KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS) SUPPORT

LAST PUSH LEARNER REVISION DOCUMENT

ACCOUNTING: PAPER 1 & 2

GRADE 12

2026

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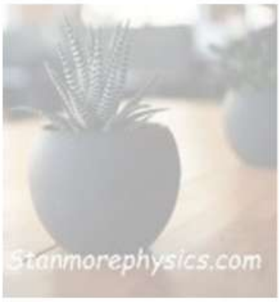


LPA – A1: STATEMENT OF COMPREHENSIVE INCOME

The following information was taken from the accounting records of Violet Limited. The financial year ended on 28 February 2026. The company trades with women's and men's clothing.

REQUIRED:

1.1 Refer to Information B.
Calculate the value of the closing stock of men's informal shirts.

1.2 Prepare the Statement of Comprehensive Income for the year ended 28 February 2026

INFORMATION:

A The following amounts were extracted from the accounting records on:

	28 Feb. 2026 R	29 Feb. 2025 R
Fixed deposit: Time Bank	?	
Trading stock	4 598 000	
Debtors' control	735 000	
Provision for bad debts		30 600
Ordinary share capital	17 875 000	11 395 000
Retained income		4 805 000
Mortgage loan: Delta Bank	3 080 000	3 620 000
Creditors' control	878 500	
SARS : Income Tax (Provisional tax payments)	2 450 000	
Accrued Income	?	
Prepaid Expense	?	
Income Received in Advance	77 000	
Sales	27 050 000	
Debtors allowances	50 000	
Cost of sales	14 000 000	
Salaries and wages	654 000	
Audit fees	175 000	
Advertising	122 000	
Packing material	80 000	
Sundry expenses	?	
Commission income	163 000	
Rent income	?	
Directors' fees	?	

ADJUSTMENTS AND ADDITIONAL INFORMATION

B Trading stock:

The closing stock of one specific brand of men's informal shirts is valued according to the weighted-average stock valuation method. The following records are applicable to this brand of informal shirts:

	Quantity	Per unit R	Total R
Stock (1 March 2025)	3 000		12 192 500
Purchases	48 000		16 500 000
Returns	1 000		42 500
Closing stock (28 Feb. 2026)	8 000		?

C Fixed deposit: Time Bank
- Interest rate on fixed deposit is 9 %.
- A fixed deposit of R320 000 matured on 31 July 2025.
- The remaining 60% of the fixed deposit will mature on 31 December 2028.

D Transfer of balance and provision for bad debts:
- A debtor, who had overpaid his account by R5 000 in the Debtors' Ledger, requested that this overpayment be transferred to his account in the Creditors' Ledger. This transfer has not yet been recorded.
- The provision for bad debts must be adjusted to 4% of the outstanding debtors.

E Commission income for February 2026, R6 400, was still outstanding.

F R 77 000 is the total Rent for March and April 2026 that was received and recorded.
Note: The rent was increased by 10% on 1 December 2025.

G The company had two directors on 1 March 2025, the beginning of the financial year. They both earned the same monthly directors' fees and were paid in full. A third director, Jack Jele, was employed on 1 June 2025, earning a monthly fee of 25% lower than the other directors. Jack was paid up to 31 March 2026. Jack's monthly fee for March 2026 was R 48 750.

H Mortgage loan: Delta Bank
- Fixed monthly repayments of R45 000, including capitalised interest, has been made and correctly recorded for the financial year ended 28 February 2026.
- The loan statement showed a correct closing balance of R3 200 000 on 28 February 2026.
- Interest on loan is capitalized and must be provided for.

I Profit and income tax:
- The assessment from SARS for the financial year ended 28 February 2026 indicated that the company qualifies for a tax refund of R70 000.
- The net profit after tax was accurately calculated to be R6 721 000 for the financial year ended 28 February 2026.

LPA - A1 ANSWERBOOK

1.1	**Calculate the value of the closing stock of men's informal shirts.**

1.2 **STATEMENT OF COMPREHENSIVE INCOME OF VIOLET LTD FOR THE YEAR ENDED 28 FEBRUARY 2026**

Gross Profit	**13 000 000**
Other Operating Income	**600 900**
Operating expenses	**(4 435 100)**
Operating Profit	**9 165 800**
Profit before interest expense	**9 221 000**
Net Profit before tax	**9 101 000**
Net Profit After Tax	**6 721 000**

LPA A2 STATEMENT OF COMPREHENSIVE INCOME

SUGAR Ltd has an authorised share capital of 5 500 000 ordinary shares.

REQUIRED:

Prepare the Statement of Comprehensive Income for the year ended 31 March 2026.

EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE FOR THE YEAR ENDED 31MARCH 2026.

Balance Sheet Account section	**Debit**	**Credit**
Loan: Money Bank		399 200
Trading stock	325 000	
Debtors control	245 000	
Provision for bad debts		9 400
Creditors control		194 870
SARS (Income tax)	280 000	
Nominal Account Section		
Sales		4 978 750
Cost of Sales	?	
Bad debts	?	
Pension contributions	82 500	
Medical aid contributions	54 000	
Bank charges	19 600	
Packing material	8 600	
Salaries and wages	700 000	
Audit fees	48 000	
Dividends on ordinary shares	350 000	
Directors' fee	840 000	
Commission income		456 000
Interest on savings account	2 500	
Rent income		159 500

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. The business maintains a mark-up of 100% on cost. Note that trade discount of R148 000 were granted to special customers.

2. The Bank Statement for March 2026 was received after the Trial balance was drawn up.
   - The business invested R1 500 000 in a fixed deposit at Fixit Bank at an interest rate of 18% p.a.
   - Bank charges, R260.
   - Interest on credit balance, R180.
   - Received R55 250 from the Insurance company for an insurance claim. Stock was damaged due to a fire in one of the storerooms. They paid out 65% of the total damaged.

3 A physical stock count at the end of the year highlighted the following:
   - Trading stock amounted to R233 000.
   - R7 950 of packing material was used during the financial year.

4 Adjust the provision for bad debts to 4% of the book debt.

5 Commission income still due for March 2026, R32 000

6 The Salaries Journal for March 2026 was completed. The accountant had however forgotten to complete the required posting to the General Ledger. The Journal revealed the following details.

Gross monthly Salary	Deductions (34% of gross salary)			Net Salary
	Pension Fund	Medical Aid	SARS (PAYE)	
?	R1 500	R800	R2 800	?

The employer contributes on a Rand for Rand basis to the Pension fund and the Medical Aid Fund.

7 Interest on loan is capitalised. The following details have been extracted from the loan statement obtained from Money Bank:

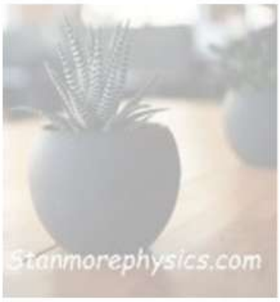
Balance on 1 April 2025	R500 000
Payments including interest	R100 800
Interest on loan	?
Balance on 31 March 2026	R420 000

8 The tenant did some repairs to the office building to the value of R18 500. It was agreed that this amount will be off-set against the rent owed for March and April 2026.

9 Directors' fees of R60 000 were incorrectly debited against the salaries and wages account.

10 The auditors are owed a further R38 000 after completing the audit.

11 Income tax for the year amounted to R324 800. This was calculated at 28% of the net profit.



LPA – A2 ANSWER BOOK

SUGAR Ltd INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

Gross profit		
Other operating income		
Gross operating income		
Operating expenses		
Operating profit		
	1	
Net profit before interest expense		
	2	
Net profit before tax		
Net profit after tax		

LPA ACTIVITY A3

STATEMENTS: COMPREHENSIVE INCOME AND NOTES

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

REQUIRED:

Complete the following:

3.1 Statement of Comprehensive Income for the year ended 28 February 2026

3.2 Retained income note on 28 February 2026

INFORMATION:

A. Amounts extracted from the records on 28 February 2026

	R
Loan: Forderville Bank	610 320
Creditors' control	562 500
Fixed deposit: Estcourt Bank	150 000
Trading stock	900 000
Bank (favourable balance)	469 500
Debtors' control	593 000
Provision for bad debts (1 March 2025)	34 120
SARS: Income Tax (Dr)	660 000
SARS: PAYE	36 000
Pension fund	13 500
Sales	8 085 500
Insurance	48 750
Bad debts	33 260
Rent income	85 100
Directors' fees	825 000
Consumable stores	33 900
Interest on fixed deposit	11 090
Bad debts recovered	11 760
Ordinary share dividends	237 500

B. Additional information:

(i) **Mark-up** percentage of 100% on cost was maintained during the financial year.

(ii) **Ordinary share capital and dividends**

- On 1 May 2025 an additional 300 000 shares were issued.
- On 1 September 2025 the company repurchased 40 000 shares at 80 cents above the average share price of R8,50 each.
- 950 000 shares were in issue on 28 February 2026.
- The total dividend for the year amounted to R570 000.

C Adjustments not taken into account

(i) Totally damaged goods returned on 26 February 2026 was incorrectly recorded as R7 200. The amount according to the credit note issued is R2 700.

(ii) Consumable stores on hand on 28 February 2026, R5 900.

(iii) An amount of R2 240 received from E. Mtshali, whose account had been written off as irrecoverable, was posted in error to the bad debts account.

(iv) Provision for bad debts should be adjusted to R29 660.

(v) The insurance account includes an annual premium of R22 500 paid for the period 1 July 2025 to 30 June 2026.

(vi) The premises have been rented since 1 April 2025 with an agreement that rent will be reduced by R1 000 per month with effect from 1 January 2026. The rent for February 2026 is still outstanding.

(vii) The company pays the same monthly fee to all directors. One of the three directors resigned on 30 November 2025 and a new director was appointed on 1 February 2026. The fee of the new director is still outstanding.

(viii) Sundry Expenses is the missing figure in the Statement of Comprehensive Income.

(ix) After taking all adjustments into account, the operating profit was accurately calculated as R1 602 190.

Extract from the loan statement received from Forderville Bank:

Interest capitalised	?
Repayments (including interest)	R161 280
Balance at the end of the financial year	R703 800

(xi) The income tax rate is 30%.

3.1 GINGER LTD
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2026

Sales	
Cost of sales	
Gross profit	
Other operating income	
Discount received	23 190
Gross income	
Operating expenses	
Advertising	404 500
Salaries and wages	956 180
Audit fees	89 970
Depreciation	123 220
Trading stock deficit	18 500
Sundry expenses	
Operating profit	1 602 190
Net profit before interest expense	
Net profit before tax	
Net profit after tax	

STATEMENT OF FINANCIAL POSITION

LPA-B1 CORRECTION OF NET PROFIT AND NOTES

LUTHELO LIMITED

The following information relates to LUTHELO Limited. The financial year ended on 30 June 2026. The business uses the perpetual inventory system

REQUIRED:

1.1 **Refer to information B**
Calculate the correct net profit after tax for the year ended 30 June 2026. Indicate a + for increase and a – for decrease.

1.2 Retained Income Note on 30 June 2026.

INFORMATION:

BALANCE SHEET ACCOUNTS SECTION	**2026**	**2025**
Ordinary share capital	?	8 000 000
Retained income	2 194 000	?
Mortgage loan: Dune Bank	?	
Fixed assets	?	
Fixed deposit	480 000	
Trading stock	206 100	
Debtors' control	396 000	
Provision for bad debts (1 July 2025)	13 400	
SARS: Income Tax - Provisional payment	712 000	
Accrued income	13 200	
Creditors' control	132 000	
NOMINAL ACCOUNTS SECTION		
Rent income	122 400	
Insurance	48 500	

B. Net profit before tax of R2 530 200 was determined BEFORE taking into account the following information:

i. Trading stock on 30 June 2026 was valued at R186 300.
ii. Rent for July 2026 had been received in advance. Rent increased on 1 February 2026 by 10%.
iii. Provision for bad debts must be adjusted to R10 700.
iv. An annual insurance premium of R9 600 was paid for the period 1 March 2026 to 28 February 2027.
v. The auditor discovered that the loss on disposal of a vehicle, R7 300, was incorrectly shown as a profit.
vi. Income tax amounts to R748 500 for the year.

C. Dividends and shares:

- Interim dividends of R400 000 were paid on 31 December 2025.
- The directors declared a final dividend of 23 cents per share on 30 June 2026 on all shares issued to date. Shares repurchased on 30 May 2026 do not qualify for final dividends.
- **Share capital:**

1 July 2025	2 000 000 shares were in issue
15 October 2025	500 000 new shares were issued at R6,00 each. This has been recorded.
30 May 2026	20 000 shares were repurchased at R1,60 more than the average price. This has not been recorded.

LPA-B1 ANSWERBOOK

1.1	Calculate the correct net profit after tax for the year ended 30 June 2026. Indicate a + for increase and a – for decrease.
Calculation of the correct net profit after tax	
Incorrect net profit	2 530 200
Trading stock deficit	
Rent income	
Provision for bad debts adjustment	
Correct net profit before tax	
Income tax	
Net profit after tax	

1.2	Retained income note on 30 June 2026
	R
Balance at the beginning of the year	
Ordinary share dividends	
Balance at the end of the year	2 194 000

LPA-B2
STATEMENT OF FINANCIAL POSITION WITH NOTES
GREENDAYS LTD

The information relates to the financial year ended 28 February 2026. The business trades with electronic and household appliances and furniture.

REQUIRED:

1. **Refer to Information B.**

   Calculate the correct net profit after tax for the year ended 28 February 2026. Indicate a **+** for increase and a **–** for decrease.

2. **Refer to Information C.**

   Calculate the value of the closing stock of tables on 28 February 2026 using the first-in-first out inventory valuation method.

3. Prepare the following notes to the Statement of Financial Position on 28 February 2026:

   - Ordinary share capital
   - Retained income

4. Complete the Statement of Financial Position on 28 February 2026.
   Show workings.

INFORMATION:

A. Amounts extracted from the books on:

BALANCE SHEET ACCOUNTS	**28 FEB. 2026**	**28 FEB. 2025**
Ordinary share capital	?	9 600 000
Retained income	?	1 181 250
Mortgage loan: Law tan Bank	2 508 000	3 150 000
Fixed assets at carrying value	?	
Fixed deposit: Fortune Bank	?	
Trading stock	?	
Debtors control	886 000	
Provision for bad debts	?	43 000
Petty cash and cash float	54 000	
Bank overdraft	?	
Creditors' control	1 318 000	
SARS: Income tax (provisional)	972 000	
Income received in advance	32 000	
Shareholders for dividends	889 200	752 000
Nominal accounts (pre-adjustment amounts)		
Commission income	29 920	
Rent expense	866 880	
Directors' fees	2 260 500	

B. Net profit before tax of R3 726 880 was determined BEFORE considering the following information:

(i) Commission income for February 2026, R41 900, was still outstanding.

(ii) Provision for bad debts is maintained at 5% of the good book debts.

(iii) Rent expense:

- The company rented 340 m^2 at a fixed rate per m^2.
- On 1 December 2025, an additional 90 m^2 was rented at 10% rent more than the fixed rate on the existing 340 m^2.
- The rent for March 2026 was paid in advance.

(iv) Directors' fees:

- The company has three directors who earn the same monthly directors' fee.
- One director took unpaid leave for the period 1 November 2025 to 31 December 2025.
- One director has not received his director's fee for February 2026.

(v) Interest on loan:

- Fixed monthly repayments (including interest) have been made and correctly recorded.
- Interest on loan (capitalized) of R258 000 has not been recorded by the business yet.

(vi) Income tax is calculated at 28% of the net profit.

C. Trading stock

The closing stock of tables was omitted from the stock-taking on 28 February 2026. Tables are valued according to the first-in-first-out stock valuation method. The following details are in respect of tables:

(i) **Inventories:**

DATE	NUMBER OF UNITS	PER UNIT	TOTAL VALUE
28 February 2026	440	?	?

(ii) **Purchases, carriage on purchases and returns:**

Purchases and carriage on purchases:						
DATE	NO. OF UNITS	PER UNIT	TOTAL PURCHASES	CARRIAGE PER UNIT	TOTAL CARRIAGE	TOTAL COST
		R	R	R	R	R
March - June 2025	1 450	380	551 000		36 600	587 600
Sept 2025	500	350	175 000	25	12 500	187 500
Nov 2025	300	400	120 000	30	9 000	129 000

Returns:			
DATE	NO. OF UNITS	PER UNIT	TOTAL RETURNS
		R	R
Dec 2025	50	400	20 000

D. Fixed deposit: Fortune Bank

- Green days Ltd has FOUR investments made in Fortune Bank and the interest is fixed at 8% p.a. Interest is not capitalized.
- A fixed deposit at Fortune Bank which has a value of 20% of all these investments will mature on 30 June 2026. This investment earned R11 200 interest for the year ending 28 February 2026.

