KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS) SUPPORT

LAST PUSH TEACHER REVISION DOCUMENT

ACCOUNTING: PAPER 1 & 2

GRADE 12

2026

LPA – A1

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

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

[12 192 500 + 16 500 000 – 42 500]

$$\frac{28\ 650\ 000}{50\ 000} = 573 \times 8\ 000 = 4\ 584\ 000$$

[3 000 + 48 000 – 1 000]

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

Sales (27 050 000 - 50 000)	27 000 000
Cost of sales	(14 000 000)
Gross Profit	**13 000 000**
Other Operating Income	**600 900**
Commission income (163 000 + 6 400)	169 400
Rent income (77 000 / 2= 38 500 x 3=115 500) + (38 500 x100/110=35 000 x9=315 000 (115 500 + 315 000)	430 500
Provision for bad debts adjustment (30 600 – 29 600)	1 000
Gross operating Profit	13 600 900
Operating expenses	**(4 435 100)**
Salaries and wages	654 000
Audit fees	175 000
Advertising	20 000
Packing material	80 000
Sundry expenses balancing figure	1 328 350
Directors fees (48 750 x 9=438 750 + (48 750 x100/75 = 65 000 x 2=130 000 x 12=1 560 000) (438 750 + 1 560 000)	1 988 750
Trading stock deficit (4 598 000 - 4 584 000)	14 000
Operating Profit	**9 165 800**
Interest income (30 000 +25 200)	55 200
Profit before interest expense	**9 221 000**
Interest expense (3 080 000 -3200 000)	(120 000)
Net Profit before tax	**9 101 000**
Income tax (2 450 000 – 70 000)	(2 380 000)
Net Profit After Tax	**6 721 000**

LPA-A2

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED	
Sales (8 085 500- 4 500)	8 081 000
Cost of sales (4 042 750- 2 250)	(4 240 500)
Gross profit	**3 838 500**
Other operating income	**144 360**
Discount received	23 190
Rent Income (85 100 + 7 610)	92 710
Bad debts recovered (11 760 + 2 240)	14 000
Provision for bad debts adjustment (34 120 – 29 660)	14 460
Gross income	**3 982 860**
Operating expenses	**(2 380 670)**
Advertising	404 500
Salaries and wages	520 180
Audit fees	89 970
Depreciation	63 220
Trading stock deficit	18 500
Bad debts (33 260 -2 240)	31 020
Insurance (48 750 – 16 250)	32 500
Directors Fees (825 000 + 25 000)	850 000
Consumable Stores on hand (33 900 -5 900)	28 000
Sundry expenses	432 750
Operating profit	1 602 190
Interest Income	11 090
Net profit before interest expense	1 613 280
Interest Expense	(61 280)
Net profit before tax	1 552 000
Income Tax	(456 600)
Net profit after tax	**1 095 400**

LPA-B 1

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.**

Calculation of the correct net profit after tax	
Incorrect net profit	**2 530 200**
Trading stock deficit	– 19 800
Rent income	– 9 900
Provision for bad debts adjustment	+ 2 700
Insurance	+ 6 400
Correction of error: Asset	– 14 600
Correct net profit before tax	2 495 000
Income tax	–748 500
Net profit after tax	1 746 500

1.2	**Retained Income Note on 30 June 2026.**

Balance at beginning of year	1 449 900
Net profit after tax	1 746 500
Repurchase of shares (20 000 x R1,60)	(32 000)
Dividends	(970 400)
Interim	**400 000**
Final (2 480 000 x 0,23	570 400
Balance at end of year	**2 194 000**

LPA-B 2

Calculation of correct net profit		
	Incorrect net profit	**3 726 880**
(i)	**Commission income**	+41 900
(ii)	**Provision for bad debts**	- 1 300
(iii)	**Rent expense**	+79 020
(iv)	**Directors' fees**	- 68 500
(v)	**Interest on loan**	- 258 000
(vi)	**Income tax**	- 985 600
	Corrected net profit after tax	2 534 400

Calculate the value of the closing stock of tables on 28 February 2026 using the first-in-first out inventory valuation method.	
WORKINGS	**ANSWER**
250 x (400 + 30) = 107 500 190 x (350 + 25) = 71 250	178 750

Ordinary share capital		
Authorised:		
3 000 000 ordinary shares		
Issued:		
1 600 000	shares in issue at beginning	9 600 000
800 000	shares issued during the year	7200 000
(120 000)	shares repurchased (ASP: R7,00)	(840 000)
2 280 000	shares in issue at end	15 960 000

Retained income	
Balance at beginning	1 181 250
Net profit after tax	2 534 400
Shares repurchased (120 000 x R3,80)	(456 000)
Ordinary share dividends	(2 377 200)
Interim (2 400 000 x 0,62))	1 488 000
Final	889 200
Balance at end	882 450

