	400c	320c

45

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

You are provided with an article on Bronx Ltd relating to corporate governance. Read the article and use your knowledge of companies to answer the questions that follow.

REQUIRED:

NOTE: Do NOT repeat your responses in the various questions.

4.1 Explain the role of the Johannesburg Stock Exchange (JSE) in relation to companies. (2)

4.2 Explain how executive and non-executive directors help to ensure good corporate governance in a company. Give TWO points for each. (4)

4.3 Suggest TWO ways in which Bronx Ltd can ensure that the compensation of executive officials is fair and reasonable. (4)

4.4 Some shareholders are concerned about alleged transactions between Bronx Ltd and parties connected to its directors.

- Explain what a *conflict of interest* means. (2)
- Why could such transactions be a problem for the company? State THREE points. (3)

INFORMATION:

A. Article: Effective governance in practice

Bronx Ltd is a well-known South African company that produces energy-efficient lighting products. The company is run by a board of ten directors. Some of these directors are executives, while others serve as non-executive directors.

The CEO, Mr Mahlangu, is admired for growing the business and introducing innovative products. However, some shareholders are becoming concerned that too much power is placed in the hands of management. Their main anxiety relates to the high remuneration of executive directors and possible transactions between related parties involving directors and their associates.

15

TOTAL: 150

END

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 & 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.)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

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.

GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2026

10711

ACCOUNTING

PAPER 1

ANSWER BOOK

NAME OF SCHOOL: ________________________________

NAME OF LEARNER: ________________________________

QUESTION	TOPIC	MARKS	MARKS OBTAINED
1	Company Financial Statements	55	
2	Cash Flow Statement and Financial Indicators	35	
3	Interpretation of Financial Statements	45	
4	Corporate Governance	15	
TOTAL		**150**	

12 pages

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	

3

1.2.1

Calculate the value of the closing stock of the BMAH laptop on 28 February 2026. Use the specific identification method.	
WORKINGS	AMOUNT

5

1.2.2 ORDINARY SHARE CAPITAL NOTE

ISSUED SHARES		
600 000	Shares in issue at the beginning of the year	9 000 000
620 500	Shares in issue at the end of the year	

7

1.2.3 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2026

ASSETS	
NON-CURRENT ASSETS	
Fixed assets (10 780 040	
Fixed deposit: Gold Bank	
CURRENT ASSETS	
Inventory	
Trade and other receivables (716 000	
Cash and cash equivalents	720 735
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	11 745 000
Ordinary share capital	
Retained income	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables (233 720	
Current portion of loan	195 000
TOTAL EQUITY AND LIABILITIES	

40

TOTAL MARKS
55

P.T.O.

QUESTION 2

2.1 RETAINED INCOME NOTE

Balance at the beginning of the year	740 900
Ordinary share dividends	
Interim dividend	250 000
Final dividend	
Balance at the end of the year	

6

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2026

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Dividends paid	(370 000)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets	
Proceeds on sale of fixed assets	
CASH FLOW FROM FINANCING ACTIVITIES	
Repurchase of shares	(438 750)
NET CHANGE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS AT BEGINNING	
CASH AND CASH EQUIVALENTS AT END	

19

2.3 Calculate the following financial indicators for the year ended 31 May 2026:

% operating expense on sales	
WORKINGS	**ANSWER**

2

Current ratio	
WORKINGS	**ANSWER**

5

Dividend payout rate	
WORKINGS	**ANSWER**

3

TOTAL MARKS
35

QUESTION 3

3.1 Profitability:

The CFO of Kamo Ltd believes that rising expenses have negatively impacted the company's financial performance. Quote TWO financial indicators to justify why his opinion may not reflect the true situation.

4

3.2 Liquidity:

Explain to the directors of Kamo Ltd why the liquidity position of the business is not improving. Quote TWO financial indicators to support this concern.

6

3.3 Dividend and retention policy:

Comment on the company's dividend pay-out policy. Explain how it supports a shareholder's statement, that opening new branches in another province will take time and requires significant funding.

3

3.4 Share price on the stock exchange/Director's performance:

Explain why the shareholders of Kamo Ltd. are happy with the performance of the directors as compared to the previous year. Quote TWO financial indicators with trends to support the shareholders' view.