E. Shares:

DATE:	DETAILS
1 March 2025	1 600 000 ordinary shares in issue
31 May 2025	800 000 ordinary shares issued
31 October 2025	120 000 ordinary shares repurchased • Average share price, R7,00 • Repurchase price per share, R10,80

F. Dividends:

- An interim dividend of 62 cents was paid on 30 September 2025.
- Final dividends were declared on 28 February 2026.

G. Mortgage loan: Law tan Bank

- Fixed monthly repayments (including interest) will continue to be made until the loan is fully repaid.
- The interest on loan for the period ending 28 February 2027 will decrease by 10%.

H. Financial indicators calculated on 28 February 2026:

Current ratio	1,5: 1

LPA-B2 ANSWERBOOK

Calculation of correct net profit

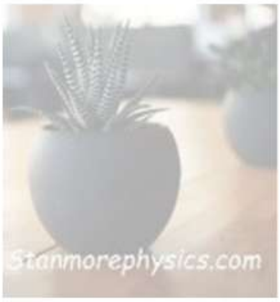
	Incorrect net profit	**3 726 880**
(i)	**Commission income**	
(ii)	**Provision for bad debts**	
(iii)	**Rent expense**	
(iv)	**Directors' fees**	
(v)	**Interest on loan**	
(vi)	**Income tax**	
	Corrected net profit after tax	

Calculate the value of the closing stock of tables on 28 February 2026 using the first-in-first out inventory valuation method.

WORKINGS	ANSWER

Ordinary share capital		
Authorised:		
3 000 000 ordinary shares		
Issued:		

Retained income	
Balance at beginning	
Ordinary share dividends	
Balance at end	



STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2026	
Assets	
Non-current assets	
Current assets	
Total assets	
Equity and liabilities	
Shareholders' equity	
Non-current liabilities	
Current liabilities	**3 420 000**
Bank overdraft	
Total equity and liabilities	

LPA-B3

STATEMENT OF FINANCIAL POSITION AND NOTES

MOODLEY LIMITED

You are presented with information from the records of Moodley Limited. The financial year ends on 28 February 2026.

REQUIRED:

3.1 Prepare the following notes to the Balance Sheet:

3.1.1 Share capital

3.1.2 Retained income

3.2 Prepare the Balance Sheet (Statement of Financial Position) on 28 February 2026. Where notes are not required, show ALL workings in brackets.

INFORMATION:

A. The authorised share capital consists of 750 000 ordinary shares. On 1 March 2025, only 60% of the shares were in issue.

B. The following amounts were extracted from the records:

	28 February 2026	28 February 2025
Ordinary share capital	?	3 215 000
Retained income	?	322 500
Total ordinary shareholders' equity	?	3 537 500
Fixed assets (carrying value)	?	
Fixed deposit: William Bank	650 000	
Loan: Tell Bank	482 600	
Inventories	275 400	
Debtors' Control	243 500	
Creditors' Control	62 460	
Cash in the bank and petty cash	336 600	
Income received in advance (Rent)	12 120	
Prepaid expenses (Insurance)	7 600	
Provisional income tax payments	299 980	
Interim dividends	270 000	

C. On 1 November 2025, the company issued a further 80 000 shares at R9, 50 per share.

D. On 28 February 2026, the directors decided to repurchase 75 000 ordinary shares from the estate of a shareholder who had died. This shareholder had originally purchased his shares on the JSE at various times and at different prices. A repurchase price of R10, 40 was accepted as being a fair price.

E. On 27 February 2026, a final dividend of 40 cents per share was declared. All shares, including the new shares issued and repurchased, qualify for final dividends.

F. The loan statement from Tell Bank received on 28 February 2026 reflected interest capitalised at R81 400. This was not recorded in the books. The business expects to settle 20% of the outstanding balance in the next financial year.

G. After all the above adjustments were considered, the net profit before tax was calculated to be R1 161 000. The income tax is calculated at 30% of net profit before tax.

LPA-B3 ANSWERBOOK

Ordinary share capital		
Authorised:		
3 000 000 ordinary shares		
Issued:		

Retained income	
Balance at beginning	
Ordinary share dividends	
Balance at end	

STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2026	
Assets	
Non-current assets	
Current assets	
Total assets	
Equity and liabilities	
Shareholders' equity	
Non-current liabilities	
Current liabilities	
Bank overdraft	
Total equity and liabilities	

LPA-B4

The information relates to RISE Ltd. The company sells household products. The financial year ended on 28 February 2026.

REQUIRED:

4.1 **Refer to information A.**

The bookkeeper has recorded all the entries regarding fixed assets in the books. Complete the amounts denoted by **(i)** to **(iii)** on the Fixed Asset Note.

4.2 **Refer to information C and D.**

Calculate the correct net profit **after tax** for the year ended 28 February 2026. Indicate (+) for increase and (-) for decrease, next to each amount.

4.3 Complete the Statement of Financial Position on 28 February 2026.

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. FIXED ASSETS

	Buildings	**Vehicles**	**Equipment**
Carrying value: (01/03/2025)		249 850	
Cost	(i)		436 000
Accumulated depreciation			
Movements:			
Additions (at cost)	0	260 000	0
Disposals (at carrying value)	(420 000)	0	(iii)
Depreciation		(ii)	(32 000)
Carrying value: (28/02/2026)	9 421 300		
Cost		786 000	356 000
Accumulated depreciation			

- Depreciation is calculated as follows:
  - Vehicles: 15% p.a. on cost
  - Equipment: 20% on the diminishing-balance method

NOTE: A new vehicle was bought on 1 October 2025

- Extract from the Fixed Assets Register in respect of equipment sold:

LDA 234	
Cost price: R80 000	
Date purchased: 1 September 2023	
Date sold: 31 May 2025	Sold for: R53 000
	CARRYING VALUE
28 February 2024	R72 000
28 February 2025	R57 600
31 May 2025	?

B. Balances on 28 February 2026:

Fixed assets at carrying value	9 952 480
Ordinary share capital	?
Retained income	?
Loan: PTA Bank	?
Fixed deposit	425 000
Trading stock	1 064 200
Net trade debtors	744 900
Creditors' control	518 950
SARS: Income tax (provisional tax payments)	322 800

C. The bookkeeper has calculated the net profit before tax as **R1 150 000**. The pre-adjustment balances to be adjusted are:

Audit fees	R144 000
Trading stock	1 064 200
Rent income	287 300
Directors' fees	852 800

Only the adjustments listed below must still be taken into account.

(i) Audit fees of R45 600 were still owing on 28 February 2026.

(ii) A donation of 100 blankets was made to a children's hospital, but the donation has not been recorded. The business uses the weighted-average method for valuing blankets. The stock records for blankets reflect the following:

	Quantity(units)	**Unit price**	**Total(R)**
Purchases during the year	1 500		603 000
15 April 2025	600	R330	198 000
22 June 2025	900	R450	405 000
Sales	1220		
Stock on hand: 28 Feb 2026	280		

(iii) Rent was increased by R1 300 per month from 1 January 2026. Only the rent for the period 1 March 2025 to 31 January 2026 was received and recorded.

(iv) The company had one director, Jenny, at the beginning of the financial year. Jenny had been paid in advance for two months. A second director, Frank, was appointed on 1 December 2025. His monthly fee is 20% lower than that of Jenny. Frank received the fees due to him.

D. Income tax:

The assessment from SARS indicated total income tax for the financial year as R351 000, after all adjustments had been made.

E. Share capital and dividends:

DATE	**DETAILS**
1 March 2025	2 120 000 shares in issue
30 June 2025	230 000 shares repurchased: The average share price was R5,90 at the date of the repurchase
28 February 2026	1 890 000 shares in issue

- Interim dividends were not declared during the financial year.
- Final dividends of 25c per share were declared on 28 February 2026 to all shares in the share register.

F. Transfer of debtor's balance to Creditors' Ledger

A debtor with a debit balance of R8 400 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.

G. Loan: PTA Bank

Extract from the Loan Statement from PTA Bank:

Balance on 1 March 2025	R1 400 000
Repayments for the financial year (including interest)	?
Interest capitalised	168 000
Balance on 28 February 2026	1 004 000

NOTE:

- All entries for the repayments and interest have been made.
- Directors expect to maintain the capital repayments made this year, during the next financial year.

LPA-B4 ANSWERBOOK

4.1	(i)	Calculate: Cost price of buildings at the beginning of the year	
		WORKINGS	ANSWER
	(ii)	Calculate: Depreciation on vehicles	
		WORKINGS	ANSWER
	(iii)	Calculate carrying value on equipment sold	
		WORKINGS	ANSWER

4.2	CORRECT NET PROFIT AFTER TAX FOR THE YEAR	
	Incorrect net profit before tax	1 150 000
	Net profit before tax	
	Net profit after tax	

4.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2026

ASSETS

NON-CURRENT ASSETS	**10 377 480**
Fixed assets	**9 952 480**
Investment: Fixed deposit	**425 000**
CURRENT ASSETS	
Cash and cash equivalents	**1 956 220**
TOTAL ASSETS	
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	
Retained income	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

LPA-C1 CASH FLOW STATEMENTFINANCIAL INDICATORS

The information relates to Lengola Ltd for the financial year ending 30 June 2026

1.1 Complete the Note for Reconciliation between net profit before tax and cash generated from operations for the year ended 30 June 2026.

1.2 Calculate the following figures in the 2026 Cash Flow Statement.

1.2.1 Cash received from issued shares during the financial year
1.2.2 Total funds used on repurchased shares
1.2.3 Taxation paid
1.2.4 Funds spend on acquisition of tangible asset during the financial year
1.2.5 Net change in cash and cash equivalents

1.3 Calculate the following financial indicators

1.3.1 Return on average capital employed
1.3.2 Debt-equity ratio
1.3.3 Acid- test ratio
1.3.4 Net Asset Value per share

Extract from financial statements of Lengola LTD for year ending 30 June 2026

Statement of comprehensive income	**2026**	
Depreciation	16 645	
Interest expenses	120 000	
Income tax for the year	197 600	
Net profit after tax	322 400	
Statement of financial position	**2026**	**2025**
Fixed assets (carrying value)	1 541 940	944 800
Financial assets	130 000	190 000
Current Assets		
Inventories	1 125 000	1 145 000
Trade and other receivables	1 115 000	1 143 000
Cash and cash equivalent	88 900	2 500
Shareholders' equity		
Ordinary share capital	2 375 000	1 000 000
Retained income	124 900	117 500
Non-Current Liabilities	350 000	1 070 000
Current Liabilities		
Trade and other payables	1 150 940	1 070 800
Bank overdraft	0	153 000
Total capital employed	**2 849 900**	**2 187 500**

NOTES FROM STATEMENT OF FINANCIAL POSITION

	2026	2025
TRADE AND OTHER RECEIVABLES	**1 115 000**	**1 143 000**
Debtors Control	1 102 000	1 130 000
Accrued Income	13 000	0
Prepaid Expenses	0	9 000
SARS: Income Tax	0	4 000

TRADE AND OTHER PAYABLES	**1 150 940**	**1 070 800**
Creditors Control	1 043 565	1 047 300
Differed income	7 000	9 500
SARS: Income Tax	10 375	0
Shareholders for dividends	260 000	14 000

ADDITIONAL INFORMATION:

(i) **Share capital and dividends.**

- The company had 300 000 registered shares that may issue.
- One third were in issue on 30 June 2024.
- 100 000 additional shares issued at 1 500 cents each on 1 January 2025.
- 30 June 2026 the company repurchased 10 000 shares from an unhappy shareholder at 350 cents above average price.
- On the first of December 2025 the Directors declared and paid dividends at 20 cents per share. Final dividends were declared on 30 June 2026.

(ii) **Equipment sold during the year**

Original cost of a sold Equipment	R40 000
Accumulated depreciation at the date of sale	R20 570
Date of sale	1 April 2026
Equipment was sold at currying value	?

LPA-C1 (USE YOUR OWN ANSWERBOOK) CASH FLOW STATEMENTFINANCIAL INDICATORS

LPA-C2: CASH FLOW STATEMENT

The information relates to Ratau Holdings Ltd for the financial year 28 February 2026.

REQUIRED:

2.1 **Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.**

2.1.1 Unused consumable stores at the end of the financial year are classified as (Current asset/Financial asset).

2.1.2 Interest on loans is regarded as a/an (Operating activity/Finance Cost)

2.1.3 The (Directors' report/Audit report) reflects a verbal explanation of the company's activities and future

2.2 **Calculate the following financial indicators on 28 February 2026**

- % Operating expenses on sales
- Dividend per share
- % Return on average shareholders' equity

2.3 Complete the Cash Flow Statement for the year ended 28 February 2026

INFORMATION

A **Shares and dividends**

DATE	DETAILS OF SHARES
1 March 2025	800 000 in issue
30 June 2025	200 000 new shares issued
31 January 2026	3% of issued shares were repurchased at R1,20 above the average price
28 February 2026	**?** shares in issue

Interim dividend of 18 cents was paid on 30 September 2025.Final dividend of 22 cents per share was declared on 28 February 2026.

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

Sales	?
Cost of sales **(60% Mark-up on cost)**	(5 281 250)
Operating expenses	1 859 000
Net profit before tax	1 450 000
Net profit after tax	975 500

C

Extract from the Statement of Financial Position

	28 Feb. 2026 R	29 Feb. 2025 R
Petty cash and cash float	38 500	18 400
Ordinary shareholders' equity	**9 576 600**	**7 350 000**
Ordinary share capital	9 276 000	7 200 000
Retained income	300 600	150 000
Loan: Sharks Bank	1 950 000	2 875 000
SARS: Income tax	19 180 **Cr**	27 650 **Dr**
Shareholders for dividends	213 400	133 200
Bank overdraft	0	95 200

LPA-C2 : ANSWER BOOK

2.1

2.1.1

2.1.2

2.1.3

2.2

% operating expenses on sales	
WORKINGS	ANSWER

Debt equity ratio	
WORKINGS	ANSWER

% return on average shareholders' equity	
WORKINGS	ANSWER

2.3

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
CASH FLOW FROM INVESTING ACTIVITIES	
CASH FLOW FROM FINANCING ACTIVITIES	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS AT BEGINNING	
CASH AND CASH EQUIVALENTS AT END	

LPA-C3: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

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

REQUIRED:

3.1 Calculate the following amounts for the Cash Flow Statement:

- Income tax paid
- Dividends paid
- Proceeds from the sale of fixed assets

3.2 Complete the CASH EFFECTS OF FINANCING ACTIVITIES section of the Cash Flow Statement

3.3 Calculate the following financial indicators:

2.3.1 % operating expenses on sales
2.3.2 Total dividends per share (DPS)
2.3.3 % return on average shareholders' equity

INFORMATION:

A. Information extracted from the Statement of Comprehensive Income for the financial year ended 28 February 2026:

Sales	R 10 400 000
Depreciation	476 000
Operating expenses	2 080 000
Interest expenses	595 000
Net profit after tax	857 500
Income tax rate	30%

B. Figures extracted from the Statement of Financial Position and Notes:

	28 Feb 2026 R	28 Feb 2025 R
Fixed assets (carrying value)	**16 032 100**	**11 721 200**
Non-current liabilities	**6 000 000**	**2 500 000**
Current assets	**2 185 000**	**2 055 600**
Current liabilities	**1 524 600**	**1 029 800**
Shareholders' equity	**10 892 500**	**10 447 000**
Ordinary share capital	10 235 000	9 460 000
Retained income	657 500	987 000
Inventories	1 213 000	835 600
Cash and cash equivalents	6 000	344 000
SARS: Income tax	25 600 (Cr)	15 800 (Cr)
Shareholders for dividends	437 000	330 000
Bank overdraft	286 000	0

C. Share Capital

- 300 000 additional shares were issued on 1 May 2025.
- 250 000 shares were re-purchased on 1 December 2025 at 10,50 per share. The average share price at the time was R8,90. These shareholders did not qualify for final dividends.
- There were 1 150 000 shares in issue on 28 February 2026.

D. Dividends

- Interim dividends of R350 000 paid on 31 August 2025, to all shares on the share register.
- A final dividend was declared on 28 February 2026.

E. Fixed assets:

- Additions to the buildings were constructed during the year at a cost of R4 909 900.
- Old equipment was sold at carrying value.