STATEMENT OF FINANCIAL POSITION	
ASSETS	
NON-CURRENT ASSETS	17 488 650
Fixed assets at carrying value	16 928 650
Financial assets: Fixed deposit	560 000
CURRENT ASSETS (3420 000 X1.5)	5 130 000
Inventories	3 973 380
Trade and other receivables (886 000 – 44 300 + 41900 +79020)	962 620
Cash and cash equivalents (54000 + 140 000)	194 000
TOTAL ASSETS	22 618 650
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	16 842 450
Ordinary share capital	15 960 000
Retained income	882 450
NON-CURRENT LIABILITIES	2 356 200
Mortgage loan: Tell Bank (2 508 000+ 258 000 – 409 800)	2 356 200
CURRENT LIABILITIES	3 420 000
Trade and other payables (1 318 000 + 32 000 + 68 500)	1 418 500
Shareholders for dividends	889 200
Current portion of loan	409 800
SARS: Income tax	13 600
Bank overdraft	688 900
TOTAL EQUITY AND LIABILITIES	22 618 650

LPA-B 3

ORDINARY SHARE CAPITAL	
AUTHORISED	
750 000 ordinary shares	
ISSUED	
450 000 shares in issue at beginning	3 215 000
80 000 shares issued at R9.50 each	760 000
(75 000) shares repurchased at R7.50	(562 500)
455 000 shares in issue at end	3 412 500

RETAINED INCOME	
Balance at beginning	322 500
Net profit after tax	812 700
Share buy backs [75 000 x R2.90]	(217 500)
Dividends	(482 000)
Interim	270 000
Final [530 000 x0.4]	212 000
Balance at end	435 700

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2026

ASSETS	
NON-CURRENT ASSETS [4 747 100 – 863 100]	3 884 000
Fixed assets at carrying value [3 884 000 – 650 000	3 234 000
Financial assets:	
Fixed deposit: William Bank [650 000]	650 000
CURRENT ASSETS	863 100
Inventories [275 400]	275 400
Trade and other receivables [243 500 + 7 600]	251 100
Cash and cash equivalents [336 600]	336 600
TOTAL ASSETS	4 747 100
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	3 848 200
Ordinary share capital	3 412 500
Retained income	435 700
NON-CURRENT LIABILITIES	451 200
Mortgage loan: Tell Bank [482 600	451 200
CURRENT LIABILITIES	447 700
Trade and other payables [62 460 + 12 120]	74 580
Shareholders for dividends	212 000
Current portion of loan	112 800
SARS: Income tax [-299 980	48 320
TOTAL EQUITY AND LIABILITIES	4 747 100

LPA-B4

4.1 (i)	**Calculate: Cost price of buildings at the beginning of the year**	
	WORKINGS	**ANSWER**
	9 421 300 + 420 000	9 841 300
(ii)	**Calculate: Depreciation on vehicles**	
	WORKINGS	**ANSWER**
	(786 000 – 260 000) Old 526 000 x [15% x 12/12] or 15% 78 900 New 260 000 x [15% x 5/12] 16 250	95 150
(iii)	**Calculate carrying value on equipment sold**	
	WORKINGS	**ANSWER**
	57 600 x [20% x 3/12] 57 600 – 2 880 OR (8 000 + 14 400 + 2 880) 80 000 – 25 280	54 720

4.2	**CORRECT NET PROFIT AFTER TAX FOR THE YEAR**		
	Incorrect net profit before tax		**1 150 000**
	Audit fees		-45 600
	Donation 100 x R402	(603 000/1500)	-40 200
	Rent income 26000 + 1300		+27 300
	Directors' fees 852 800 x (200/1640)		+104 000
	Net profit before tax		1195 500
	Income tax		(351 000)
	Net profit after tax		844 500

4.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025

ASSETS

NON-CURRENT ASSETS	**10 377 480**
Fixed assets	**9 952 480**
Investment: Fixed deposit	**425 000**
CURRENT ASSETS	3 848 020
Inventories 1 064 200 – 40 200	1 024 000
Trade and other receivables 744 900 + 27 300 + 104 000 – 8 400	867 800
Cash and cash equivalents	**1 956 220**
TOTAL ASSETS	14 225 500
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	12 164 650
Share capital	12 164 650
Retained income	1 013 650
NON-CURRENT LIABILITIES	608 000
Mortgage loan (1 004 000 – 396 000	608 000
CURRENT LIABILITIES	
Trade and other payables 518 950 + 45 600 – 8 400	556 150
Shareholders for dividends	472 500
Current portion of loan	396 000
SARS Income tax	28 200
TOTAL EQUITY AND LIABILITIES	14 225 500

LPA -C1 CASH FLOW STATEMENT AND FINANCIAL INDICATORS

1.1 **Complete the Note for Reconciliation between net profit before tax and cash generated from operations**

Net profit before tax (322 400+197 600)	520 000
Adjustments:	
Depreciation	16 645
Interest on loan	120 000
Operating profit before changes in working capital	656 645