6

3.5 **Financing strategy:**

The directors are concerned that the company's risk and gearing have increased over the current accounting period. Quote TWO financial indicators to support your answer.

4

What factor caused the risk and gearing of the company to increase/ decrease? Provide evidence/financial data to support your answer.

2

3.6 **Thandi's shareholding and returns:**

Sesha Ltd

How much did Thandi pay for the new shares that she purchased in Sesha Ltd on the JSE?	
WORKINGS	**ANSWER**

3

Kamo Ltd

Calculate the minimum number of shares that Thandi purchased in Kamo Ltd. to become the majority shareholder.	
WORKINGS	**ANSWER**

3

Thandi is confident that her investment in Kamo Ltd will produce positive returns. Quote THREE financial indicators/financial data points to justify her confidence.

6

Give TWO reasons why Thandi would want to be a majority shareholder.

4

3.7 Insider trading:

What impact would insider trading have on a public company registered on the JSE, as well as on its directors? Provide ONE point for each.	
Company	**Directors**

4

TOTAL MARKS
45

QUESTION 4

4.1 Explain the role of the Johannesburg Stock Exchange (JSE) in relation to companies.

2

4.2 Explain how executive and non-executive directors help to ensure good corporate governance in a company. Give TWO points for each.

Executive	
Non-executive	

4

4.3 Suggest TWO ways in which Bronx Ltd can ensure that the compensation of executive officials is fair and reasonable.

4

4.4 **Some shareholders are concerned about alleged transactions between Bronx Ltd. and parties connected to its directors.**

Explain what a *conflict of interest* means.

2

Why could such transactions be a problem for the company? State THREE points.

3

TOTAL MARKS
15

TOTAL: 150

END

GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2026

MARKING GUIDELINES

ACCOUNTING PAPER 1 (10711)

11 pages

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 items). 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. Award full marks for a correct answer. If an answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the workings for that figure (not the method mark for the answer). **Note**: If figures are stipulated in the marking guidelines for components of workings, these do not carry the method mark for the 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. Operation means 'check operation'. 'One part correct' means operation and one part correct.
   Note: Check operation must be +, -, x, ÷, or per marking guideline.
9. One part correct means 'operation and one part correct'. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.
10. In calculations, do not award marks for workings if the numerator and 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 an ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

QUESTION 1

1.1

1.1.1	IFRS	✓
1.1.2	SAICA	✓
1.1.3	External auditor	✓

3

1.2.1

Calculate the value of the closing stock of the BMAH laptop on 28 February 2026. Use the specific identification method.	
WORKINGS	**AMOUNT**
(340 – 275) (2 145 000 / R275) 65 ✓☑ x 7 800 ✓☑	507 000 ☑ one part correct

5

1.2.2 **ORDINARY SHARE CAPITAL NOTE**

ISSUED SHARES		
600 000	**Shares in issue at the beginning of the year**	**9 000 000**
48 000 ✓✓	Shares issued during the year	☑* 849 600 Inspect (+SBB – S@B)
(27 500) ☑*# Inspect (– SIB – SID)	Shares repurchased at R15,20 average Do not accept R442 750 or R24 750	(418 000) ✓✓*#
620 500	**Shares in issue at the end of the year**	9 431 600 ☑ If x by ASP

7

* one part correct, check correct operation for balancing figure. i.e. (– SI@B – SID)/(+SBB – SI@B)
#Ignore brackets
-1 presentation/details (max -1)