LPA-C3 ANWERBOOK **(USE YOUR OWN ANWERBOOK)**

LPA -C4: CASH FLOW STATEMENT

The information below was extracted from the books of Melikhaya Ltd for the year ended June 2026. Study the information and answer the question that follow

REQUIRED:

1. Prepare the reconciliation between the net profit and the ash generated from operations (show workings in brackets)
2. Complete the cash flow from operating activities section of the cash flow statement
3. Complete the cash flow from investing activities section of the cash flow statement
4. Complete the cash flow from financing activities section of the cash flow statement
5. Prepare the following notes
   - 5.1 Ordinary Share Capital
   - 5.2 Retained Income

INFORMATION:

1 **List of all balances on 30 June 2026**

List of all balances on 30 June 2026	2026	2025
Fixed assets at carrying value	1 175 328	977 760
Financial Assets	156 000	228 000
Inventories	1 350 000	1 374 000
Debtors Control	1 322 400	1 356 000
Accrued Income	15 600	10 800
SARS-Income Tax	0	4 800 **DR**
Shareholders' Equity	2 999 880	1 302 120
Ordinary Share Capital	2 850 000	1 200 000
Retained Income	149 880	102 120
Creditors Control	1 252 278	1 256 760
Accrued Expense	8 400	11 400
SARS – Income Tax	12 450 **CR**	0
Shareholders For Dividends	312 000	16 800

ADDITIONAL INFORMATON:

2 2.1 **Ordinary Share Capital**

• There were 100 000 shares in issue on 1 July 2025
• 100 000 new shares were issued during the year at R18 on 1 January 2026
• 10 000 shares were repurchased at R18 each on 30 June 2026

2.2 **Depreciation**

- Total Depreciation for the year amounted to R19 974

2.3 **Sale of Equipment**

Cost price	R48 000
Accumulated Depreciation	R24 684
Date of sale	1 April 2026
Selling Price	?

2.4 **Income Tax**

Income tax at 28% of the net profit for the year amounted to R198 240

2.5 Dividends

The interim dividends of R120 000 were declared and paid on 15 January 2026

The final dividends were declared on 30 June 2026

2.6 The loan statement received from Ethafeni Bank on 30 June 2026:

Balance at the beginning of the financial year	R1 284 000
Repayments during the financial year	R1 008 000
Interest capitalised (Interest rate 15%)	R?
Balance at the end of financial year	R420 000

2.7

Financial indicators	**2026**		**2025**
% return on shareholders' equity	?		59%
% return on capital employed	28.4%		18%
Net asset value per share	?		1195c
Market price per share on JSE	1117c		1600c
Debt Equity Ratio	?		1: 1
Earnings per share	110c		75c
Dividends per share	130c		94c
Interest on alternative investment	6%		6%

LPA-C4: USE YOUR OWN EXERCISEBOOK

D ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

LPA - D 1 (LEARNERS WILL USE THEIR EXERCISE BOOKS IN ANSWERING THIS ACTIVITY)

1.1 Concepts

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 The statement of financial position indicates whether the shareholders can rely on the financial statements.

1.1.2 The cash flow statement reflects the net worth of the company.

1.1.3 The statement of comprehensive income reflects the profit/loss of the company for the financial year.

1.2. LUH LTD AND AKHOH LTD

Your friend, Afezile, has bought shares in both companies. She asks you for your opinions on the financial results. The companies are the same size.

REQUIRED:

1.2.1 Afezile is of the opinion that AKHOH LTD is handling its working capital more effectively and is in a better liquidity situation than LUH LTD. Explain and quote THREE financial indicators to support her opinion.

1.2.2 The operating efficiency of LUH LTD is better than that of AKHOH LTD. Quote and explain ONE financial indicator to support your opinion.

1.2.3 Which company uses more loans? Explain whether this is a good idea or not. In each case, quote a financial indicator to support your answer.

1.2.4 Compare and Comment on dividend pay-out policies of both companies.

1.2.5 LUH LTD has a better percentage return, earnings and dividends than AKHOH LTD. Explain by quoting THREE financial indicators to support this opinion.

1.2.6 The existing shareholders of the TWO companies hold different opinions of the current market value of their shares.

- Explain why the existing shareholders of LUH LTD are happy with this. Quote a financial indicator/ figure to support your answer.
- Explain why the existing shareholders of AKHOH LTD are very disappointed with this. Quote a financial indicator/ figure to support your answer.

INFORMATION:		
	LUH LTD	**AKHOH LTD**
Market price per share on the JSE	750 cents	885 cents
Nat asset value per share	609 cents	939 cents
Earnings per share	410 cents	176 cents
Dividends per share	240 cents	185 cents
% Return on shareholders' equity	21,3%	11,2%
% Return on capital employed	32,6%	13,6%
% Interest rate on loan	15,0%	15,0%
Debt equity ratio	0,3: 1	2,0: 1
Current ratio	6,0: 1	1,5: 1
Acid-test ratio	2,8: 1	0,9: 1
Stock holding period	150 days	88 days
Average debtor' collection period	53 days	25 days
% Gross profit on cost of sales	62,2%	58,3%
% Operating expenses on sales	37,9%	44,5%
% Operating profit on sales	10,1%	7,3%

LPA - D 2 (LEARNERS WILL USE THEIR EXERCISE BOOKS IN ANSWERING THIS ACTIVITY)

2.1 Concepts

Complete the following sentences using the word(s) in the list below. Write only word next to the question number (2.1.1 - 2.1.3) in the ANSWER BOOK.

Liquid, profitable, solvent, return, risk/gearing

2.1.1 A company with total assets exceeding total liabilities is___________.

2.1.2 A company that relies heavily on loans will have high____________.

2.1.3 A company that controls its income and expenses properly will be ________.

2.2 NJINJI LTD

You are provided with the information about NJINJI LTD for the past two financial years ended 28 February. The business situated in KZN Ixopo.

REQUIRED:

Information A

2.2.1 Current ratio and acid-test (quick) ratio show that the company's liquidity position has deteriorated over the past two financial years. Identify TWO other liquidity indicators, which also show that the company is likely to have serious liquidity concerns in future. Explain TWO points in EACH case (with figures).

2.2.2 Comment on dividends per share over the two years. Quote figures.

2.2.3 The directors decided to change the dividend pay-out policy in 2026.

- Provide calculations that indicate the policy change.
- Briefly explain the effect of the change of policy on the company. State two points.

2.2.4 One of the directors feels that the company should pay back the loan as soon as possible. What advice would you offer? Quote and explain TWO relevant financial indicators with figures.

Information A and C

2.2.5 Explain why the shareholders are:

- satisfied with the market price of the shares on the JSE.
- NOT satisfied with the price at which the 245 000 shares were repurchased on 31 August 2025.

Information C and D

2.2.6 Shareholding of Olwethu Dlamini in NJINJI LTD.

- Identify the effect that the repurchase of Olwethu's shares had on his % shareholding. Show calculations.
- Explain how the company was able to raise R5 million to finance the repurchase of shares and the dividends earned by shareholders. Provide TWO points.
- Give TWO reasons why the decision to repurchase Olwethu's shares should be considered as irresponsible.

A. **The following financial indicators of NJINJI LTD were calculated on 28 February:**

B. Background information:

- The financial statements of NJINJI LTD have not yet been audited.
- Olwethu Dlamini is the CFO of NJINJI LTD.

C. Extract from the records for the financial year ended on 28 February:

	2026
Number of shares in issue at beginning of year	1200 000
New shares issued / (repurchased) on 31 August 2025	(245 000)
Number of shares in issue at the end of year	955 000
Shares repurchase price	R10, 00

	2026 R	2025 R
Ordinary Share Capital	7 000 000	10 000 000
Mortgage loan	5 500 000	2 500 000
Bank (Favourable)	-	440 000
Bank (Overdraft)	3 800 000	-

D. Extracts from the Shareholders' Registers:

Repurchase of shares:

Olwethu convinced by the other directors of NJINJI LTD that the company should repurchase 245 000 of his shares for R2 450 000 on 1 March 2025.

- Note that interim dividends were paid on 30 November 2025.

Shareholding of CFO, Olwethu:

	2026	2025
Olwethu	379 000	624 000
% Shareholding	?	52%

LPA - D 3 (LEARNERS WILL USE THEIR EXERCISE BOOKS IN ANSWERING THIS ACTIVITY)

3.1 KILMUN LTD

The information relates to KILMUN LTD for the year ended 30 June 2026. The company trades in electrical equipment. Ernest Dladla is the CEO and there are three other directors in the company.

REQUIRED

3.1.1 Operating efficiency:

The CEO believes that the company's pricing policy, is well managed. Quote TWO financial indicators/financial data with trends to support his statement.

3.1.2 Liquidity:

Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends.

3.1.3 Dividend pay-out policy and returns:

- Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point.
- Explain whether the shareholders should be satisfied or not with the returns on average shareholders' equity of the company. Quote ONE financial indicator with figures.

3.1.4 Risk and gearing

The directors decided to buy new fixed assets in 2026 to enhance the company.

- A shareholder has proposed that Ernest Dladla acquires a loan from his wife, who is a bank consultant. He did not agree with this proposal. Explain why you agree with him. Quote TWO financial indicators.
- Apart from loan, name another source that can be used to finance this purchase.

3.1.5 Wiseman's % shareholding, rights issue and shares repurchased:

Refer information A.

- Calculate the number of shares that Wiseman bought through the rights issue on 31 December 2025.
- Calculate Wiseman's % shareholding after the rights issue on 30 June 2026.
- Calculate the total amount that Wiseman spent on the shares he acquired through the rights issue.

NOTE: No shares were repurchased during the financial year.

- Explain the meaning of the term insolvent and comment on how rights issue improves the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance is favourable.

INFORMATION:

A. Share capital and rights issue:

- 3 200 000 shares were already in issue on 1 July 2026.

B. Wiseman's % shareholding:

- He is a majority shareholder and owned 1 728 000 of shares on 1 July 2025.

Rights issue:

- On 31 December 2025, each shareholder was offered 10 shares for every 50 shares that they owned at a reduced price. All shareholders exercised this right. No other shares were issued or repurchased during the financial year.

Extract from the Notes and Statement of Financial position as at:

C

	28 February 2026	28 February 2025
Fixed Assets purchased	R 6 200 0000	R 3 500 000
Fixed deposit	550 000	250 000
Ordinary share capital	30 740 000	28 500 000

‘

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

	28 February 2026	28 February 2025
Sales	R52 M	R32 M
Mark-up percentage	45%	55%
% Operating expenses on sales	15%	19%
% Net profit before tax on sales	19%	16%
Solvency ratio	3,8: 1	2,8: 1
Current ratio	2,2: 1	1,6: 1
Acid-test ratio	1,9: 1	1,2: 1
Debtors' collection period	30 days	45 days
Creditors' payment period	69%	79 days
Net asset value per share	564 cents	460 cents
Dividends per share	69 cents	88 cents
Earnings per share	115 cents	110 cents
Dividend pay-out rate	60%	80%
Debt-equity ratio	0,6: 1	0.4: 1
% Return on average capital employed	8,2%	12%
% Return on shareholders' equity	8.5%	14%
Market value per share	960 cents	825 cents
Net asset value per share	820 cents	850 cents
Interest rate on loans	10,5%	10,5%
Interest rate on fixed deposit	9.5%	9.5%

LPA – D 4 (LEARNERS WILL USE THEIR EXERCISE BOOKS IN ANSWERING THIS ACTIVITY)

4.1 **Choose the question from COLUMN B that matches a category of financial indicators in Column A. Write only the letter (A-D) next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.**

Column A	Column B
4.1.1 Liquidity	A. Is the business managing expenses effectively to increase profitability?
4.1.2 Risk and gearing	B. Will the company be able to pay off all its debts using existing assets?
4.1.3 Operating efficiency	C. How is the company managing loans or borrowed capital?
	D. Will the company be able to pay off its current debts?

4.2 **MONDE LTD AND THEMBELA LTD**

The information relates to two companies

BACKGROUND INFORMATION:

Both companies operate in the fashion clothing industry. The financial year ends on the last day of February each year.

Ngcobo Mhlengi owns shares in both companies. On 1 November 2025, he convinced the board of directors of MONDE LTD to repurchase 150 000 of his shares. He used the money received to purchase additional shares in THEMBELA LTD.

REQUIRED:

4.2.1 **Profitability:**

Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently, and is thereby profitable.

4.2.2 **Dividends, earnings and returns:**

- Comment on the dividend pay-out policy of Monde LTD. Explain why this is an irresponsible change in policy. Provide TWO points.
- Comment on the % returns on shareholders' equity of EACH company.
- A shareholder feels that earnings per share (EPS) in THEMBELA LTD are better than that in MONDE LTD. Explain why you agree with him.

4.2.3 Shareholding of Ngcobo Mhlengi in both companies:

- Comment on price paid for the shares repurchased by Monde LTD. Provide TWO points.
- Calculate the number of shares that Mhlengi purchased in THEMBELA LTD with money he received from the share's buyback at MONDE LTD.
- Explain the effect of the shares repurchased on the % shareholding of Mhlengi in EACH company.

4.2.4 **Financing strategies and gearing:**

- The directors of each company have taken deliberate decisions that reflected in their Cash Flow Statements.
- Explain the decisions taken by the directors of THEMBELA LTD and how these will benefit the company.
- Explain how the decisions taken by MONDE LTD on its capital employed has affected the risk and gearing of the business. Quote TWO financial indicators.

INFORMATION:

A. Extracts from the accounting records at the end of the year:

	MONDE LTD		THEMBELA LTD	
	February 2026	February 2025	February 2026	February 2025
Number of shares in issue	700 000	850 000	1 500 000	1 100 000
Funds used to repurchase shares	R1 980 000			
Increase in share capital	0		R2 640 000	
Issued price of additional shares			R6,60	
Fixed assets purchased	R1 000 000		R2 200 0000	
Increase (decrease) in loan	R4 500 000		(R400 000)	

	MONDE LTD		THEMBELA LTD	
	February 2026	February 2025	February 2026	February 2025
% Operating expense on sales	17,5%	14,6%	13,6%	17,0%
% Operating profit on sales	18,2%	21,9%	24,2%	20,5%
% Net profit on sales	13,8%	18,0%	19,6%	16,0%
Debt equity ratio	1,1: 1	0,4: 1	0,2: 1	0,4: 1
% Returns on capital employed	10,2%	16,1%	17,2%	14,7%
% Returns on shareholders' equity	7,6%	12,2%	14,1%	10,7%
Net asset value per share	1 081 cents	1 128 cents	632 cents	609 cents
Market price of shares	990 cents	1 130 cents	660 cents	615 cents
Interest rate on loans	13%	13%	13%	13%
Interest rate on investment	9,6%	9.6%	9,7%	9,7%
Earnings per share	80 cents	138cents	72 cents	65 cents
Dividends per share	92 cents	82 cents	48 cents	70 cents
Dividend's pay-out rate	115%	59%	67%	108%

C. Shareholding of Mhlengi Ngcobo in both companies:				
	MONDE LTD		THEMBELA LTD	
	February 2026	February 2025	February 2026	February 2025
Shares in each company	283 500	433 500	?	460 000
% Shareholding in each company	?	51,0%	?	41.8%

ACTIVITY D 5 (LEARNERS WILL USE THEIR EXERCISE BOOKS IN ANSWERING THIS ACTIVITY)

HIGHFLATS LTD AND UNDERBERG LTD

You are provided with information relating to two companies.

BACKGROUND INFORMATION:

Lwandile Mbanjwa owns 300 000 shares in each company.

Highflats LTD issued 200 000 new shares only to existing shareholders at the average issued price of R9.10. These funds were used to establish a new branch. No new loans were raised.

Underberg LTD paid R4 800 000 to repurchase 320 000 shares.

REQUIRED:

5.1 **HIGHFLATS LTD**

5.1.1 Comment on the price of R9.10 charged by HIGHFLATS LTD for the new shares issued.

5.1.2 ɔlain how the issue of new shares has affected the financial gearing and risk of HIGHFLATS LTD. Quote TWO financial indicators.

5.1.3 andile had the option to buy some of the shares issued by HIGHFLATS LTD. He had saved sufficient funds (interest rate 5% p.a) for this purpose.

- If Lwandile wanted to retain his 60% shareholding in the company, how many share would he have had buy and how much would he have had to pay
- Lwandile decided not to buy these shares. Apart from the % shareholding, explain TWO reasons why he has made a mistake by not taking up this option.

5.2 **UNDERBERG LTD**

5.2.1 Comment on the liquidity of UNDERBERG LTD. Quote TWO financial indicators.

5.2.2 Comment on the price paid by UNDERBERG LTD for the repurchase of shares.

5.2.3 Explain TWO ways in which Lwandile has benefits from repurchase of the shares by UNDERBERG LTD.

ADDITIONAL INFORMATION:

Financial indicators and additional information from annual report

	HIGHFLATS LTD		**UNDERBERG LTD**	
	2026	**2025**	**2026**	**2025**
Debt-equity ratio	0,5: 1	0,8: 1		
Current ratio			1,9: 1	3,5: 1
Acid- test ratio			1,1: 1	1,7: 1
Stock holding period			54 days	54 days
Number of shares in issue	700 000	500 000	580 000	900 000
Average share issue price	R9,10		R10,20	
Price paid for share repurchase			R15,00	
Price of share on JSE	R12,00		R15,00	
Nat asset value per share	R10,73	R11,38	R13,30	R13,22
%Returns on shareholders' equity	23%	17%	16%	13%
%Returns on total capital employed	20%	15%		
Earnings per share	140 cents	196 cents	266 cents	171 cents
Total dividends	R357 000	R325 000	R928 000	R928 000
Dividends per share	51 cents	65 cents	160 cents	103 cents
% Interest on fixed deposit	9%		7%	

LPA-E1 CORPORATE GOVERNANCE AND AUDIT REPORT

[LEARNERS ARE EXPECTED TO USE THEIR EXERCISE BOOKS TO ANSWER QUESTIONS IN THESE ACTIVITIES]

EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

Paragraph 1

We have audited the annual financial statements of Simphiwe Limited set out on P**ages 9 to 16** for the year ended 30 June 2026. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Paragraph 2

An audit includes:

- Examining, on a test basis, evidence supporting the amounts in the financial statements.
- Assessing the accounting principles used and significant estimates made by management:

Paragraph 3

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company on 30 June 2026 and the results of their operations and cash flow for the year then ended in accordance with international Financial Reporting Standards, and in the manner required by the Companies Act, 2008 (Act 71 of 2008) in South Africa.