1.2.1

Cash received from issued shares during the financial year	
WORKINGS	**ANSWER**
100 000 x 1500 Cents	1 500 000

1.2.2

Total funds used on repurchased shares	
WORKINGS	**ANSWER**
10 000 x R16.00 (10 000 x R12,50 + 10 000 x R3,50)	(160 000)

1.2.3

Taxation paid	
WORKINGS	**ANSWER**
197 600 – 4 000 – 10 375	(183 225)

1.2.4

Funds spend on acquisition of tangible asset during the financial year	
WORKINGS	**ANSWER**
16 645 + 19 430+ 1 541 940 – 944 800	(633 215)

1.2.5

Net change in cash and cash equivalents	239 400
Cash and cash equivalents at the beginning (153 000 – 2 500)	(150 500)
Cash and cash equivalents at the end	88 900

1.3.1

Return on average capital employed	
WORKINGS	**ANSWER**
640 000 $\frac{520\ 000 + 120\ 000}{\frac{1}{2}(2\ 849\ 900 + 2\ 187\ 500)} \times \frac{100^*}{1}$ 5 037400 2 518 700	25,4%

1.3.2

Debt-equity ratio	
WORKINGS	**ANSWER**
350 000: 2 499 900	0,14: 1

1.3.3

Acid- test ratio	
WORKINGS	**ANSWER**
(1 125 000+88 900) 1 213 900: 1 150 940	1,05:1

1.3.4

Net Asset Value per share	
WORKINGS	**ANSWER**
(2 375 000+124 900) $\frac{2\ 499\ 900}{190\ 000} \times \frac{100}{1}$ (100 000+100 000- 10 000) shares	1316 cents

LPA – C2

2.1

- 2.1.1 Current asset
- 2.1.2 Finance cost
- 2.1.3 Directors' report

2.2

% operating expenses on sales	
WORKINGS	**ANSWER**
$\frac{1\ 859\ 000}{8\ 450\ 000}$ x 100	22%

Debt equity ratio	
WORKINGS	**ANSWER**
1 950 000 : 9 576 600	0,2:1

% return on average shareholders' equity	
WORKINGS	**ANSWER**
975 500 x 100	

½ (9 576 600+ 7 350 000) 16 926 600 8 463 300	11,5%

2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2026

Figures are NOT required in shaded areas.

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
Taxation paid (– 27 650 + 474 500 – 19 180)	(427 670)
Dividends paid (133 200 + 180 000) OR: 133 200 + (393 400 – 213 400)	(313 200)
CASH FLOW FROM INVESTING ACTIVITIES	
CASH FLOW FROM FINANCING ACTIVITIES	1 151 000
Shares issued (200 000 x 12)	2 400 000
Shares repurchased 9 600 000 / 1 000 000 = 9,60 288 000 + 36 000 (30 000 x 9,60) + (30 000 x 1,20)	(324 000)
Loan repaid	(925 000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	115 300
CASH AND CASH EQUIVALENTS AT BEGINNING 18 400 – 95 200	(76 800)
CASH AND CASH EQUIVALENTS AT END	38 500

LPA C3:

3.1 Calculate:

Income tax paid	
WORKINGS	**ANSWER**
857 500 x 30/70 367 500 + 15 800 – 25 600	357 700
Dividends paid	
WORKINGS	**ANSWER**
330 000 + 350 000	680 000
Proceeds from the sale of fixed assets	
WORKINGS	**ANSWER**
11 721 200 + 4 909 900 – 476 000 – 16 032 100	123 000

3.2

CASH EFFECTS OF FINANCING ACTIVITIES	3 875 000
Proceeds from shares issued 10 235 000 + 2 225 000 – 9 460 000 (250 000 x 8,90)	3 000 000
Funds used to re-purchase shares (250 000 x 10,50)	(2 625 000)
Increase / or change in loan (6 000 000 – 2 500 000)	3 500 000

3.3

3.3.1

Calculate: % operating expenses on sales	
WORKINGS	**ANSWER**
$\frac{2\ 080\ 000}{10\ 400\ 000} \times 100$	20%

3.3.2

Calculate: Total dividends per share (DPS)	
WORKINGS	**ANSWER**
350 000 / 1 400 000 437 000 /1 150 000 25 cent + 38 cents	63 cents

3.3.3

Calculate: % return on average shareholders' equity	
WORKINGS	**ANSWER**
857 500 / ½ (10 447 000 + 10 892 500) x 100 10 669 750	8 %

LPA - C4

RECONCILIATION BETWEEN THE NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS

Net Profit Before Tax (192 240 x100/28)	708 000
Adjustments for:	
Depreciation	19 874
Interest Expense (420 000 + 100 8000-1 284 000)	144 000
Profit before changes working capital	871 974
Changes in working capital	45 318
Changes in inventories (1 374 000 – 1 350 000)	24000
Changes in receivables (1 365 000+ 10800) – (1 322 400 + 15 600)	28 800
Changes in payables (1 256 760 +11 400) – (1 252 278+ 8 400)	(7 482)
CASH GENERATED FROM OPERATIONS	**917 292**