1.2.3 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2026

ASSETS			
NON-CURRENT ASSETS		11 894 910	☑*
Fixed assets one mark (– 40 320) two marks (+ 16 800) (**10 780 040** – 71 610 ✓ – 230 000 ✓ – 23 520 ✓✓✓)		10 454 910	☑*
Fixed deposit: Gold Bank two marks one mark 84 000 ✓ x 100/7 ✓ x 12/10 ✓ OR 100 800/0.07	11	1 440 000	☑*
CURRENT ASSETS		2 695 570	☑
Inventory (672 000 ✓ + 507 000 ☑) see 1.2.1		1 179 000	☑*
Trade and other receivables Transfer, Prov bd, Rent Exp, Int on fd (**716 000** + 1 000 ✓ – 21 510 ✓☑ + 83 545 ✓✓ + 16 800 ✓) (717 000 x 3/100)		795 835	☑*
Cash and cash equivalents		**720 735**	
TOTAL ASSETS NCA + CA	12	14 590 480	☑*
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY		**11 745 000**	
Ordinary share capital see 1.2.2		9 431 600	☑
Retained income SHE – OSC; can be -ve.	2	2 313 400	☑
NON-CURRENT LIABILITIES		1 755 000	
Loan: Silver Bank	2	1 755 000	✓✓
CURRENT LIABILITIES		1 070 320	☑*
Trade and other payables Dir. fees, Transfer, Fee Inc (**233 720** + 240 000 ✓✓ – 2 000 ✓✓ + 48 600 ✓✓) (-3 000 + 1 000) one mark one mark		520 320	☑*
Current portion of loan		**195 000**	
SARS income tax		25 000	✓✓#
Shareholders for dividends		330 000	✓✓#
TOTAL EQUITY AND LIABILITIES SE+NCL+CL	15	14 570 320	☑*

40

* one part correct

#Inspect SFD & SARS IT may be included in T&OP.

-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

NOTE: Due to adjustment of fixed asset, TE&L will reflect a deficit of R20 160 compared to TA.

TOTAL MARKS
55

QUESTION 2

2.1 RETAINED INCOME NOTE

Balance at the beginning of the year	**740 900**	
Net profit after tax	1 120 000	✓
Repurchase of shares (ignore brackets)	(101 250)	✓✓
Ordinary share dividends **operation** ignore brackets	(600 000)	☑
Interim dividend	**250 000**	
Final dividend	350 000	✓
Balance at the end of the year Inspect (+ NPAFT – SBB – OSD)	1 159 650	☑*

*one part correct
-1 presentation (max -1);

6

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2026

CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations			
Interest paid			
Taxation paid (80 000 ✓ + 56 000 ✓ – 480 000 ✓✓) **OR** – 80 000 – 56 000 + 480 000 Accept ledger format or use of brackets as workings. For use of reversed signs; ensure that only one option is marked consistently.		(344 000)	☑*#
Dividends paid	5	**(370 000)**	
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets			
Proceeds on sale of fixed asset			
Change in fixed deposit	2	173 250	✓✓
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (2 500 000 ✓✓ – 2 000 000 ✓) x 600/100 OR 11 172 000 (one mark) + 337 500 (one mark) – 8 250 000 (one mark)		3 000 000 OR 3 259 500	☑*$
Repurchase of shares		**(438 750)**	
Increase in loan see 2.1 (13 132 250 – 11 172 000 – 1 159 650) (340 000 ✓ – 800 600 ✓☑)	8	460 600	☑*#
NET CHANGE IN CASH AND CASH EQUIVALENTS (294 000 + 620 000)		(914 000)	☑*
CASH AND CASH EQUIVALENTS AT BEGINNING		620 000	✓
CASH AND CASH EQUIVALENTS AT END	4	(294 000)	✓✓

19

*one part correct and must indicate correct operation & correct use of brackets
If no brackets, assume answer is an inflow of cash – award marks for workings only.
#If the correct amount is provided without the brackets, and without workings, award all marks allocated for workings only.
$If the correct amount is provided with the brackets, and without workings, award all marks allocated for workings only.
-1 presentation (max -1); misplaced items award marks for workings only.

2.3 Calculate the following financial indicators for the year ended 31 May 2026:

% operating expense on sales

WORKINGS	ANSWER
$\frac{742\ 000}{2\ 040\ 000} \times \frac{100}{1}$	36,4% ✓☑ one part correct % not necessary Do not accept 0,364

2

Current ratio

WORKINGS	ANSWER
(452 000 + 945 240 + 106 000) 1 503 240 ✓☑ : (400 000 + 103 800 + 748 900) 1 252 700 ✓☑	1,2 : 1 ☑ one part correct in form x : 1 Do not accept 1:1

5

Dividends payout rate

WORKINGS	ANSWER
see 2.1 $\frac{600\ 000 ☑}{1\ 120\ 000 ✓} \times \frac{100}{1}$	53,6% ☑ one part correct % not necessary Do not accept 0,536

3

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 operations done to stand-alone figures. e.g. no tick if anything else is added to R600 000/ R1 120 000.