Lwandile & Biyo, Chartered Accountants (SA) 10 August 2026

1.1 Explain why it is important for the Independent Auditor to be a member of a professional body

1.2 Refer to the underlined sentence in paragraph 1. Why do the auditors include this sentence in their report? Briefly explain.

1.3 Refer to paragraph 2 and

a) Give ONE example of 'evidence' that an auditor would use.

(b) Give ONE example of the '***accounting principles***' he/she would assess as part of the audit.

Explain why the auditor would inspect this principle.

1.4 Refer to Paragraph 3. As a shareholder, will you be satisfied with this report? Explain.

LPA-E2 – CORPORATE GOVERNANCE AND AUDIT REPORT

Choose a description from COLUMN B that matches the concepts in COLUMN A. Write ONLY the correct letter.

Column A		Column B	
2.1.1	Nominations Committee	A	Experts who provide guidance and recommendations to an organisation or governing body
2.1.2	Audit Committee	B	Responsible for identifying and recommending suitable candidates for the board of directors and key executive positions
2.1.3	Advisory Committee	C	They serve on the Board of Directors but do not work at the company
		D	Oversee the company's financial reporting, internal controls, and external audit process

2.2 CORPORATE GOVERNANCE

Read the extract below carefully and answer the questions that follow. Use your general knowledge of companies and corporate governance to support your answers, as far as possible.
Mkhize Logistics, a medium-sized company specialising in the shipping of containers and the storage of different movable assets, is experiencing issues with its fixed asset management system. There are no standardised procedures for recording fixed assets (purchased and hired), and staff are not consistently following established protocols. The company is considering issuing additional shares to raise funds to build an additional storage facility.

2.2.1 Mention the document used by a public company to offer new shares to the public?

2.2.2 How can Mkhize Logistics improve its fixed asset management system? Mention TWO points.

2.2.3 Explain the role of the board of directors in a corporate governance?

2.3 AUDIT REPORT

You are provided with an extract of the Audit Report of Mabona Limited
Basis for our opinion A donation of R1000 000 and advertising expenses of R450 000 could not be verified since the relevant documentation was missing. **Audit opinion** Because of the significance of this matter, we have not been able to obtain sufficient audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial statements of Katty Limited. **Gwala & Smith Associates, CA (SA)**

Questions

2.3.1 Why does the Companies Act makes it a requirement for public companies to be audited by an independent auditor?

2.3.2 What is the significance of the reference to CA (SA)?

2.3.3 What actions would Gwala and Smith have to perform to verify the donations and advertising figures in the financial statements? Provide ONE point.

LPA-E3 CORPORATE GOVERNANCE & AUDIT REPORT

Extracts from local newspapers have been adapted and presented below. Use the information presented and your knowledge of companies to answer the questions
JSE TAKES ACTION AGAINST FORMER NON-EXECUTIVE DIRECTORS OF MYSTER LTD
PARAGRAPH 1 Ben Jimo, Kim Lestin and Solly Prins were **disqualified** by the JSE from serving on the board of directors of any listed company for the next five years. The three directors failed to fulfil their oversight roles in relation to the financial statements. The JSE fined Mallo Ltd R6,5 million for publishing a 'number of sets of **incorrect, false and misleading financial results**'. **PARAGRAPH 2** They were appointed as members of the Audit and Risk Committee in 2018 when Mallo Ltd was listed on the JSE. They resigned from the board of directors after the company published its unaudited mid-year financial results in 2021. The independent auditors issued a **qualified report** in 2019 and a **disclaimer of opinion audit report** in 2020. **PARAGRAPH 3** Jimo, Lestin and Prins all admitted to having no knowledge of **corporate governance** or the rules and regulations governing the financial reporting of a JSE-listed company. They admitted that they were inexperienced directors and so had not fulfilled their duty of ensuring that Myster Ltd had proper financial reporting procedures in place.

3.1 Explain why the JSE would not tolerate incorrect, false and misleading financial results from companies that are listed.

3.2 Refer to PARAGRAPH 2 and answer the questions related to the audit report.

(a) Explain the difference between qualified and a disclaimer audit report.

(b) What implications would these reports have for the company and directors

3.3 Paragraphs 1,2 and 3 contain concerns a shareholder may have.

As a concerned shareholder, what questions would you raise at the AGM? Provide **THREE** different questions. In EACH case explain an appropriate reason

LPA-E4 CORPORATE GOVERNANCE AND AUDIT REPORT

Corporate Social Responsibility (CSR) is the continuing commitment to behave ethically and contribute to economic/ financial development while improving the quality of life of the workforce and their families as well as the country and society at large.
(source: unido.org)

The CEO said that it is unfair to place CSR responsibilities on government because the company should be accountable for attending to these issues.

4.1 State TWO points to support the CEO's statement.

4.2 **News Extract**

A recent news report stated that a major company, Zinyathi Ltd, had been involved awarded a tender to supply PPEs in hospitals. The Special Investigating Unit welcomes the prosecution of Three Company Directors for PPE fraud in Mpumalanga
27 May 2022

4.2.1 Explain why the shareholders were unhappy about this report

4.2.2 As a shareholder, explain what you would say at the Annual General Meeting (AGM). Provide TWO points.

4.3 **An extract of the Audit Report**

Basis for opinion A R2.2million worth of tractors, equipment and other harvesting machinery were donated to a local Non-Profit Organisation (NPO). Proper procedures were not followed, and no documents were available to verify the donation, and it was discovered that part of the money donated (R1,7million) was spent on companies owned by the directors.
Audit Opinion In our opinion, except for the donation, that did not follow due process, the financial statements fairly present the financial position of the company on 28 February 2026

4.3.1 Identify this type of audit report and explain why it was issued.

4.3.2 Name and explain the procedure that should have been followed in buying assets for the NPO?

4.3.3 Explain TWO major consequences that the directors may face if found guilty of what is contained in this report.

4.3.4 What criteria would the shareholders use to appoint members of the board of directors. State THREE points

FIXED ASSETS: (Paper 1 and 2

LPA- AA1 **(Use your exercise to answer these questions)**

Msinga LTD

The following information was taken from the books of Msinga LTD on 28 February 2026.

REQUIRED

1.1 Calculate the missing amounts in fixed asset note denoted by A to J in the fixed asset.

1.2 Prepare the asset disposal account in the general ledger account.

1.3 Land and building were bought for R3 000 000 in year 2020 now in 2026 the value has increased to R4 000 000. The bookkeeper of the business wants to record land and building at the new value? Give one reason why you disagree with the bookkeeper quote the GAAP principle.

1.4 Explain why the vehicle was sold so soon as it was recently purchased?

INFORMATION

a. Depreciation on vehicles is calculated at 10% per annum on the diminishing balance method. Equipment is 15 % per annum using cost price method.

b. A new vehicle was purchased on 01 December 2025.

c. An extract from the Fixed Assets Register in respect of a vehicle that was sold during the year.

TOYOTA VIX Selling price : R81 348 Depreciation method : 10 % p.a (diminishing balance)		DATE BOUGHT : 1 MARCH 2023 Date sold : 30 September 2025	
Date	Cost price	Accumulated depreciation	Carrying value
28 February 2024	R132 000	13 200	118 800
28 February 2025	??	??	??
30 September 2025	??	??	??

D. Extract from the fixed Assets Note on 28 February 2026

	Land and Buildings	**Vehicles**	**Equipment**
Carrying value @ beginning		**116 000**	**(a)**
Cost	5 000 000	**(b)**	460 000
Accumulated depreciation		(460 000)	(396 750)
Movements			
Additions	650 000	**(d)**	0
Disposals	0	**(f)**	0
Depreciation		**(e)**	**(i)**
Carrying value @ END	**(c)**	**(g)**	
Cost		564 000	
Accumulated depreciation		(h)	**(j)**

LPA-AA2

FIXED ASSET

The following information was taken from the books of GREYTOWN LTD for year ended 31 July 2026

Required

Calculate the amounts indicated by i-vi

Information

A. FIXED /TANGIBLE ASSET NOTE

	LAND AND BUILDING	VEHICLES	EQUIPMENT
Carrying value on 1 August 2025	2 500 000	396 900	1 014 000
Cost price	2 500 000	828 000	1 350 000
Accumulated depreciation		(431 100)	(iii)
Movements			
Addition	(i)		(iv)
Disposal	?		(v)
Depreciation		(ii)	(Vi)
Carrying value on 31 July 2026	2 800 000		1 230 970
Cost price	2 800 000		1 781 600
Accumulated depreciation			(vii)

B. Land and building

There was a fire in the premises storeroom was completely damaged to the value R500 000. A new storeroom was built with advance and expensive devices.

C. Vehicles

The business has three vehicles. Details from fixed asset R

	JAC	Isuzu	Mercedes
Cost price	256 000	312 000	260 000
Accumulated depreciation	(128 700)	(62 400)	(240 000)

No vehicles were bought or sold during the year

Depreciation is written off at 25 % p.a

D. Equipment

Old equipment was traded in at a loss of R750, On 30 April 2025 at a selling price of R2 820. The original cost price is R13 800 and accumulated depreciation 1 August?

Depreciation on equipment is written off at 20 % p.a on cost.

LPA – AA3

PROBLEM SOLVING QUESTION

BM Dlamini is a businessman who is in e-hailing services known as Uber and Bolt in South Africa. All customers pay by cash. His cars are all located in one area Durban CBD. Drivers pay for fuel, repairs, and their salaries from revenue earned by a car. Mr Dlamini is concerned about the money brought in by his cars. He says it is below his target of R700 000 per year and fuel costs is worse as the war continue in Iran and USA. He presented us with the following information:

INFORMATION

	Vehicle 1	**Vehicle 2**	**Vehicle 3**
Name of driver	**Sfundo**	**Shelembe**	**Zeks**
Cost price	250 000	300 000	350 000
Accumulated depreciation	50 000	100 000	349 000
Revenue per kilometer	7	4	7.5
Amount received from each car	364 000	360 000	562 500
Kilometers travelled per year	52 000	90 000	75 000
Repair and fuel cost for the year	150 000	400 000	393 000
Depreciation for the year	30 000	20 000	10 000

REQUIRED

1. Identify each problem per vehicle and offer an advice with figures

LPA- AA4

MABALENGWE LTD

The following information related to MABALENGWE LTD for the year ended 28 February 2026

REQUIRED

4.1 Complete A to C in a fixed asset.

4.2 Prepare the vehicle account.

4.3 Prepare the accumulated depreciation account

4.4 Prepare the Asset Disposal Account

4.5 Calculate the selling price of equipment.

4.6 Why do you think the vehicle was disposed,provide figures to support your answer

INFORMATION

a. On 31 December 2025 Vehicle was sold at a profit of R3 000.

b. Equipment was sold at a loss of R2 000

c. Fixed asset note

	Vehicles	**Equipment**
Carrying value @ beginning	**130 000**	**100 000**
Cost	(a)	360 000
Accumulated depreciation	(460 000)	(200 000)
Movements		
Additions	**100 000**	0
Disposals	**(18 750)**	(15 000)
Depreciation	**(36 000)**	**?**
Carrying value @ END	**(b)**	
Cost	564 000	**?**
Accumulated depreciation	(c)	**?**

LPA- AA 5 : FIXED ASSETS

GREYTOWN LTD

The information given below was extracted from the accounting records of Greytown LTD for February 2026.

REQUIRED:

5.1 Refer to the Note for the Fixed/Tangible Assets. You are told that Land & Buildings can be sold for R3 million. Explain why they are shown at a lower figure in the financial statements. Mention the applicable GAAP concept to support your answer.

5.2 Explain how the fixed asset register assists the internal auditor in the course of his duties.

5.3 Draw up the Asset Disposal account on 30 November 2025.

5.4 Refer to the Fixed asset note to the Statement of Financial Position. Calculate the missing figures denoted by A - J.

INFORMATION:

A. **Fixed asset note**

FIXED ASSETS	**Land and buildings**	**Vehicles**	**Equipment**
Carrying value beginning		522 000	**H**
Cost	**A**	B	245 000
Accumulated depreciation	(0)	**378 000**	(230 000)
Movements			
Additions	450 000	480 000	**I**
Disposals	(0)	C	(0)
Depreciation		**D**	**J**
Carrying value at end	2 500 000	**E**	K
Cost	2 500 000	**F**	305 000
Accumulated depreciation		**G**	L

B **Fixed assets**

Land and buildings

- A new storeroom was built during the year.

Vehicles

- A vehicle was sold on 30 November 2025 for R66 200 cash.
  Its original cost price was R140 000. The business makes a profit of R1 850 with the sale of the vehicle.
- A new vehicle was bought on 1 December 2025.
- Depreciation is calculated at 20% p.a. on the cost price method.

Equipment

- New equipment was purchased on 1 September 2025.
- Depreciation is calculated at 10% p.a. on the diminishing cost method.

LPA - BB1: INVENTORY VALUATION

USE YOUR EXERCISE BOOK TO ANSWER THIS ACTIVITY

1.1 **FYLEASY TRADERS**

The business is owned by Flyers and sells one type of travel bag. The business uses the weighted-average method to value its stock and applies the perpetual inventory system. The financial year ended on 28 February 2026.

NOTE Where comments or explanations are required, you should:

- Quote calculations, figures and/or trends
- Give an explanation or a reason in each case

REQUIRED:

1.1.1 Calculate the following for the year ended 28 February 2026:

- The value of closing stock, using the weighted-average method
- Gross profit

1.1.2 Flyers has decided to evaluate his pricing policy. Advise him on ONE point he should consider when reviewing his pricing strategy

1.1.3 Flyers is concerned about a decrease in profits. Give TWO potential factors that may lead to a reduction in profits.

INFORMATION:

A Stock records revealed the following:

	UNITS	**UNIT PRICE (R)**	**TOTAL (R)**
Opening stock (1 March 2025)	710		
Purchases	**2 370**		**8 310 000**
March	850	3 200	2 720 000
July	620	3 500	2 170 000
November	900	3 800	3 420 000
Closing stock (28 February 2026)	**?**	3 420	**?**

B Sales:

Only 2 508 travel bags were sold during the year.

To remain competitive in the travel bag market, the selling price was fixed at R4 550 for the past three years.

1.2 SANDA JEWELLERY

Sanda Mbambo is the owner of SANDA JEWELLERY, a business that sells various types of exclusive watches. The business uses the specific identification method to value their stock and applies the periodic inventory system. The financial year ended on 28 February 2026

REQUIRED:

1.2.1 Calculate the value of the closing stock on hand, using the specific identification method.

1.2.2 Provide a calculation to confirm that the closing stock of the Zane watches is expected to be sold in 8,9 days.

1.2.3 Sanda is confident that the Duplex model should NOT be out of stock. Provide a calculation to support his assumption.

1.2.4 Sanda has expressed his concern about customers trying on watches without staff supervision. Identify TWO potential problems that could arise from this practice and suggest a solution for each.

INFORMATION:

The following information relates to the year ended 28 February 2026:

A. Opening Stock

MODEL	UNITS	UNIT PRICE (R)	TOTAL (R)
Duplex	46	4 750	218 500
Bolex	29	8 700	252 300

B. Purchases

MONTHS	MODEL	UNITS	UNITS PRICE	TOTAL
July 2025	Duplex	85	4 750	403 750
	Bolex	96	8 700	835 200
December 2025	Zane	116	5 550	643 800
February 2026	Bolex	44	8 700	382 800
	Zane	61	5 550	338 550

C. Closing Stock

MODEL		UNITS	TOTAL (R)
Duplex		0	0
Bolex		**?**	**?**
Zane		**?**	**?**

D. Sales:

MODEL		UNITS SOLD	MARK-UP %
Duplex		125	52
Bolex		123	75
Zane		161	60

1.3 **PROBLEM-SOLVING:**

The information below relates to Funky Fashions. The business sells jackets tailored for various seasons.

NOTE:	Where comments or explanations are required, you should: ● Quote calculations, figures and/or trends ● Give an explanation or a reason in each case

REQUIRED:

1.3.1 Winter jackets:

- Comment on the stock holding period of winter jackets. Quote figures.
- What effect does this stock holding period have on Funky Fashions?