CASH FLOW FROM OPERATING ACTIVIES	**455 502**
Cash Generated from operations	917 292
Interest Paid	(144 000)
Dividends Paid (120 000 + 168 00)	(136 800)
Income Tax Paid (- 198 240 + 4800 + 12 450)	(180 890)

CASH FLOW FROM INVESTING ACTIVITIES	**(145 542)**
Fixed Assets Purchased (977 760 + 199 974 + 23 23 316 – 1 175 325)	(240 858)
Sale of Fixed Assets	23 316
Fixed Deposit (228 000 – 156 000)	72000

CASH FLOW FROM FINANCING ACTIVITIES	**756 000**
Shares Issued During (100 000	1 800 000
Shares Repurchased (10 000	180 000
Loan (1 284 000 – 420 000)	(864 000)

INTERPRETATION OF FINANCIAL STATEMENTS

LPA – D 1

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	False
1.1.2	False
1.1.3	True

1.2. LUH LTD AND AKHOH LTD

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.

- Average debtors' collection period of AKHOH LTD of 25 days is better than that of LUH LTD of 53 days, AKHOH LTD is taking few days to receive cash than LUH LTD.
- Stock holding period of AKHOH LTD of 88 days is better than that of LUH LTD of 150 days, AKHOH LTD is taking few days to convert stock into cash, therefore there are more sales.
- Current ratio of AKHOH LTD of 1,5: 1 is better than that of LUH LTD of 6,0: 1. AKHOH is able to pay short term debts when due and also benefiting on buying goods on credit unlike LUH LTD who invested more on current assets.

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

- % Operating profit on sales of LUH LTD of 10,1% is greater than that of 7,3% of AKHOH LTD by 2,8 %.
- % Operating expenses on sales of LUH LTD of 37,9% is lower than that of AKHOH LTD of 44,5% by 6,6%
- LUH LTD is managing its expenses very well.

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.

AKHOH LTD

- Debt equity ratio of AKHOH LTD is 2: 1 while LUH LTD is 0.3: 1 therefore AKHOH LTD uses more loans which indicates high risk.
- Interest on loan of AKHOH LTD of 15% is higher than ROTCE of 13,6%, The company is making loss and is negatively geared.

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

LUH LTD

- 240/410 x 100 =58,5%
- Retained 41,5% profit for expansion

AKHOH LTD

- 185/176 x 100 = 105,1%
- Distributed the whole profit as dividends including 5,1% of retained income for last year to shareholders.

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.

- ROTCE of LUH LTD is 32% and is greater than 13,6% of AKHOH LTD by 18,4%.
- ROSHE of LUH LTD 21,3% is greater than that of AKHOH LTD 11,2% by 10,1%.
- Earnings per share of LUH LTD 410 cents is greater than 176 cents of AKHOH LTD by 234 cents.
- Dividends per share of LUH LTD 240 cents is greater than 185 cents of AKHOH LTD by 55 cents.

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.

- NAV 609 cents is smaller than JSE 750 cents by cents 141 cents and shares are in good demand which is good for the company.

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

- NAV 939 cents is greater than JSE 885 cents by 54 cents and shares are not in good demand, which is bad for the company.

LPA - D 2

2.1 Concepts

2.1.1	Solvent
2.1.2	Risk/gearing
2.1.3	Profitable

2.2 NJINJI LTD

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).

- Stock holding period increased from 49 days to 74 days by 25 days / 51,02%,
- Debtors' collection period increased from 30 days to 48 days by 18 days / 60%

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

- Dividends per share increased from 45 cents to 106 cents by 61 cents / 135%

2.2.3 The directors decided to change the dividend pay-out policy in 2026.
Provide calculations that indicate the policy change.

45/115 x 100= 39,1%
106/108 X 100= 98,1%

Briefly explain the effect of the change of policy on the company. State two points.

They decided to distribute more profits as dividends to shareholders from 39,1% to 98,1%

- The share price of the company will increase.
- Company image will improve.
- Demand for potential investors will increase.

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.

- Debt equity ratio decreased from 0,5: 1 to 0,4: 1 by 0,1: 1 points / 20%.
- ROTCE decreased from 14% to 12% and the company is negatively geared because the interest on loan 15% is greater than ROTCE 12%.
- Although the company shows low risk, it is making loss from borrowed funds, therefore the company must pay back the loan to avoid more losses.

2.2.5 Explain why the shareholders are satisfied with:
The market price of the shares on the JSE

- NAV 780 cents is smaller than JSE 980 cents and the shares are in good demand.

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

- The shares were repurchased above the JSE price, thus share buyback price of 1000 cents and market price of 980 cents.
- The company was losing 20 cents per share.

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.

- The percentage shareholding dropped from 52% to 39,7% by 12,3% points/23,7%.
- He lost control of the company as his shareholding is 39.7%.