TOTAL MARKS
35

QUESTION 3

3.1 Profitability:

The CFO of Kamo Ltd believes that rising expenses have negatively impacted the company's financial performance. Quote TWO financial indicators to justify why his opinion may not reflect the true state of affairs.

Financial indicator ✓ ✓ figures and trends ✓ ✓

- % operating profit on sales increased (from 13,9%) to 15,5% / by 1,6 % points / by 11,5%.
- % net profit after tax on sales increased (from 10,5%) to 12,7% / by 2,2 % points / by 21%.

Do not accept mark-up%

4

3.2 Liquidity:

Explain to the directors of Kamo Ltd why the liquidity position of the business is not improving. Quote TWO financial indicators to support this concern.

Financial indicator ✓ ✓ figures and trends ✓ ✓

- Acid test ratio decreased (from 1,3:1) to 0,9:1 / by 0,3:1
- Average creditors payment period decreased (from 52 days) to 40 days / by 12 days.

Any ONE valid explanation ✓✓

- A declining trend suggests weakening short-term financial stability.
- The business may not have enough liquid assets to cover immediate debts / paying creditors quicker reduces the amount of cash available for day-to-day operations.

6

3.3 Dividend and retention policy:

Comment on the company's dividend pay-out policy. Explain how it supports a shareholder's statement, that opening new branches in another province will take time and requires significant funding.

Financial indicator with figure/s and trend ✓

- Dividend pay-out rate remained unchanged at 96,6%.

Any ONE valid explanation ✓✓

- The company is retaining funds for future growth, and as a result, opening new branches is not currently a realistic option.
- Opening a new branch is unrealistic as high dividend payouts have resulted in insufficient retained profits.

FOR THREE MARKS

- The company is only retaining 3,4% for future expansion purposes, consequently, new branches are not currently a realistic option.

3

3.4 Share price on the stock exchange/Director's performance:

Explain why the shareholders of Kamo Ltd are happy with the performance of the directors as compared to the previous year. Quote TWO financial indicators with trends to support the shareholders' view. Compare MP to NAV ✓✓ ✓✓ • In 2026, market price (MP) of 260c is above the net asset value (NAV) of 252,5c. • In 2025 market price (MP) of 220c was below the net asset value (NAV) of 254,4c. Any ONE valid explanation ✓✓ • The company performance has improved overall • Directors made good decisions. • Company's shares are in demand. • confidence in management.

6

3.5 Financing strategy:

The directors are concerned that the company's risk and gearing have increased over the current accounting period. Quote TWO financial indicators to support your answer. Financial indicator ✓ ✓ figures and trends ✓ ✓ • Debt/equity ratio has decreased (from 0,9:1) to 0,6:1/ by 0,3:1 (Risk has decreased because the company is less dependent on borrowed funds). • ROTCE increased (from 25%) to 32,8% / by 7,8% points / by 31,2% (The company is positively geared as the ROTCE of 32,8% is much higher than the loan interest rate of 13% / This indicates that borrowed funds are being used effectively to generate higher profits).
What factor caused the risk and gearing of the company to increase/ decrease? Provide evidence/financial data to support your answer. • A new issue of shares ✓ – 120 000 shares ✓

4

2

3.6 Thandi's shareholding and returns:

Sesha Ltd

How much did Thandi pay for the new shares she purchased in Sesha Ltd on the JSE?	
WORKINGS	**ANSWER**
[405 000 – 380 000] 25 000 ✓ x 400c ✓ OR 25 000 x 320c one mark one mark	100 000 ☑ one part correct OR 80 000 one part correct

3

Kamo Ltd

Calculate the minimum number of shares that Thandi purchased in Kamo Ltd to become the majority shareholder.	
WORKINGS	**ANSWER**
[480 000 x 50%] [240 000 + 500] ✓ – 160 000 ✓	80 500 ☑ One part correct

3

Thandi is confident that her investment in Kamo Ltd will produce positive returns. Quote THREE financial indicators/financial data points to justify her confidence.