1.3.2 Summer jackets:

Nandipha is concerned that the current pricing policy may lead to a future decline in customers. Calculate the percentage change and explain why Nandipha should not be concerned

1.3.3 Nandipha is pleased with zero stock loss. Explain TWO security measures she may have implemented to help achieve this result.

INFORMATION:

	2026		**2026**	
	WINTER (Units)	**SUMMER (Units)**	**WINTER (Units)**	**SUMMER (Units)**
Stock available	900	1 200	960	1 220
Stock sold	558	1 080	672	1 037
Stock on hand	342	120	288	183
Selling price per item	R3 750	R1 350	R3 300	R1 050
Cost price per item	R2 500	R900	R2 200	R750
Stock holding period	224 days	41 days	156 days	64 days

LPA - BB2: INVENTORY VALUATION

USE YOUR EXERCISE BOOK TO ANSWER THIS ACTIVITY

2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1. The cost of sales must be recorded immediately with every sales transaction according to the (perpetual/periodic) inventory system

2.1.2 The (specific identification/weighted-average) stock valuation method is best suited for smaller items purchased in relatively large quantities where prices are fairly constant for items purchased.

2.1.3 Stock valued according to the (first-in-first-out/weighted average) method would normally be applied to items of stock which are related to constant technological innovations.

2.2 **FAIRY POTS & PEBBLES**

Fairy Pots & Pebbles is a local business that sells garden pots and pebbles, which is situated in Fairmead, a fast-growing tourist-attracting town situated in the heart of Port Edwards. This small business is owned by Fairy. The financial year ends on 31 May each year.

To promote sales, Fairy attends many market exhibitions to broaden the client base.

GARDEN POTS (Weighted average method):

2.2.1 Calculate the weighted-average cost per garden pot.

2.2.2 Calculate the Rand value of the garden pots lost at market exhibitions during the year ended 31 May 2026.

2.2.3 Advise Fairy on preventing future losses of missing/stolen garden pots whilst attending market exhibitions. Provide TWO points.

PEBBLES (FIFO method):

2.2.4 Calculate the following for pebbles on 31 May 2026:

- Value of the stock on hand on 31 May 2026.
- Stockholding period in days (using closing stock).

2.2.5 Comment on whether Fairy should be satisfied with the stock-holding period. Quote figures. **Note** that the stock-holding period on 31 May 2025 was 96 days.

INFORMATION

The information relates to the financial year ended 31 May 2026

Details & Dates	GARDEN POTS Weighted-Average method			PEBBLES FIFO method		
	Pots	Cost per pot (R)	Total (R)	Kilograms (kg)	Cost per kg (R)	Total (R)
Opening stock (1 June 2025)	60	225	13 500	2 900	67	194 300
Purchase	**260**		**53 750**	**8 550**		**616 050**
September 2025	70	210	14 700	2 450	70	171 500
November 2025	110	195	21 450	4 250	75	318 750
March 2026	80	220	17 600	1 850	68	125 800
Total stock	320		67 250	11 450		810 350
Closing stock (31 May 2026)	42			2 340		
Returns	5 pots from the November purchase.			100 kg from the March purchases amounted to R6 800		
Carriage on purchase	Total cost for the year amounted to R2 395			R7 per kilogram included		
	Carriage is not refunded on returns					
Sales	**UNITS**	**AMOUNT**		**UNITS**	**AMOUNT**	
	265	R91 160		9 010	R1 171 300	

LPA - BB3: INVENTORY VALUATION

USE YOUR EXERCISE BOOK TO ANSWER THIS ACTIVITY

3.1. **CONCEPTS**

Complete the sentences by filling in the missing word(s). Write only the answer next to the question numbers (3.1.1–3.1.3) in the ANSWER BOOK.

3.1.1. When using the perpetual inventory system, carriage paid on purchases is debited against the ____________ account.

3.1.2 When using the ________________ inventory system, total cost of sales is calculated at the end of the financial year.

3.1.3 The _________________ stock valuation method is best suited for a car dealer who sells exclusive luxury vehicles.

AFRICA CONNECT

Africa Connect is a business that sells laptops. They use the periodic inventory system and they make use of the weighted average method for stock valuation. Africa Connect uses a mark-up of 25% on cost. The financial year ended 28 February 2026

REQUIRED:

3.2. Calculate:

3.2.1 The value of the closing stock

3.2.2 The gross profit for the year ended 28 February 2026

3.3. The accountant wants to change the method of stock valuation to the FIFO method

3.3.1 Calculate the value of the closing stock on 28 February 2026, using the FIFO method.

3.3.2 Explain what the effect on gross profit will be if the FIFO method were to be used.

3.3.3 Explain the benefits of using the FIFO method to the owner. State TWO points.

3.3.4 Despite all the benefits of FIFO, explain ONE reason why the owner might insist on using the weighted average method for stock valuation.

3.4 The owner is not satisfied with the financial results because he suspects that the targeted mark-up % for 2026 was not reached.

3.4.1 Do a calculation to show why he is not satisfied.

INFORMATION:

A. Stock balances of laptops:

	UNITS	TOTAL
1 March 2025	**98**	**R390 848**
28 February 2026	**440**	**?**

B. Purchases and returns during the year:

	UNITS	TOTAL
Purchases:		
June 2025	**400 @ R4 680 each**	**R1 872 000**
October 2025	**776 @ R5 145 each**	**R3 992 520**
January 2026	**200 @ R5 500 each**	**R1 100 000**
February 2026	**200 @ R5 524 each**	**R1 104 800**
		R8 069 320
Stolen :	**All units from January 2026 purchases**	**?**

C. Sales for the year, R6 900 600.

LPA - BB4: INVENTORY VALUATION

4.1 CONCEPTS

Choose the correct term from those given in brackets. Write only the term next to the question numbers (3.1.1–3.1.3) in the ANSWER BOOK.

4.1.1 Inventory valuation methods affect the (cost of sales / bad debts) in the Statement of Comprehensive Income.

4.1.2 A higher cost of sales leads to a (higher / lower) gross profit.

4.1.3 A higher closing stock will be found in the (FIFO / weighted-average) method during periods of rising prices.

4.2 INVENTORY VALUATION

The information relates to Sandton Appliances for the financial year ended 30 June 2026. The business is owned by Mr Sandton and sells two types of heaters, (electric and gas heaters), and air conditioners. Sandton started to sell Gas heaters on 1 April 2026, three months before the end of the financial year

- The Heaters are valued using the specific identification method.
- Air conditioners are valued using the First-in-First-out (FIFO) method.

REQUIRED:

4.2.1 Calculate the total value of closing stock of the heaters on 30 June 2026.

4.2.2 Calculate the value of the closing stock of air conditioners on 30 June 2026.

4.2.3 Calculate the cost of sales of the air conditioners for the year ended 30 June 2026.

4.2.4 Air conditioners are sold at a selling price of R3 000. Calculate the gross profit made on the air conditioners

4.2.5 The bookkeeper calculated the number of days of Gas Heaters left at year-end. The owner disagrees with the formula used

Explain to the owner why the bookkeeper is correct in using the following calculation: $\frac{closing\ stock}{cost\ of\ sales} \times \frac{90}{1}$

instead of $\frac{closing\ stock}{cost\ of\ sales} \times \frac{365}{1}$

INFORMATION:

The following information is an extract from the year ended 30 June 2026.

A ELECTRIC HEATERS AND GAS HEATERS

	BOUGHT			SOLD
	UNITS	**UNIT COST**	**TOTAL**	**UNITS**
Electric Heaters				
January 2026	15	R17 600	R264 000	10
Returns: January 2026	(2)	R17 600	(R35 200)	
May 2026	20	R18 000	R360 000	15
Gas Heaters				
April 2026	9	R19 500	R175 500	6
Carriage of R200 per unit is not included in the unit price of Gas Heaters. Carriage are included in the unit price of Electric Heaters.				

B AIR CONDITIONERS:

	UNITS	AMOUNTS
Opening stock	450	R675 000
Purchases: Aug 2025	120 @ R1 500	
Dec 2025	160 @ R1 875	R720 000
May 2026	120 @ R2 000	
Returns: Dec 2025	(10 @ R1 875)	(R18 750)
Closing Stock	160	?
Sales	680	

4.3. CONTROL OF INVENTORIES

Information provided relates to Savemore Furniture for the financial year ending 31 July 2026, with the proper internal control measures there was no stock reported stolen. The business sells beds, fridges, and stoves.

REQUIRED:

Identify ONE different problem (including figures) for each product and provide a corresponding solution.

	BED'S	**FRIDGES**	**STOVES**
Opening stock (units)	280	2 000	200
Purchases (units)	6 100	7 000	3 000
Closing stock (units)	400	3 500	800
Selling price per unit	R3 500	R5 000	R8 500
Credit sales (units)	4 800	2 500	1 600
Cash sales (units)	1 200	3 000	1 800
Returns by debtors (units)	(20)	0	(1 000)
Cash received from cash sales	R4 130 000	R15 000 000	R15 300 000

LPA BB4: (USE YOUR OWN ANSWERBOOK)

COSTING ACCOUNTING

LPA-CC 1

1.1 Choose a cost category from COLUMN B that matches the example in COLUMN A. Write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER SHEET.

	COLUMN A		**COLUMN B**
1.1.1	Delivery expenses	A	factory overhead
1.1.2	Office stationery	B	selling and distribution
1.1.3	Salary of factory supervisor	C	direct material
		D	administration

1.2 **BENCH MANUFACTURERS**

The business manufactures large concrete benches. Their financial year ended on 30 September 2026

REQUIRED:

1.2.1 Calculate the direct/raw material cost (Refer to Information A)

1.2.2 Calculate the direct labour cost (Refer to Information B)

1.2.3 Complete the Factory Overhead Cost Note (Refer to Information C)

INFORMATION

A Direct/Raw materials cost:

The business uses a high-quality concrete mix to make the benches.

Production requirements:

- 4 800 units were produced and sold during the financial year.
- Each complete bench requires 1,4 packets of direct materials (concrete mix).
- The business allows for wastage of 10% of direct materials (concrete mix).
- The cost price of concrete mix was maintained at R125 per packet for the financial year.

B Direct labour cost:

- Direct labour budgeted for the year amounted to R1 117 200.
- The business has 7 direct workers. Each worker is required to work 1 680 hours per year and is paid the same hourly rate.

The following items have not yet been recorded:

- One worker resigned on 30 June 2026. This worker did not work overtime.
- Three of the direct workers were required to work overtime of 60 hours each during the year. Overtime rate is 1,6 times the normal hourly rate.

C Extract of pre-adjustment amounts on 30 September 2026:

The bookkeeper calculated the factory overhead cost as R1 132 700 which was incorrect.

Other pre-adjustment amounts on 30 September 2026:

	R
Office salaries	247 800
Advertising	27 450
Rental of sales department property	25 200
Bad debts	18 700

Adjustments to factory overheads:

- The clerk was paid a salary of R9 200 per month, which was recorded as an administration cost. 20% must be allocated to the office and the rest to production.
- Rent of R126 000 was shared and recorded according to the following floor area by the bookkeeper:

TOTAL	**FACTORY**	**OFFICE**	**SALES**
600 m2	400 m2	80 m2	120 m2

However, since the beginning of the financial year, the annual rent has increased to R157 500 as the size of the factory has increased. The bookkeeper did not consider the increased rent of R157 500 and the following adjusted floor areas:

TOTAL	**FACTORY**	**OFFICE**	**SALES**
800 m2	600 m2	80 m2	120 m2

ANSWER SHEET: LPA-CC 1

1.1	
1.1.1	
1.1.2	
1.1.3	

1.2

1.2.1 Calculate the direct/raw material cost (Refer to Information A)

WORKINGS	ANSWER

1.2.2 Calculate the direct labour cost (Refer to Information B)

Direct labour budgeted for the year	1 117 200
Resigned Worker	
Overtime	

1.2.3 Complete the Factory Overhead Cost Note (Refer to Information C)

Incorrect factory overheads cost	1 132 700

LPA- CC 2

2.1 Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A-D) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER SHEET, e.g. 2 .1.4 E.

	COLUMN A		**COLUMN B**
2.1.1	Direct materials cost	A	Depreciation of factory equipment
2.1.2	Selling and distribution cost	B	Office telephone account
2.1.3	Factory overheads cost	C	Raw materials used in the factory
		D	Delivery driver's salary

2.2 Bongiwe's Smart Watches

This business manufactures smart watches and is owned by Bongiwe Dube. Bongiwe buys materials from local suppliers. The information relates to the financial year ended 30 September 2026

REQUIRED

2.2.1 Complete the Production Cost Statement for the year ended 30 September 2026

2.2.2 Complete the Abridged Statement of Comprehensive Income for the year ended 30 September 2026

INFORMATION

A The business uses the FIFO method of valuing stock.

B

	30 September 2026	1 October 2025
Raw materials	R400 000	R150 000
Work-in-progress	R110 000	R250 000
Finished goods	6 100 units	R900 000 (5 000 units)

C Raw material issued to production is the missing figure.

D Salaries and wages amounted to R1 500 000 for the financial year. 60% of the figure is attributed to wages of the employees who work directly on the production.

E **FACTORY OVERHEADS COST:**

The bookkeeper calculated the factory overhead cost as R700 000. However, he made the following errors:

- He included the entire amount for water and electricity, R160 000 to the factory overheads cost, instead of allocating it in the ratio 4: 3 : 3 for factory, sales and office respectively.
- The selling and distribution cost and administration cost relating to insurance for the year totalling 60% of R125 000, was taken into account but the factory overheads expense was not taken into account.

F 18 000 smart watches were manufactured during the financial year at a cost of R200 each.

G The following cost items were calculated before considering the above information:

- Selling and distribution costs R470 000
- Administration costs R380 000

H The selling price per smart watch was R270

2.3 QUEENSMEAD MANUFACTURERS

Queensmead manufacturers produces and sells one type of heater. The business is owned by Monty Moodley

REQUIRED:

2.3.1 Explain why it is important to calculate the expected break-even point for a business at the beginning of a financial year.

2.3.2 Monty feels that he can improve the sales of heaters**.** Provide TWO suggestions on how this can be achieved.

2.3.3 Monty was concerned about the increase in the fixed cost per unit of heaters. What would you say to her? Provide ONE point and quote figures to support your answer.

2.3.4 Except for a general increase in wages due to inflation, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this.

2.3.5 Monty wants to increase production by 700 units during the next financial year while maintaining costs. Calculate the additional profit that he will achieve.

INFORMATION

	30 September 2026	30 September 2025
	UNIT COST R	UNIT COST R
VARIABLE COSTS:	**337**	**277**
Direct material	142	140
Direct labour	160	102
Selling and distribution	35	35
FIXED COSTS:	**175**	**120**
Factory overheads	125	75
Administration	50	45
Selling price per unit	540	450
Number of units produced and sold	1 200 units	2 000 units
Break-even point	1 035 units	1 388 units

ANSWER SHEET: LPA-CC 2

2.1

2.1.1	
2.1.2	
2.1.3	

2.2

2.2.1 **Production Cost Statement for the year ended 30 September 2026**

Prime cost	
Total manufacturing cost	
Work-in-process stock (beginning of the year)	**250 000**
Total cost of production of finished goods	

Abridged Statement of Comprehensive Income for the year ended 30 September 2026

Sales	
Cost of sales	
Gross profit	
Other cost:	
Net profit for the year	

2.3

2.3.1 Explain why it is important to calculate the expected break-even point for a business at the beginning of a financial year.

2.3.2 Monty feels that he can improve the sales of heaters**.** Provide TWO suggestions on how this can be achieved.

2.3.3 Monty was concerned about the increase in the fixed cost per unit of heaters. What would you say to her? Provide ONE point and quote figures to support your answer.

2.3.4 Except for a general increase in wages due to inflation, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this.

REASONS	PRACTICAL SOLUTION

2.3.5 Monty wants to increase production by 700 units during the next financial year while maintaining costs. Calculate the additional profit that he will achieve.

LPA- CC 3

HARILAL'S LEATHER STORE

The business, owned by Umesh Harilal, makes leather bags and leather jackets.

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

- Quote calculations, figures and/or trends
- Give a reason or an explanation in each case

REQUIRED: LEATHER BAGS

3.1 Comment on the control over direct material cost of leather bags. Quote figures. Give TWO reasons that may have contributed to the change in the unit cost.

3.2 Explain whether the decision to increase the selling and distribution cost of leather bags was beneficial to the business or not. Quote figures

3.3 Umesh plans to increase the production of leather bags by an additional 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2027.

REQUIRED: LEATHER JACKETS

3.4 Comment on the fixed cost per unit of leather jackets and explain the major cause for the change in this unit cost.

3.5 Identify the production cost of leather jackets that should be of serious concern to Umesh. Provide TWO valid solutions to this problem.