• He is no longer a majority shareholder.
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. • Loan increased from R2 500 000 to R5 500 000 by R3 000 000 points. • Bank balance moved from debit balance of R440 000 to an overdraft of R3 800 000 by R4 240 000 points.
Give TWO reasons why the decision to repurchase Olwethu's shares should be considered as irresponsible. • Repurchase price of 1000 cents is higher than market price of 980 cents • Company did not comply with solvency and liquidity testing. • Large overdraft creates a cashflow problem. • Olwethu misused his authority in the repurchased of shares.

LPA - D 3

3.1 KILMUN LTD

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.** • Mark-up % decreased from 55% to 45% by 10% points/ by 18,2% • Net profit after sales increased from 16% to 19% by 3% points/ by 18,8% • Sales have improved from R32 m to R52 m by R20 m / by 62,5%

3.1.2 **Liquidity:** **Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends.** • Debtors' collection period improved from 45 days to 30 days by 15 days points / by 33,3% • Creditors' payment period improved from 79 days to 69 days by 10 days point /by 12,7%

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.** • It decreased from 80% to 60% by 20% points/ 25% • 40% of funds have been retained for future expansion purpose / shareholder will benefit in the future as funds have been set aside / protect the cash flow of the business.
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. Returns on average shareholders' equity (ROSHE) • Decreased from 14% to 8.5% by 5,5% points/ by 39.3% • Shareholders should not be satisfied because ROSHE 8.5% is less than the interest rate on fixed deposit 9,5%

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.

- Debt equity ratio increased from 0,4: 1 to 0,6: 1 by 0,2: 1 / 50%, the risk is high.
- ROTCE decreased from 12% to 8.2% by 3,8% points/ 31,7%. The gearing is negative because ROTCE 8,2% is less than interest rate on loan 10.5%.

Apart from loan, identify one main source (over R1m) that were used to finance this purchase. Provide figures

- Shares issued - R2 240 000 (R30 740 000- R28 500 000)

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

Calculate the number of shares that Wiseman bought through the rights issue on 31 December 2025.

- 1 728 000 x 10/50 = 345 600

Calculate Wiseman's % shareholding after the rights issue on 30 June 2026.

- (1 728 000 + 345 600) = 2 073 600   3 200 000 + 640 000 = 3 840 000

2 073 600 ÷ 3 840 000 x 100
=54%

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.

- 345 600 x R3.50(R2 240 000÷640 000)

= R1 209 600

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.

Explain the meaning of the term *insolvent*

- The liabilities exceed the assets / company does not have enough money or assets to pay total liabilities
- The company has a negative equity
- Accept any relevant answer.

How rights issue improves the solvency of the company to a favourable position.

- Assets will increase as more cash received.
- Equity will Increase as more shares have been issued.
- Liabilities will remain unchanged.

LPA - D 4

4.1 Choose a category of indicators from COLUMN B that matches the description 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.

4.1.1	D
4.1.2	C
4.1.3	A

4.2.1 **Profitability:**

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

THEMBELA LTD

- Operating profit on sales increased from 20,5% to 24.2% by 3,7% points / 18.05%
- Operating expense on sales decreased from 17,0% to 13,6 % by 3,4% points / 20 %
- Net profit on sales increased from 16.0% to 19,6% by 3.6 % points / 22,5%

4.2.2 **Dividends, earnings and returns:**

Comment on the dividends pay-out policy of MONDE LTD. Explain why this is an irresponsible change in policy. Provide TWO points.

- The pay-out rate increased from 59% to 115% by 56% points/ 94,9%.
- In 2026 they paid DPS of 92 cents compared EPS of 80 cents (i.e., 12 cents from retained income.)
- Although the EPS dropped from 138 cents to 80 cents by 58 cents/42,02%, DPS was 10 cents more than last year

(82 cents to 92 cents) and DPS now exceeds EPS by 12 cents.

Explanation:

- Company is depleting retained income reserve (which can be more effectively used to rebuild profitability).
- The company is trying to keep shareholders happy/ trying to influence market price of shares by increasing dividends.

Comment on the % returns on shareholders' equity of EACH company.

MONDE LTD.

- ROSHE dropped from 12,2% to 7,6% by 4,6% points/ 37,7% less that % interest on alternative investment 9,6%

THEMBELA LTD

- ROSHE improved from 10.7% to 14,1% by 3,4% points/ 31,8%, more than % interest on alternative investment 9,7%

A shareholder feels that earnings per share (EPS) in THEMBELA LTD are better than that in MONDE LTD. Explain why you agree with him.

- Earnings per share of THEMBELA LTD increased from 65 cents to 72 cents by 7 cents / 10,8%% and earnings per share of MONDE LTD dropped from 138 cents to 80 cents by 58 cents /42,02%
- EPS to NAV is 7.4% in MONDE LTD and 11,4% in THEMBELA LTD.
- EPS to MP is 8,1% in MONDE LTD and 11,7% in THEMBELA LTD.
- Accept any relevant point.