Financial indicator, figures and trends ✓ ✓ ✓ explanation ✓ ✓ ✓

- Earnings per share increased (from 43,7c) to 87c / by 43,3c / by 99.1%; Profits has increased
- ROSHE increased (from 18%) to 24,2% / by 6,2% points / by 34,4%; ROSHE is above the interest rate on alternative investments (7,5%).
- Dividends received in Kamo Ltd at R202 020 [(160 000 + 80 500) x 84c] is better than Sesha Ltd at R101 250.

6

Give TWO reasons why Thandi would want to be a majority shareholder.

Any TWO valid points ✓✓ ✓✓ part-marks for unclear responses

- Gaining more control over major business decisions.
- Having the power to appoint or influence the selection of directors.
- Enjoying stronger voting rights in shareholder meetings.
- Receiving a larger portion of dividends due to higher share ownership.
- Influencing the company's long-term strategy and direction.
- Protecting the investment by ensuring good governance and management.
- Blocking decisions that may negatively affect the business.
- Increasing ownership value and overall influence within the company.

4

3.7 Insider trading:

What impact would insider trading have on a public company registered on the JSE, as well as on its directors? Provide ONE point for each.	
Company ✓✓	**Directors** ✓✓
• Increased regulatory scrutiny. • Legal costs and shareholder lawsuits. • Increased cost of capital. • Decreased employee morale. • Company may be delisted from the JSE. • Loss of investor confidence resulting a negative image in the market.	• Criminal charges and imprisonment. • Civil penalties and financial ruin. • Disqualification from serving as a director. • Loss of employment and professional ruin. • Reputational damage.

4

TOTAL MARKS
45

QUESTION 4

4.1 Explain the role of the Johannesburg Stock Exchange (JSE) in relation to companies.

Any ONE valid explanation ✓✓

- Provides a platform for companies to raise funds.
- It makes it easy for investors to buy and sell shares.
- Regulates listed companies to publish audited financial statements.
- Enhances company's credibility and public image.

2

4.2 Explain how executive and non-executive directors help to ensure good corporate governance in a company. Give TWO points for each.

Executive Any TWO valid points ✓ ✓	• Ensure the board's strategies are actioned actively. • Manage day-to-day operations. • Monitor financial performance to maintain accountability. • Report to the board to support decisions made.
Non-executive Any TWO valid points ✓ ✓	• Offer unbiased opinions to protect shareholder's interests. • Monitor if management act in the company's interest and follow regulations. • Identify and advise on potential risks. • Promote accountability within the board and company.

4

4.3 Suggest TWO ways in which Bronx Ltd can ensure that the compensation of executive officials is fair and reasonable.

Any TWO valid points ✓✓ ✓✓ part-marks for unclear responses

- Establish a remuneration committee to oversee executive officials' compensation.
- Set clear performance targets and criteria for bonuses.
- Disclose the compensation of executive officials in the financial statements.
- Ensure that the compensation of executive officials is aligned with shareholder interests.

4

4.4 **Some shareholders are concerned about alleged transactions between Bronx Ltd and parties connected to its directors.**

Explain what a *conflict of interest* means.

Any valid explanation ✓✓

- When personal interests affect business decisions / an employee chooses what benefits him instead of the company, creating a risk of bias.
- Personal gain influences professional judgment.
- Private interests clash with business interests.
- Decisions are made for self-benefit rather than the company's benefit.
- Personal relationships influence decision-making / Acts of dishonesty that occurs when a person's personal interests could influence decisions to benefit him.
- Fair and impartial judgment is compromised.

2

Why could such transactions be a problem for the company? State THREE points.

Any THREE valid points ✓ ✓ ✓

- Company might enter unfair/harmful deals.
- Shareholders may lose trust in the board/It can damage customer confidence towards the company/discourage potential investors.
- The company may be liable from the payment of penalties for violaton of regulations.
- Better deals from external suppliers may be missed.

3

TOTAL MARKS
15

TOTAL: 150