INFORMATION:

	LEATHER BAGS		**LEATHER JACKETS**	
	2026	**2025**	**2026**	**2025**
Variable cost per unit	R615	R442	R336	R285
Direct material cost per unit	R320	R230	R116	R115
Direct labour cost per unit	R135	R132	R175	R110
Selling and distribution cost per unit	R160	R80	R45	R60
Fixed costs per unit	R170	R175	R196,50	R130
Total fixed costs	R714 000	R700 000	R786 000	R780 000
Factory overhead cost	R510 000	R500 000	R532 000	R530 000
Administration cost	R204 000	R200 000		
Selling price per unit	R780	R750	R600	R600
Units produced and sold	4 200 units	4 000 units	4 000 units	6 000 units
Break-even number of units	4 328 units	2 273 units	2 978 units	2 477 units
Net profit/loss	(R21 120)	R531 916	R269 808	R1 109 745

- The inflation rate is 6%
- Salaries and wages increased by 4% in 2026

ANSWER SHEET : LPA-CC3

3.1

Comment on the control over direct material cost of leather bags. Quote figures

Give TWO reasons that may have contributed to the change in the unit cost.

Reason 1	
Reason 2	

3.2 Explain whether the decision to increase the selling and distribution cost of leather bags was beneficial to the business or not. Quote figures

3.3 Umesh plans to increase the production of leather bags by an additional 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2027.

WORKINGS	ANSWER

3.4 Comment on the fixed cost per unit of leather jackets and explain the major cause for the change in this unit cost.

3.5 Identify the production cost of leather jackets that should be of serious concern to Umesh.

Provide TWO valid solutions to this problem.

Solution 1	
Solution 2	

LPA-CC4

4.1 WOODY MANUFACTURERS

You are provided with information relating to Woody Manufacturers for the financial year ended 28 February 2026. This is a manufacturing business specialising in the production of hand-made Oak Tables.

REQUIRED:

4.1.1 Complete the following notes to the Production Cost Statement for the year ended 28 February 2026:

a) Direct Materials Cost:

b) Factory Overhead Cost

4.1.2 The internal auditors have made the following suggestions:

- Purchase the raw materials from a local supplier rather than importing
- Reducing the wastage of raw materials

a) Explain the effect that purchasing raw materials from a local supplier will have on the business.

b) The owner is concerned that the quality of the product may not be the same if local raw material that is currently used. Discuss what Woody Manufacturers can do to ensure that this does not happen?

c) What **TWO** measures must be implemented to avoid the wastage of raw materials?

INFORMATION:

A

Balances	**28 Feb 2026 R**	**28 Feb 2025 R**
Raw Materials Stock	1 210 950	1 393 000
Work-in-process stock	?	132 000
Consumables Stores Stock: Factory	31 800	67 200

B **Summary of transactions for the year ended 28 February 2026:**

Purchases of raw materials for cash and on credit	3 090 000
Return of raw materials to creditors	120 000
Carriage on purchases of raw materials	255 000
Purchases of consumable stores for the factory	156 000
Production wages	2 724 000
Salaries: factory manager	540 000
Administration	960 000
Sales staff	600 000
Insurance (Sales and administration departments)	52 200
Water and electricity	855 600
Sundry expenses: factory	615 000
administration	145 000
Rent expense	600 000
Depreciation on factory equipment	276 000

C Adjustments and Additional Information

- No entry was made for transport of raw materials by Carrier Transporters to the factory. An invoice for R15 000 was received.
- During physical stocktaking of raw materials on 28 February 2026, a calculation error was made. 30 000 articles costing 80c each were considered at R8 each on the stock lists. Correct the error to the closing stock of raw materials.
- The factory, administration and sales department use the water and electricity in the ratio 6 : 3 : 1. An amount of R72 000 was still outstanding on the total account for February 2026.
- Included in the Sundry factory expenses is a deposit paid for the hire of factory equipment, which is to be used from March 2026, R15 000.
- 70% of the total amount for insurance is for the factory. The remainder is shared between the sales and administration department.
- The Rent paid is split according to the floor area:

Factory	500 meters²
Office	200 meters²
Sales department	300 meters²

4.2 BREAK-EVEN POINT

Allen Nxasane produces jerseys. The financial year ended on 30 June 2026.

REQUIRED:

4.2.1 Calculate the number of jerseys that must be produced to break-even in the 2026 financial year.

4.2.2 Should Allen be satisfied with his factory's level of production? Explain. Quote figures to support your answer.

Information for the financial year ended 30 June 2026:

	Per unit	**Total R**
Fixed Costs:	70.55	239 870
Factory Overhead Cost	54.30	184 620
Administration Cost	16.25	55 250
	Per unit	**Total R**
Variable Costs:	135,20	459 680
Direct Material Cost	76,50	260 100
Direct Labour Cost	44,20	150 280
Selling and Distribution Cost	14,50	49 300

Additional Information:

- Number of jerseys produced and sold during the year, 3 400.
- Selling price per unit, R200

ANSWER BOOK: LPA-CC4

4.1 Woody Manufacturers

4.1.1 Complete the following notes to the Production Cost Statement for the year ended 28 February 2026:

a) Direct Materials Cost:

Opening Stock	1 393 000
Direct material cost	

b) Factory Overhead Cost

4.1.2 a) Explain the effect that purchasing raw materials from a local supplier will have on the business.

b) The owner is concerned that the quality of the product may not be the same if local raw material that is currently used. Discuss what Woody can do to ensure that this does not happen?

c) What **TWO** measures must be implemented to avoid the wastage of raw materials?

4.2 Break-even Point

4.2.1 Calculate the number of jerseys that must be produced to break-even in the 2026 financial year.

4.2.2 Should Allen be satisfied with his factory's level of production? Explain. Quote figures to support your answer.

LPA DD1 LPA- DD1

BANK RECONCILIATION

1.1 State whether the following statements are true or false. Write only TRUE or FALSE next to the question number.

1.1.1 Costs charged in respect of EFT's do not form part of Bank charges.

1.1.2 A credit balance on the bank statement reflects a positive balance.

1.1.3 Interest debited on the bank statement will be recorded in the Cash Receipts Journal.

BANK RECONCILIATION

1.2 The following information relates to Nongoma Stores for February 2026

REQUIRED

1.2.1 Complete the Cash Receipt Journal and Cash Payment Journal for February 2026. (Note: The information from the Bank Statement was not considered)

1.2.2 Prepare the Bank Account on 28 February 2026.

1.2.3 Prepare the Bank Reconciliation Statement for February 2026.

INFORMATION

A. Extract from the Bank Reconciliation statement on 31 January 2026:

Outstanding deposits: 10 January 2026	R 11 800
31 January 2026	26 000
Outstanding EFT:	
No. 100	
Favourable balance as per Bank account	13 600

NOTE:

- The outstanding deposit of R11 800 appeared on the February 2026 bank statement.
- The outstanding deposit of R26 000 on the Bank Reconciliation Statement was in respect of fee income for services rendered. It was reflected as R20 000 in the February Bank statement. After an investigation, it was decided to write off the missing R6 000.
- EFT 100 appeared on the Bank Statement for February 2026.

B. Provisional totals from the Cash Journals on 28 February 2026:

- Cash Receipt Journal, R52 000
- Cash Payment Journals, R51 000

C. The following information on February 2026 Bank Statement did not appear in the February 2026 Cash Journals:

EXTRACT: BANK STATEMENT – MW BANK DETAILS	AMOUNT R
Debit order Municipality – Rates and Taxes	2 800
Cash handling Fees	545
Deposit: Services	18 800
Deposit: A. Mtshali	7 100
EFT Charges	115
EFT – payment Samu Traders	6 200
B. Mthembu	2 750
Service fees	620
Interest on a positive current account balance	230
Olwami Insurers	8 000

D. Additional information

- An EFT payment to Samu Traders in settlement of our account of R6 200, was not recorded.
- The debit order to Olwami Insurers includes R2 300 for the insurance of the owner's private resident.
- A direct deposit of R18 800 was wrongly reflected on the Bank Statement of the business. The bank will rectify the error.
- The direct deposit from B. Mthembu was a partial payment of his account. A discount of R250 was allowed
- The deposit from A. Mtshali is for the monthly rent.

E. The following information in February 2026. Cash Journals did not appear on the Bank Statement for February 2026:

- Outstanding deposit, R18 500
- EFT 111 for R10 000 to Mawande Stores for equipment purchased.

ANSWERBOOK LPA- DD1

1.2 CONCEPTS

1.1.1	
1.1.2	
1.1.3	

1.2.1 CASH RECEIPT JOURNAL - February 2026 CRJ

Doc	Day	Details	Bank	Amount	Details
	28	Total	52 000	52 000	

CASH PAYMENT JOURNAL - February 2026 CPJ

Doc	Day	Details	Bank	Amount	Details
	28	Total	51 000	51 000	

1.2.2 GENERAL LEDGER OF NONGOMA STORES

Bank

1.2.3 Prepare a Bank Reconciliation Statement for February 2026

	Debit	Credit

LPA- DD2

BANK RECONCILIATION

The following information relates to Esethu Traders ending June 2026

REQUIRED

2.1 Complete the Cash Journals for June 2026. (Note: The information from the Bank Statement was not taken into account)

2.2 Prepare the Bank Account on 30 June 2026.

2.3 Prepare the Bank Reconciliation Statement on 30 June 2026.

2.4 Provide TWO suggestions that the business can use to prevent a situation experienced on 26 May 2026 in the future.

2.5 Identify the problem that is revealed by the previous reconciliation, and list TWO internal control measures to solve these problem.

2.6 Refer to the debit order for R 500. Provide a possible explanation how this may have occured, and provide advise on how this can be rectified.

INFORMATION

A. Extract from Bank Reconciliation Statement on 31 May 2026

Outstanding deposits: 17 May 2026	R40 300
26 May 2026	7 300
Outstanding EFT: No. 244	18 200
Unfavourable balance as per bank account	3 456

NOTE:

- The outstanding deposit of R40 300 appeared on the June 2026 bank statement.
- The outstanding deposit on the 26 May 2026 was reflected as R5 700 on the April statement. Upon enquiry, the bank confirmed that it was because of counterfeit notes included in the total deposit. This was cash received for repair services rendered. It was decided to write off this difference.
  EFT 244 appeared in the Bank Statement for June 2026.

B. Provisional totals from the Cash Journals on 30 June 2026:

- Cash Receipt Journal, R56 200
- Cash Payment Journal, R67 400

C. The following information on the June 2026 Bank Statement from Menzi Bank did not appear in the June 2026 Cash Journals:

Debit orders:

Xulu Insurers	R5 890	Monthly insurance premium
Vryheid ZYN	R6 000	R4 500 is for the business' rates and taxes and the balance is for the owner's private property.
Khoza Bank	R5 300	Monthly repayment of loan

- EFT Fees, R189
- Cash handling fee, R112
- Service Fees, R292
- Interest on bank overdraft, R317
- A deposit from N. Zungu R11 600 for his monthly rent.
- A debit order for R2 500 appeared on the business bank statement, on 29 April 2026. This was not an account of the business and fortunately, the owner was able to instruct the bank to cancel this entry. This reversal will be reflected on the next statement.
- A direct deposit of R16 300 was wrongly reflected on the business Bank Statement. The bank will rectify the error.
- A deposit from M. Sibiya for R3 400 in settlement of his account of R3 500.

D. The following information in the June 2026 Cash Journals did not appear on the Bank Statement for June 2026:

- Outstanding deposit, R17 800
- EFT 654 for R5 555 to Khan Suppliers for sanitizing supplies purchased.

ANSWER BOOK LPA- DD2

BANK RECONCILIATION

2.1

CASH RECEIPT JOURNAL - JUNE 2026 CRJ

Doc	Day	Details	Bank	Amount	Details
	30	Total	56 200	56 200	

CASH PAYMENT JOURNAL - JUNE 2026 CPJ

Doc	Day	Details	Bank	Amount	Details
	30	Total	67 400	67 400	

2.2 GENERAL LEDGER OF ESETHU TRADERS

BANK

2.3

Prepare a Bank Reconciliation Statement for June 2026.

	Debit	Credit

2.4 **Name TWO ways the business can prevente the cancellation of the deposit on 26 May 2026 in the future.**

2.5 Identify the problem that is revealed by the previous reconciliation, and list TWO internal control measures to solve this problem.

PROBLEM:

TWO CONTROL MEASURES

2.6 Refer to the debit order for R2 500. Explain a possible reason how this may have occured, and provide advise on how this can be rectified.

POSSIBLE EXPLANATION:

POINT OF ADVICE

The following information relates to ARIZON Stores for March 2026.

REQUIRED

3.1 Calculate the correct Bank Account balance on 31 March 2026.
You may use the ledger format. (Note: The information from the Bank Statement was not recorded)

3.2 Prepare the Bank Reconciliation Statement on 31 March 2026.

3.3 An investigation revealed that the deposit of R6 000 was missing. Since this amount could not be recovered, it was decided that it should be written off.

a) State the GAAP principle that applies to this decision

b) Provide TWO internal control measures that business can use to prevent such a loss in future.

INFORMATION

A. Extract from the Bank Reconciliation statement on 28 February 2026:

Outstanding deposits: 26 February 2026	R17 300
28 February 2026	14 000
Outstanding EFT: No. 134	7 600
Favourable balance as per bank account	7 500

NOTE:

- The outstanding deposit of R17 300 appeared on the March 2026 bank statement.
- The outstanding deposit on 28 February 2026 appeared on the bank statement but as R8 000. After investigation it came to light that the bookkeeper disappeared with the money. It was decided to write off this amount as it could not be recovered.
- EFT 134 appeared on the Bank Statement for March 2026, with the correct amount of R6 700.

B. Provisional totals from the Cash Journals on 31 March 2026.

- Cash Receipt Journal, R55 400
- Cash Payment Journals, R36 900

C. The following information on the March 2026 Bank Statement did not appear in the March 2026 Cash Journals:

EXTRACT: BANK STATEMENT – LIHLE BANK	AMOUNT
Debit order: Noju Council	R1 450
EFT – payment Mnguni Traders	5 350
Cash handling Fees	330
S. Shandu	2 850
Deposit: Fixed Deposit	6 400
EFT costs	440
A. Ndlovu	9 300
Service fees	210
Service fees	210
Interest on credit balance	120

ADDITIONAL INFORMATION

- The bookkeeper forgot to enter the EFT to Mnguni Traders in the journal. This was made in settlement of our account of R6 800.
- The direct deposit from debtor S. Shandu was an account payment.
- The deposit of R6 400 does not relate to the business. This bank error will be rectified on the next statement.
- The deposit by A. Ndlovu was the monthly rent income.
- The bank informed the business that service fees were duplicated on the statement, in error. This will be rectified on the next statement

D. The following information in the March 2026 Cash Journals did not appear on the Bank Statement for March 2026:

- Outstanding deposit, R22 700
- EFT 333 for R6 500 was for payment for a creditor, Top Stores.

ANSWER SHEET
LPA- DD3

3.1

Calculate the correct Bank Balance on 31 March 2026

3.2 **Bank Reconciliation Statement on 31 March 2026.**

	Debit	**Credit**

3.3

(a) Identify the GAAP principle which will be applied in this case **GAAP principle:**
(b) Provide TWO internal control measures that Jane can use to prevent such a loss in future

LPA- DD4

4.1 BANK RECONCILIATION (USE YOUR OWN ANSWERSHEET)

The information relates to Fezile Stores on 31 July 2026. The business is owned by Fezi Mthembu. They use the official Bank Statement, received on the 28th of each month, to reconcile their Cash Journals

REQUIRED:

4.1.1 Complete the table provided in the ANSWER BOOK by showing the entries that must be recorded in the Cash Journals on 31 July 2026.

4.1.2 Prepare the Bank Reconciliation Statement on 31 July 2026.

4.1.3 Identify TWO problems (with figures) regarding management of cash in Fezile Stores. In EACH case, provide a different solution on how these problems can be prevented in future.

INFORMATION:

A. Extract from Bank Reconciliation Statement on 30 June 2026:

Outstanding deposits:	Dated 29 June 2026	R132 000
	Dated 30 June 2026	R18 600
Outstanding EFTs:	EFT 124 (Lundi Stores)	R5 310
	EFT 125 (Dundee Stores)	R9 990

B. Provisional totals in the Cash Journals on 31 July 2026 before receiving the Bank Statement:

Cash Receipts Journal	Cash Payment Journal
R162 000	R55 200

C. Items on the Bank Statement that do not agree with July 2026 Cash Journals:

DATE		DETAILS	DEBIT R	CREDIT R
2026 June	29	Deposit		132 000
	30	Deposit		8 600
2026 July	3	EFT 124 (Lundi Stores)	3 150	
	5	EFT 125 (Dundee Stores)	9 990	
	10	Direct deposit (T. Zungu)		16 500
	15	Debit order (Mzane Insurers)	2 700	
	15	Debit order (Mzane Insurers)	2 700	
	25	Interest	975	
		Service fees	605	
	28	Nene Suppliers	12 000	

(i) The internal auditor discovered that the supporting cash slips for the deposit on 30 June 2026 amounted to R18 600. The shortfall is irrecoverable because the cashier at that time has resigned.