4.2.3 Shareholding of Ngcobo Mhlengi in both companies:

Comment on price paid for the shares repurchased by MONDE LTD. Provide TWO points.

- Repurchase prise R13.20 is more than MP of R9,90 by R11,30
- Repurchase prise R13.20 is more than NAV of R10,81 by R11 28

Calculate the number of shares that Mhlengi purchased in THEMBELA LTD with money he received from the shares buyback at MONDE LTD.

150 000 x R13,20
= R 1 980 000÷ R6,60
= 300 000

Explain the effect of the shares repurchased on the % shareholding of Mhlengi in EACH company.

MONDE LTD
Mhlengi was the majority shareholder (51%)
- He now only 40,5% of shares (283 000 / 700 000 x 100)
- He has lost majority status

THEMBELA LTD

- Mhlengi had 41,8% of shares
- He now has 50,7% of the shares (760 000 / 1 500 000 x 100)
- He is now the majority shareholder

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.

- Increase the share capital by R2 640 000 or 400 000 shares.
- Decreased the loan by R400 000
- Net increase of R2 240 000 to total capital employed

Benefits:

- All the money generated is spent on lasting items (fixed assets) which could generate further profits in future.
- Improved debt-equity ratio / reduced debts-equity ratio (low risk) / improved creditworthiness in future.
- Improved % returns on average capital employed.

- 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.
- Debt equity ratio increased from 0,4: 1 to 1,1: 1 by 0,7: 1 and the risk is high.
- ROTCE decreased from 16,1% to 10,2% by 5,9% points / 36,6% and the business in experiencing negative gearing.

LPA - D 5

HIGHFLATS LTD AND UNDERBERG LTD

5.1 HIGHFLATS LTD

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

- Shares issued R9,10 below the market price R12

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

- Debt-equity ratio decreased from 0,8: 1 to 0,5: 1 by 0,3: 1 points / 37,5%, risk decreased.
- ROTCE increased from 15% to 20% by 5% points / 33.3%, positive geared because ROTCE 20% is more than % interest on loan 5 %.

5.1.3 **Lwandile 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

- 700 000 x 60% = 420 000 - 300 000 = 120 000 shares
- 120 000 x R9,10 = R1 092 000

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.

- He will get a ROSHE 23% which is greater than interest on alternative investment 9%
- The company shares are undervalued/ in demand which is good, NAV R10,73 is lower than JSE R12.

5.2 UNDERBERG LTD

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

- Stock holding period remain constant at 54 days and it's considered to be low, company taking few days to convert stock into cash.
- Current ratio decreased from 3,5: 1 to 1,9: 1 by points / %, company able to pay short term obligations when due and benefiting on buying goods on credit.
- Acid test ratio decreased from 1.7: 1 to 1,1: 1 by points / %, company able to pay short term obligations when due without relying on stock, therefore cash not tied up on stock.

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

- Shares buyback price R15 is the same as JSE R15, company is not making loss on share repurchase.

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

- He received R15 repurchase price, which is higher than NAV of R13,3 by R1,7.
- ROSHE of Highflats LTD 23% in which he bought shares is greater than Underberg LTD 16% by 7%
- Accept any relevant answer

LPA – E1 CORPORATE GOVERNANCE AND AUDITORS REPORT

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

- So that readers of financial statements can have confidence in his opinion.
- Assurance to the public that he/she is well trained on an on-going basis.
- Disciplinary actions if negligent in performing duties.
- Aware of latest trends e.g., IFRS, Companies Act, King Code
- Act in ethical manner (integrity, observe code of conduct)
- To benchmark quality of work.

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

- The auditor expresses an opinion, he/ she does not prepare the financial statements.
- If the auditor has anything to do with preparing the financial statements, he will not be able to express his opinion (conflict of interests, he would be biased)
- The auditor only checks on a test basis- the directors are responsible for the figures.
- The directors work in the company on a daily basis- they must be held liable for errors or fraud.
- The directors cannot delegate their responsibilities for the preparation of the financial statements.

1.3 Refer to the underlined words in paragraph 2.

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

- Statements concerning cash, fixed assets, loans, stock e.g., bank statements, stock sheets
- Invoices (source documents and supporting vouchers), fixed asset register

(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.

Principle Provided	**Explanation of reason:**
Stock valuation method	Could lead to differences in profit

1.4 Refer to paragraph 3 and explain why you would be satisfied with this report.

- The auditors have stated that they are satisfied with all aspects of the financial reporting by the directors/ company
- This is a standard report- cannot expect better (fairly presented)
- No negative comments reported- if the auditor had been dissatisfied about anything he would have stated it here.
- Complies with IFRS and Companies Act.
- The auditors have not stated the report is qualified or withheld.

LPA -E2 CORPORATE GOVERNANCE AND AUDIT REPORT

2.1.1 B
2.1.2 D
2.1.3 A

2.2 CORPORATE GOVERNANCE
2.2.1 Prospectus

2.2.2 **Management of fixed assets**

- Use unique identifiers, QR codes or REID tags for real-time location and status

- Use automated check-in/check-out system to reduce errors and track usage efficiently/logbook
- Utilize the Fixed Asset Management (FAM) Software
- Conduct regular audits and maintain records
- Perform physical audits to match records of purchase dates, values, location, and depreciation
- Schedule regular inspections to extend asset life and prevent costly downtime/regular maintenance
- Use data to identify underperforming assets needing repair or replacement
- Ensure all users understand the system and procedures for widespread adoption

2.2.3 Role of directors in the corporate governance

- The board sets the company's long-term goals and objectives, ensuring they align with the company's mission and values.
- They establish a framework for identifying, assessing, and managing risks that could impact the company.
- The board monitors the company's performance against its goals and objectives, holding management accountable for results.
- They ensure the company operates with integrity and adheres to ethical standards and legal requirements.
- The board ensures transparency in communication and discloses relevant information to shareholders and stakeholders.
- The board is responsible for hiring, firing, and evaluating the CEO and other top executives.
- They establish policies and procedures to guide the company's operations and ensure compliance with laws and regulations.
- The board oversees the allocation of company resources, including capital expenditures and investments.
- They represent the interests of shareholders and other stakeholders, including employees, customers, and the community.
- Setting Compensation: The board determines executive compensation and ensures it is aligned with performance and the company's overall success.
- They approve the company's budget and major financial decisions.
- The board ensures the accuracy and reliability of the company's financial reporting.
- They develop and implement succession plans for key leadership positions.
- The board establishes policies to address potential conflicts of interest among directors, officers, and employees

2.4 Audit Report

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

- To protect the interests of shareholders and potential investors.
- To ensures that all public companies adhere to the same standards of financial reporting and accountability.
- To identify/reveal areas where internal controls can be strengthened and financial processes improved.
- It demonstrates that the company's financial information is reliable and trustworthy.

2.4.2 The significance of the reference CA (SA)

- This provides assurance to the readers that the audit has been properly done.
- To show that the audit has been done by professionals with CA qualifications.
- Assures employers worldwide of the professional's high standard of competence and expertise.

2.4.3 What action would GWALA & SMITH have to perform to verify the donation and advertising figures in the financial

statements?

Examine the financial records of the business – external audit/Examine a sample of donations records (source documents) and any written correspondence/Review appraisals and documentations that supports the recorded fair market value (for large non-cash donations).

- Sample of major donors to confirm the amounts donated and any restrictions associated with the funds.
- Assess the internal control of the business.
- Assess the accounting principles used by the business.
- Confirm with external vendors or advertising agencies that the services were indeed provided and for the agreed-upon price.

LPA -E4 CORPORATE GOVERNANCE & AUDIT REPORT

4.1 Explain why companies might want to be listed on the JSE.

(a)The public can participate in the purchase of shares / easier access to potential investors / tapping the global investment environment (internet)
(b) Adds to the prestige of the company (due to additional listing requirements & publicity)
(c)Ensures compliance with Companies Act and other regulations (e.g. BBEEE scores, audit requirements)
(d) Easier to access additional funds by advertising new issue of shares / ongoing advertising through JSE publications

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

(a)They will not deceive the public as it is their role to ensure that sound business management practices are in place / do not want to cast doubts about their operations.
(b)Would want to avoid any legal action against the JSE for misleading shareholders / Reputation of JSE may become questionable..
(c) JSE is a vital organization in facilitating capital funds that stimulate the economy / leads to creation of jobs / public relies on credible information.

3.2 Refer to paragraph 2

Explain the difference between a *qualified audit report* and a *disclaimer of opinion audit report*.

Qualified Report Disclaimer Report could be a combined or implied explanation

A qualified report mentions only specific items which are of concern to the auditor; while a disclaimer report means that the auditors are refusing to express an opinion.

- **Qualified audit report:** The external auditors identified a few areas of concern / does not allow them to give an unqualified audit report / internal control processes / audit evidence might be deficient.

- **Disclaimer report:** The external auditors refuse to, or were unable to, obtain sufficient evidence to support an audit opinion / the company does not exercise reliable internal control processes / management was incompetent in performing basic recording and reporting tasks / financial statements do not adhere to GAAP & IFRS.