(ii) EFT 124 on 3 July 2026 (Lundi Stores) is correct on the Bank Statement.

(iii) The direct deposit on 10 July 2026 by T. Zungu (a tenant) was recorded incorrectly in the Cash Payment Journal.

(iv) The debit order on 15 July 2026 to Mzane Insurers for business insurance was processed twice due to insufficient funds in June. The amounts covered payments for both June and July 2026 to bring the account up to date

(v) A bank transfer on 28 July 2026 in favour of Nene Suppliers was overstated by R11 000 by the bank clerk. The bank was notified and will correct the error in August 2026

D. **Entries in the Cash Journals for July 2026 that were not reflected on the July 2026 Bank Statement:**

- Deposit on 30 July 2026: R41 850
- EFT 207: R7 650
- EFT 208: R10 800

E. Fezi, the owner, used a business debit card on 29 July 2026 for the payment of R13 000 to Mdletshe Motors for repairs to the company vehicle, but he neglected to submit the transaction slip to the bookkeeper

F. The Bank Statement on 28 July 2026 showed a favourable balance of R119 080.

LPA - EE1 : DEBTORS RECONCILIATION

The information below relates to Sanibonani Traders for March 2026.

REQUIRED:

1.1	Provide ONE reason why the balance of the Debtors' Control Account and the total of the Debtors' List should be the same.
1.2	Calculate the correct Debtors' Control Account balance after taking into account the relevant errors and omissions.
1.3	Calculate the correct balances for Debtors Z. Zulu and N. Naidoo by taking into account the errors and omissions.

INFORMATION:

Balance and totals on 31 March 2026 (before errors and omissions).	
Debtors' control account in the General Ledger	R222 000
Debtor's list: (before errors and omissions)	
Z. Zulu	R102 600
N. Naidoo	R110 240

Errors and omissions

A.	The Debtors' Journal was incorrectly totalled as R68 640 instead of R58 280
B.	An invoice issued to debtor Z. Zulu for R1 800 has not yet been recorded in the books of Sanibonani Traders
C.	The bookkeeper posted an invoice for R3 000 to the wrong side of a debtor Z. Zulu's account. Posting to the General Ledger was correct.
D.	Goods sold on credit to debtor N. Naidoo for R11 800 were correctly recorded in the Debtors' Journal but incorrectly posted to her account in the Debtors' Ledger as R19 000

LPA - EE1: Answer Sheet

1.1	Provide ONE reason why the balance of the Debtors' Control Account and the total of the Debtors' List should be the same.
1.2	Calculate the correct Debtors' Control Account balance after taking into account the relevant errors and omissions.

1.3

Debtor	Workings	Balance
Z. Zulu		
N. Naidoo		

LPA = EE2: CREDITORS' RECONCILIATION

Eagle Traders received a statement of account from a creditor, Cornubia Suppliers. The balance on the statement did not agree with that on the account of Cornubia Suppliers in the Creditor's Ledger of Eagle Traders

REQUIRED:

2.1 **Refer to Information A, B and C.**

Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Eagle Traders
- Statement of account received from Cornubia Suppliers

Write the amount and indicate increase (+) or decrease (-) with each amount.

2.2 **Refer to Information D.**

It was discovered that the purchasing manager, Sabelo, had signed a fictitious invoice received from PK Suppliers. The banking details of his son appeared on this invoice. The relevant payment was processed by the financial department.

Other than dismissing Sabelo, provide:

- ONE action to be taken against him
- ONE suggestion on how to prevent this problem in future

INFORMATION:

A. **Creditors' Ledger of Eagle Traders:**

CORNUBIA SUPPLIERS (CL9)

Date		Details	Debit	Credit	Balance
2026 March	1	Account rendered			69 800
	6	Invoice 519		26 300	96 100
	8	Debit Note 104	1 600		94 500
	14	EFT 310	45 500		49 000
		Discount	7 000		42 000
	15	Invoice 202		13 800	55 800
	24	Invoice 567		20 000	75 800
	25	Invoice 594		17 100	92 900
	31	Invoice 610		9 000	101 900

B. **Statement of account received from Cornubia Suppliers**:

CORNUBIA SUPPLIERS

EagleTraders
95 Falcon Road **Dated: 25 March 2026**

DATE		DETAILS	DEBIT	CREDIT	BALANCE
2026 March	1	Balance			69 800
	4	Interest	400		70 200
	6	Invoice 519	23 600		93 800
	8	Credit Note 164	1 600		95 400
	14	Receipt 7710		45 500	49 900
	24	Invoice 567	20 000		69 900
	25	Invoice 594	19 000		88 900

C. Differences noted:

(i) Cornubia Suppliers correctly levied interest of R400 on the account of EagleTraders on 4 March 2026

(ii) Invoice 519 on 6 March 2026 was correct according to the statement received from Cornubia Suppliers.

(iii) Cornubia Suppliers made an error in recording the return of goods on 8 March 2026.

(iv) Eagle Traders qualified for an early settlement discount with the payment on 14 March 2026. Cornubia Suppliers granted only R5 000 as discount. They promised to show this on their statement next month.

(v) Invoice 202 for R13 800 was recorded incorrectly in the Creditors' Ledger Account of Cornubia Suppliers on 15 March 2026. The invoice was received from another creditor, Braxton Suppliers.

(vi) A trade discount of 10% was deducted on invoice 594. Cornubia Suppliers will correct this error next month.

(vii) Invoice 610 did not appear on the statement received from Cornubia Suppliers as this transaction took place after their statement date.

D. Creditors' Ledger of Eagle Traders

PK SUPPLIERS (CL35)					
DATE		DETAILS	DEBIT	CREDIT	BALANCE
2026 March	23	Invoice 481		18 000	18 000
	28	EFT 336	18 000		0

LPA - EE2: ANSWER BOOK

2.1 CREDITORS' RECONCILIATION

	CREDITORS' LEDGER ACCOUNT OF EAGLE TRADERS	STATEMENT OF ACCOUNT FROM CORNUBIA SUPPLIERS
BALANCES	**101 900**	**88 900**
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		
(vii)		
BALANCES		

2.2

It was discovered that the purchasing manager, Sabelo, had signed a fictitious invoice received from PK Suppliers. The banking details of his son appeared on this invoice. The relevant payment was processed by the financial department. Other than dismissing Sabelo, provide:	
ONE action to be taken against him	
ONE suggestion on how to prevent this problem in future	

LPA - EE3: DEBTORS' RECONCILIATION AND INTERNAL CONTROL

Isidingo Traders sells glassware for cash and on credit. Although their credit terms are 60 days, They budget on the expectation that 80% of debtors will meet these terms

REQUIRED:

Study the information provided and answer the questions that follow.

3.1	Explain why the Debtors' Control Account should correspond with the Debtor's List
3.2	Explain TWO processes the bookkeeper should follow if he/she discovers a difference
	between the Debtors' Control Account and the Debtors' List from the Debtors' Ledger.
3.3	Calculate the following:
3.3.1	The correct closing balance of the Debtors' Control Account on 31 March 2026
3.3.2	The correct amounts owing by the following debtors of Isidingo Traders:
	• R. Johnson
	• S. Walker
	• P. Chellan
3.4	At the end of February, the debtors' age analysis reflected the following:

TOTAL	CURRENT	30–60 DAYS	61–90 DAYS	MORE THAN 90 DAYS
R201 200	R35 300	R22 800	R78 000	R65 100

3.4.1	Is Isidingo Traders controlling their debtors effectively? Explain, quoting figures to support your answer
3.4.2	Explain TWO measures a business can introduce to improve the collection of funds from debtors except for discount allowed.

INFORMATION:

1. Balance of Debtors' Control Account on 31 March 2026, R200 000
2. Balances per Debtors' Ledger on 31 March 2026

M. Chetty	R64 500
R. Johnson	41 200
S. Walker	23 000
C. Duma	51 500
P. Chellan	7 900
TOTAL	188 100

The following errors and omissions were discovered and must be corrected:

A. The Debtors' Journal has been overcast by R2 600.
B. An invoice issued to S. Walker for R1 800 had not yet been recorded in the books of Isidingo Traders
C. A future dated EFT received from R, Johnson for R15 000 with a maturity date of 10 April 2026 (future dated EFT received) was inadvertently recorded in the March 2026 CRJ (receipt of proof of payment) and posted to the relevant ledger accounts.
C. Stock sold on credit to P. Chellan was incorrectly charged to the account of R Johnson, R8 300.
D. An invoice issued to P. Chellan for R6 000 had been posted to the wrong side of his account.
E. Goods sold on credit to S Walker for R5 800 were correctly recorded in the Debtors' Journal. But incorrectly posted as R8 500 to S. Walker's account in the Debtor's Ledger

LPA - EE3: ANSWER BOOK

3.1 Explain why the Debtors' Control Account should correspond with the Debtors' List

3.2 Explain TWO processes the bookkeeper should follow if he/she discovers a difference between the Debtors' Control Account and the Debtors' List from the Debtors' Ledger.

3.3.1 Calculate the correct closing balance of the Debtors' Control Account on 31 March 2026.

3.3.2 Calculate the correct amounts owing by the following debtors of Isidingo Traders

	WORKINGS	ANSWER
R. Johnson	R41 200	
S. Walker	R23 000	
P. Chellan	R7 900	

3.4.1 Is Isidingo Traders controlling their debtors effectively? Explain, quoting figures to support your answer.

3.4.2 Explain TWO measures a business can introduce to improve the collection of funds from debtors except for discount allowed.

LPA - EE4: DEBTOR'S RECONCILIATION

The following information relates to David's Shop for July 2026

REQUIRED:

4.1	Indicate the corrections that must be made to the Debtor's Control Account in the General Ledger By showing the amounts with (+) for increase and (–) for decrease or write 'no change'
4.2	Prepare the correct Debtors list on 31 July 2026. Show workings with relevant amounts in brackets to earn part marks.
4.3	Explain why the balance in the Debtors Control account should be the same as the total of the Debtors List
4.4	The Debtors clerk is concerned that Mr Scott has not paid his account. Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except the charging of interest.

INFORMATION

A. **Pre-adjustment figures on 31 July 2026**

Debtors Control Account Balance	R29 000
Debtors List total from the Debtors Ledger	R30 200

B. **Debtors List on 31 July 2026**

	DEBIT	CREDIT
A. Khan		2 000
T. Naicker	12 400	
X. Zuma	4 600	
M. Scott	15 200	
	32 200	2 000

C. Errors and omissions

(i)	The total of the Debtors Allowance journal was overcast by R2 600
(ii)	An amount of R6 400 received from T. Naicker was correctly recorded in the Cash Receipts Journal but posted incorrectly as R4 600 to the account of T. Naicker
(iii)	Interest of R500 must be charged on the overdue account of M. Scott
(iv)	Merchandise bought from A. Khan, R1 600 was posted to the wrong side of his account in the Debtors Ledger
(v)	No entry was made for a credit note issued to X. Zuma, R1 080

LPA - EE4: ANSWER SHEET

4.1 Correction of the Debtor's Control account

Provisional Balance	29 000
(i)	
(ii)	
(iii)	
(iv)	
(v)	

4.2 Debtors List on 31 July 2026

A. Khan	
T. Naicker	
X. Zuma	
M. Scott	

4.3

Explain why the balance in the Debtors Control account should be the same as the total of the Debtors List

4.4

The Debtors clerk is concerned that Mr Scott has not paid his account. Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except the charging of interest.

LPA-FF 1: VAT CONCEPTS AND CALCULATIONS

1.1 CONCEPTS

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (a – d) in the ANSWER BOOK.

(a) VAT on drawings of stock will (increase/decrease) the VAT payable to SARS.

(b) A (debit/credit) balance in the VAT Control Account would reflect amount payable to SARS.

(c) VAT will not be accounted for by the business on payment of (salaries/electricity)

(d) VAT paid to a service provider for the purchase of goods is (output VAT/input VAT)

1.2 THANDANANI STORES

Thandanani Stores is registered for VAT. The VAT rate is 15%

REQUIRED:

1.2.1 Calculate the figures indicated by (a) to (d) in the table below.

1.2.2 You are the internal auditor. The sole owner, Yamal, used a business account to buy a new car for R345 000 including VAT. This car is kept at home for his family use. Yamal says the vehicle must be recorded as a business asset and R45 000 must be recorded as a VAT input in the business' books Explain what you would say concerning his conduct. Provide TWO points

INFORMATION:

	Excluding VAT	VAT Amount	Including VAT
Sales returns	960	(a)	1 104
Purchases of stock	52 600	(b)	
Discount received	(c)	720	
		(d)	112 470*

* This includes zero-rated goods that should have been sold for R5 500. The bookkeeper has incorrectly included VAT of R825 on these goods. This must be corrected.

LPA-FF1: ANSWER BOOK

1.1 Concepts

1.1.1

(a)	
(b)	
(c)	
(d)	

1.2 1.2.1 Calculate the figures indicated by (a) to (d) in the table below.

	WORKINGS	ANSWER
(a)		
(b)		
(c)		
(d)		

1.2.2

Explain what you would say concerning his conduct. Provide TWO points

LPA-FF 2: VAT

2.1 Indicate whether the following statements are TRUE or FALSE.

2.1.1 It is compulsory for all businesses to register for VAT.

2.1.2 VAT returns to SARS are submitted after every six months of trading activities.

2.1.3 VAT paid by a business on goods purchased is called VAT input

2.2 The information relates to Roadside Stores for the VAT period ended 28 February 2026 (two months) The standard VAT rate is 15%.

REQUIRED:

2.2.1 Taking into account the errors and omissions, calculate the VAT amount that is either payable to or receivable from SARS.

2.2.2 The internal auditor discovered that the owner, Jane, used the VAT collected from customers to pay salaries and bonuses, therefore, he could not meet the VAT deadline. What comment would you offer Jane concerning this practice? State TWO points

INFORMATION:

A. Amount due to SARS on 1 February 2026, R44 800.

B. Amounts from the journals on 28 February 2026

	Including VAT	VAT amount
Sales	531 300	69 300
Purchases of stock	212 750	?
Returns by debtors	52 900	?
Bad debts written off	40 250	?

C The following errors and omissions were noted:

▪ Stock taken by the owner, cost price R6 000 (excluding VAT), has not been recorded.
▪ VAT on sales was recorded incorrectly. Certain goods with a selling price of R50 000(excluding VAT) should have been recorded as zero-rated items.
▪ VAT on discounts granted to debtors was not recorded. The total discounts allowed amounted to R16 675

LPA-FF2: ANSWER BOOK

2.1 Indicate whether the following statements are TRUE or FALSE.

2.1.1	
2.1.2	
2.1.3	

2.2 2.2.1

VAT amount that is either payable to or receivable from SARS.

2.2.2

What comment would you offer Jane concerning this practice? State TWO points

LPA-FF 3: VAT

Mandisa Traders is a VAT registered business. All items are subject to VAT at 15 %

REQUIRED:

3.1 Calculate the amount of VAT either receivable from or payable to SARS on 31 July 2026. Indicate whether this amount is receivable or payable.

3.2 The owner wants to change the VAT amount on bad debts from R840 to R4 200. Give ONE reason why you would disagree with her.

INFORMATION

A. Amount owed by SARS on 1 July 2026, R27 200

B. Amounts from the Journals on 31 July 2026:

	Excluding VAT	**VAT Amount**	**Including VAT**
Total sales	R480 000	?	R552 000
Payment of business expense		?	182 850
Stock returned by debtors		2 250	
Accounts written as bad debts	22 000	?	

LPA-FF 3: ANSWER BOOK

3.1

Calculate the amount of VAT either receivable from or payable to SARS on 31 July 2026.

3.2

Give ONE reason why you would disagree with her.

LPA-FF 4: VAT

VALUE ADDED TAX

Gebashe Traders is registered for VAT. The VAT rate is 15%

REQUIRED

4.1. Calculate the amount of VAT payable to SARS for the VAT period ended 31 July 2026.

4.2 You are internal auditor. The owner, Gebashe Baye, transferred R12 880 including VAT, using an EFT to Computer Solutions for a new laptop for his wife, who will be starting a business. Gebashe insists that the laptop must be recorded as a VAT input in the business books.

Explain what you would say to Gebashe from the above. Provide ONE point

INFORMATION:

A. Balance due to SARS on 1 July 2026, R6 300

B. Amounts from the July 2026 Journals:

	Excluding VAT	VAT amount	Including VAT
	R	R	R
Sales returns	6 900	?	7 935
Purchases of stock		3 075	
Discount allowed	780	?	
Bad debts recovered		240	
Credit sales		?	*72 450

*NOTE: This amount includes zero-rated goods that should have been sold for R5 060. The bookkeeper has incorrectly included VAT of R660 on these goods. This must be corrected

LPA-FF 4: ANSWER BOOK

VAT

4.1

Calculate the amount of VAT payable to SARS for the VAT period ended 31 July 2026

4.2

Explain what you would say to Gebashe. Provide ONE point

LPA-FF 5: VAT

The information appeared in the books of Sambane Traders for May 2026.

REQUIRED:

5.1 Use the information to calculate the amount owed to/by SARS for VAT on 31 May 2026

INFORMATION:

Balance in the General Ledger on 1 May 2026, R1 245 (cr)

The following are the column totals of the various subsidiary journals for May 2026

Transaction	**Journal**	**VAT Excluded**	**VAT Included**	**VAT**
Cash sales of stock	CRJ	126 000	?	18 900
Cash purchases of stock	CPJ	87 900	?	13 185
Credit purchases of stock	CJ		?	11 985
Trading stock sent back to creditors	CAJ		?	5 430
Trading stock sold on credit	DJ	134 60	?	
Trading stock sent back by debtors	DAJ		10 764	

LPA-FF 5: ANSWER BOOK

5.1

Calculate the amount owed to/by SARS for VAT on 31 May 2026

LPA- GG1: BUDGETING

The information relates to Emzansi Traders for the period 1 July 2026 to 31 August 2026.
The business is owned by Mvelo Thumbeza and sells its own in-house electrical appliances.

REQUIRED

1.1 Calculate the total sales for June 2026.

1.2 Complete the Debtors' Collection Schedule for the period 1 July 2026 to 31 August 2026.

1.3 Calculate the missing figures (i) — (iv) in the Cash Budget for the period ending 31 August 2026.

1.4 Refer to Information G.

- Explain why these items may cause challenge for the business. Provide ONE reason for each case
- There is a concern about the high advertising costs associated with printing pamphlets by the business, especially given the low sales return. Suggest and explain TWO modern and more cost-effective advertising methods that Edward could consider

1.5 Refer to information H.

- Comment on the cash flow situation during May 2026. Make ONE suggestion to improve Emzansi Traders' cash problems.
- Edward is considering opening a new branch in another province. Identify TWO challenges that may impact on the business's cash budget.

INFORMATION:

A. Sales, cost of sales and debtors' collection:

- Total sales were as follows:

	MAY 2026	**JUNE 2026**	**JULY 2026**	**AUGUST 2026**
Actual	1 280 000	?		
Budgeted			1 192 000	1 604 000

- Cash sales comprise 75% of total sales.
- The mark-up percentage is 60% on cost price.

B. Collection from debtors is as follows:

- 20% pay in the month of sales and receive a 3% discount.
- 60% pay in the month following the month of sales.
- 15% pay in the second month after the sale.
- The balance will be written-off as irrecoverable.

C. Purchases:

- 35% of all purchases are on credit.
- Stock is replaced in the month of sales. A base stock is maintained.
- Creditors are pai two months after purchase, subject to a 4% discount.

D. Extract from the Cash Budget for July and August 2026:

	JULY	**AUGUST**
RECEIPTS		
Cash sales	894 000	1 203 000
Collection from debtors	312 812	**?**
Rent income	9 225	8 200
Loan	0	**(i)**
PAYMENTS		
Cash purchases of stock	484 250	**(ii)**
Payment to creditors	**(iii)**	289 800
Rent expense	9 300	11 718
Interest on loan	1 105	2 275
Salaries and Wages	29 000	**(iv)**

E. Loan

On 1 August 2026, Emzansi Traders acquired a new loan. Interest will be charged at 13% p.a. at the end of each month, starting on 31 August 2026. VBD Bank charges interest at the same rate as the previous loan.

F. Salaries and wages:

The business has two employees who earn the same monthly salary. In August a third employee, who will earn a monthly salary of 30% lower than the other two employees, will be appointed.

G. Edward is concerned about the following items that did not comply with the budget for May 2026

	BUDGETED R	**ACTUAL R**
Payments to creditors	198 600	54 000
Insurance	12 890	0
Advertising	9 750	24 375

H. Extract from the cash budget:

	MAY 2026 ACTUAL R	**JUNE 2026 ACTUAL R**
Cash surplus / (deficit)	(76 540)	105 400
Cash at the beginning	202 700	126 160
Cash at the end	126 160	231 560

LPA – GG1 ANSWER BOOK

1.1 Calculate the total sales for June 2026.

WORKINGS	ANSWER

1.2 DEBTOR'S COLLECTION SCHEDULE

MONTHS	CREDIT SALES	JULY	AUGUST
MAY			
JUNE	345 000		
JULY			
AUGUST			

1.3 Calculate the missing figures (i) — (iv) in the Cash Budget for the period ending 31 August 2026.

(i) Loan amount acquired in August 2026.

WORKINGS	ANSWER

(ii) Cash purchases of stock for August 2026.

WORKINGS	ANSWER

(iii) Payment to creditors for July 2026.

WORKINGS	ANSWER

(iv) Salaries and wages for August 2026.

WORKINGS	ANSWER

1.4 Explain why these items may cause a challenge for the business. Provide ONE reason for each case.

	REASON
Payment to Creditors	
Insurance	

There is a concern about the high advertising costs associated with printing pamphlets by the business, especially given the low sales return. Suggest and explain TWO modern and more cost-effective advertising methods that Edward could consider.

PROPOSED METHOD	EXPLANATION

1.5 Comment on the cash flow situation during May 2026. Make ONE suggestion to improve Emzansi Traders' cash problems.

PROBLEM	SOLUTION

Edward is considering opening a new branch in another province. Identify TWO challenges that may impact on the business's cash budget.

LPA – GG2

BUDGETS

The information relates to Kgomotso Furnitures for the budget period ending July 2026.

REQUIRED:

2.1 **Refer to information C.**

Identify the following:

- TWO items in the cash budget that would NOT appear in a Projected Statement of Comprehensive Income.
- TWO items that were incorrectly recorder in the cash budget.

2.2 Complete the Creditor's Payment Schedule for July 2026.

2.3 Calculate missing figures (i) to (vi) on the Cash Budget provided.

2.4 **Refer to information G.**

- Comment on the new approach regarding cash and credit sales.
- Explain TWO disadvantages of the approach adopted.
- Comment on the actual and budgeted figures for advertising and packing material. Quote figures.

INFORMATION:

A. **Sales, Cost of sales and debtor's collection:**

	MAY	JUNE	JULY
Total Sales	R876 150	R965 250	?
Cost of Sales	R531 000	?	R393 000

- Cash sales comprise 30% of total sales.
- Debtors settle their accounts in the month following the month of sales.

B. **Purchases of stock and payment to creditors:**

- A base stock is maintained. Stock sold is replaced in the same month.
- Cash purchases comprise 15% of total purchases.
- Creditors are paid according to the following trend:
  - 80% are paid in the month of purchases to receive a 5% discount.
  - 20% are paid in the month after purchases.

C. **Extract from the Cash Budget:**

RECEIPTS	**JUNE 2026 (R)**	**JULY 2026 (R)**
Cash sales	289 575	**(i)**
Collection from debtors	613 305	**(ii)**
Rent income	**(iii)**	42 000
Loan: FSB Bank	**(iv)**	
PAYMENTS		
Cash purchase of stock	**(v)**	58 950
Payments to creditors	468 180	?
Director's fees	**(vi)**	142 800
Salaries of worker's including assistants	52 000	49 600
Advertising	39 480	37 900
Delivery expenses	65 800	66 500
Packing material	78 960	79 800
Interest on loan	-	7 800
Trading stock deficit	2 500	
Loss on sales of fixed assets	1 200	
Sundry expenses		

D. Rent income is expected to increase by 12% from 1 July 2026.

E. The business plans to take a loan on 30 June 2026. The interest has been negotiated with the bank at 13% p.a. payable at the end of each month and commencing on 31 July 2026.

F. The business employs two Directors earning the same salary every month. The two Director's will each receive an increase of 2.5% p.a. effective from 1 July 2026. The third director joined the company on 1 July 2026 with a salary of R42 000.

G. **Budgeted and actual figures for May 2026:**

BUGDETED ITEMS	**BUDGETED R**	**ACTUAL R**
Cash sales	292 125	262 845
Credit sales	681 625	613 305
Total sales	**973 750**	**876 150**
Advertising	38 250	32 000
Packing material	68 500	45 000

LPA – GG2 ANSWER BOOK

2.1 **Identify TWO items in the cash budget that would NOT appear in a Projected Statement of Comprehensive Income.**

Identify TWO items that were incorrectly recorded in the cash budget.

2.2 **Complete the Creditor's Payment Schedule for July 2026.**

	CREDIT PURCHASES		
MAY			
JUNE	**497 250**		
JULY			
		468 180	

2.3 Calculate missing figures (i) to (vi) on the Cash Budget provided.

(i) Cash Sales: July 2026	
WORKINGS	**ANSWER**

(ii) Collection from debtors: July 2026	
WORKINGS	**ANSWER**

(iii) Rent income: June 2026	
WORKINGS	**ANSWER**

(iv) Loan: FSB Bank: June 2026	
WORKINGS	**ANSWER**

(v) Cash purchases: June 2026	
WORKINGS	**ANSWER**

(vi) Director's fee: June 2026	
WORKINGS	**ANSWER**

2.4 **Comment on the new approach regarding cash and credit sales.**

Explain TWO disadvantages of the approach adopted.

Comment on the actual and budgeted figures for advertising and packing material. Quote figures.

ADVERTISING Quote figures	
PACKING MATERIAL	

LPA - GG3: BUDGETING

You are provided with a partially completed Projected Statement of Comprehensive Income of Cottonlands Stores prepared by the bookkeeper for the period 1 May 2026 to 30 June 2026. The business is owned by Sazi Cottonlands.

REQUIRED:

3.1 Calculate the missing amounts denoted by **(a)** to **(d)** in the Projected Statement of Comprehensive Income.

3.2 Taking into account the additional information, calculate the following:

3.2.1 The monthly salary due to the sales manager in June 2026

3.2.2 The total credit sales expected in July 2026

3.2.3 The cost price of the new vehicle purchased on 1 May 2026

3.3 Comment on the control of the telephone and water and electricity. What advice would you offer Sazi? State ONE point in each.

3.4 Sazi wants to reduce the maintenance budget to R500 per month and then use this saving for staff training. What should she consider before making this change? State TWO points.

3.5 A new competitor started operating from nearby premises in May 2026. Refer to the actual figures for May 2026 and:

- Explain how Sazi responded to this threat. State THREE points. Provide figures/calculations to support your answer.
- Explain whether Sazi's response was successful or not. Provide figures.

INFORMATION:

A. Salaries and wages:

- The cleaner will receive an 8% increase in June 2026.
- The business employs a sales manager and an administration manager. The sales manager earns R400 more than the administration manager (per month). The managers are entitled to an increase of 7% p.a. from 1 June 2026.

B. The business uses a mark-up percentage of 60% on cost.

C. Credit sales comprise 80% of total sales. Sales are expected to increase by 10% per month and by 12% during July 2026.

D. A delivery vehicle was purchased on 1 May 2026. Vehicles are depreciated at 15% per annum on cost. The accountant did not take this into account when preparing the Projected Statement of Comprehensive Income for May 2026.

E Rent income increased by 9% on 1 June 2026.

F. **Information (amongst others) from the Projected Statement of Comprehensive Income for May 2026 to June 2026:**

	MAY BUDGETED	**MAY ACTUAL**	**JUNE BUDGETED**
Sales	180 000	195 000	198 000
Cost of sales	(112 500)	(150 000)	**(b)**
Gross profit	67 500		
Other income		19 200	
Rent income	**(d)**		10 028
Commission income	12 500	8 000	13 000
Discount received	1 800		1 980
Gross operating income			
Operating expenses	(45 650)		
Salaries (two managers)	18 000	18 000	
Wages (cleaner)	1 800	1 800	**(c)**
Maintenance	5 000	2 000	5 000
Motor vehicle expenses	0	4 000	0
Administration expenses	8 450	8 420	8 500
Telephone, water and electricity	2 000	4 880	2 000
Insurance	1 800	1 800	1 800
Advertising	2 400	9 600	2 400
Depreciation	6 200	9 000	
Trading stock deficit	0	1 680	
Operating profit	**(a)**		
Interest income	350	350	350
Profit before interest expense	46 500		
Interest expense	(500)	(500)	(500)
Net profit	46 000		

LPA – GG3 ANSWER BOOK

3.1	(a)	Operating profit
	(b)	Cost of sales
	(c)	Wages
	(d)	Rent income
3.2.1		Calculate the monthly salary due to the sales manager in June 2026.
3.2.2		Calculate the total credit sales expected in July 2026.
3.2.3		Calculate the cost price of the new vehicle purchased on 1 May 2026.
3.3		Comment on the control of telephone and water and electricity. What advice would you offer Sazi? State ONE point. Comment: Advice:
3.4		Sazi wants to reduce the maintenance budget to R500 per month and then use this saving for staff training. What should she consider before making this change? State TWO points.

5	Explain how Sazi responded to this threat. State THREE points. Provide figures/calculations to support your answer.
	Explain whether Sazi's response was successful or not. Provide figures.

LPA – GG4

CASH BUDGET (USE YOUR OWN ANSWERSHEET)

KWADUKUZA (PTY) LTD

Peter Pillay is the sole shareholder and CEO of the business.

4.1 REQUIRED:

4.1.1 Calculate the amounts for (i) - (v) in the Cash Budget.

4.1.2 Peter extracted the following actual and budgeted figures for August 2026:

	Budgeted	**Actual**
Total sales	R864 000	R648 000
Cash from debtors	R550 000	410 000
Advertising	R36 000	R36 000
Delivery expenses	R60 000	R51 000

Comment and quote figures on the:

- Effectiveness of the advertising
- Control over delivery expenses

INFORMATION:

A. Total sales:

July	**August**	**September**	**October**
792 000	864 000	900 000	918 000

- Credit sales comprise 60% of total sales

B.
- Goods are sold at a mark-up of 80% on cost.
- The business maintains a fixed stock base level. Stock sold in a month is replaced in the same month.

C.
- The cash purchases are 65% of total purchases.
- Creditors are paid in the month following the month of purchases to take advantage of a 5% discount.

D. Extract from the Cash Budget for two months ended 31 October 2026:

	September	**October**
Cash sales	360 000	367 200
Rent income	15 500	**(i)**
Cash purchases	124 300	**(ii)**
Payment to creditors for stock	**(iii)**	107 350
Salaries of sales assistants	41 000	**(iv)**
Telephone	**(v)**	48 600

E. Rent income is expected to increase by 9% p.a. from 1 October 2026.

F. The business will have five sales assistants employed in September 2026 on the same monthly salary. Three of them will receive an annual bonus of 75% of their earnings in October 2026. A part-time sales assistant will be also be employed during October 2026 and will earn 50% of the monthly amount applicable to the others.

G. A tariff increase of 8% will be implemented on the telephone account from 1 October 2026. The business has entered into a fixed monthly fee contract with the service provider.

4.2 PROJECTED STATEMENT OF COMPREHENSIVE INCOME

SHAKAKRAAL TRADERS

Thembi Phewa owns Shakakraal Traders, which sell cycling equipment. You are provided with a Projected Statement of Comprehensive Income for July and August 2026. The actual figures are also provided.

REQUIRED:

4.2.1 Thembi budgeted to achieve a 100% mark-up on cost. However, due to increased competition, he found it necessary to reduce his price during the budgeted period.

- Calculate the mark-up % that the business actually achieved in July 2026.
- Thembi feels that the business benefited from the price reduction. Quote figures from the question to support his opinion.

4.2.2 Over the past two months Thembi has needed to contribute capital in order to settle the debts of the business. Explain why the Projected Statement of Comprehensive Income will not help him in identifying the reasons for this problem. Provide ONE suitable reason.

4.2.3 On 1 July 2026 the business had a loan from Macambini Bank at an interest rate of 15% p.a. Interest is not capitalised.
Additional loan was taken on 1 August 2026 at the same interest rate.

- Calculate the amount of the additional loan taken on 1 August 2026.
- Thembi decided to use the additional loan which was taken on 1 August 2026 to purchase the shop premises instead of renting premises. How has this decision affected the profit he is earning? Provide TWO points with figures to support your answer.

INFORMATION:

CYCLING TRADERS

Projected Statement of Comprehensive Income for July and August 2026:

	July Budgeted	July Actual	August Budgeted	August Actual
Sales	400 000	640 000	432 000	680 000
Cost of sales	(200 000)	(400 000)	(216 000)	(425 000)
Gross profit	200 000	240 000	216 000	255 000
Other income	90 000	120 000	118 000	138 000
Operating expense	(120 000)	(130 000)	(140 000)	(145 000)
Rent expense	30 000	30 000	30 000	0
Rates	0	0	0	15 000
Operating profit	170 000	230 000	194 000	248 000
Interest expense (15% p.a.)	(2 500)	(2 500)	(12 500)	(12 500)
Net profit for the month	167 500	227 500	181 500	235 500

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note 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

- In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.