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.		
Questions you would raise at the AGM		**One reason for each question**
QUESTION	Why do the disqualified directors seem to have no skills and/or experience in governance issues? Why are there no criteria for directors' appointments?	For a company listed on the JSE highly qualified directors are required.
QUESTION	Why did the board not take immediate action over the qualified and disclaimer audit reports?	Poor audit reports will severely affect the company and the market price of its shares.
QUESTION	Why have they not implemented disciplinary procedures on these directors (before the JSE disqualified them)?	The board should have taken prompt action to prevent further problems.
QUESTION	Why were very important roles allocated to these directors?	It is reckless to allocate important tasks to directors who cannot carry them out.
QUESTION	Why do the board and the other directors appear to be negligent or careless in appointing or voting for the unskilled directors at the AGM?	The board and the other directors could lay themselves open to legal claims due to negligence / failure to screen directors and conduct background checks.
QUESTION	Where will the funds come from to pay the R6,5m fine?	Transparency required by King Code in all processes. Profits or retained income could be negatively affected.
QUESTION	How has the financial stability or profitability of the company been affected by this incident?	Fraud in financial statements could negatively affect the company's sustainability
QUESTION	How are the vacant non-executive directors' posts going to be filled?	The shareholders and the board must not vote for or appoint directors who lack vital skills.
QUESTION	What measures will the board put in place to prevent this fraud in future? What control measures does the Audit & Risk committee have in place?	Transparency / accountability / improving controls.

LPA – E4 CORPORATE GOVERNANCE

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 Explain why it is the responsibility of the company. State TWO points.

- The company depends on the community for its success/ it is part of the community that supports it.
- The company should focus more on its responsibility and growth.
- The company should work with government to achieve common goals of uplifting the community.
- The King Code has established the guidelines for CSR which company should comply with.
- According to labour law, companies are responsibly for skills development activities.

4.2.1 Explain why the shareholders were unhappy about this report. Provide THREE points

- Their investments will be depleted or lost.
- Image / reputation of the company will be dented.
- Loss investor confidence in directors due to deliberate fraudulent activity.
- Potential shareholders will no longer be interested in buying the shares.
- This would affect the share price and profit of the company

4.2.2 As a shareholder, explain what you would say at the AGM. Provide TWO points

- The CFO must be investigated by the company and the appropriate disciplinary procedure should follow.
- Investigate further to ensure that criminal activity is not filtered through other part of the company.
- This would affect the share price and profit of the company.
- Lack of internal audit.

4.3.1 Identify the type of report and explain WHY the type of report was issued

- Qualified report.
- The financial statements were fairly presented in all material manner except for the issue regarding donations
- There is no evidence or documents to verify the donations

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

- Procurement policy

Three quotations containing the same quality of assets must be obtained from different suppliers; and the cheapest be chosen.

4.3.3 Major consequences to directors

- Fined
- Suspended
- May never be permitted to practice again (removed from the roll of auditors)

4.3.4 What criteria would the shareholders use to appoint members of the Board of Directors? State THREE points

- Good qualifications/ professionalism.
- Integrity/ honesty/ work ethics/ innovation and creativity.
- Good team player/ transparency/ accountability.
- Clear crime record.
- Good references from previous employers if any.

PAPER 2

FIXED ASSET

LPA-AA 1

A	*460 000 – 396 750 = 63 250*
B	*460 000+ 116 000= 576 000*
C	*5 000 000+ 650 000 =5 650 000*
D	*584 000+ 132 000- 576 000 =140 000*
E	*140 000×10/100×3/12 = 3 500* *118 000-11 880×10/100×7/12 = 6 237* *444 000- 434 920 ×10/100×12/12 = 908* *10 645*
F	*118 800-11 880-6 237 = 100 683*
G	*116 000+ 140 000-100 683- 10 645 =144 672*
H	*460 000+10 645-31 317= 439 328*
I	459 999

1.2	***ASSET DISPOSAL***				
	VEHICLES	***132 000***		***ACCUMULATED DEP (25080+6237)***	***31 317***
				BANK	***81 348***
				LOSS ON SALE	***19 335***
		132 000			***132 000***

1.3 Historical principle, asset should be recorded at their original cost price

1.4

The vehicle may have been unreliable/ unproductive
It was not suitable for the needs of the business
Poor decision taken and is reversed.

LPA – AA2

WORKINGS	**ANSWER**
i. 2 800 000+ 500 000- 2 500 000	R800 000
ii. 256 000 ×25/100 = 64 000 312 000×25/100 = 78 000 20 000-1= 19 999	161 999
iii. 1 014 000 - 1 350 000	336 000
iv. 1 781 600 + 13 800 – 1 350 000	445 400

v. 2 820+ 750	3 570
vi. 1 014 000+445 400-3570-1 230 970	224 860

LPA -AA3

Vehicle 1

Sfundo is lazy his car is new but travel less distance than other drivers 52 000 compared to zaks with 75 000. Swipe cars with Zaks.

Vehicle 2

Shelembe is using the business car for his own benefits money received per kilometre is far less than others compared to others by R3. Put tracking device to monitor his movements a day.

Vehicle 3

Zeks his car is old carrying value is R1. He must sell his car to save in repair and fuel costs.

LPA- AA4

4.1
A.460 0000+ 130 000 = 590 000
B. 130 000+100 000-18 750-36 000= 172 250
C. 564 000- 172 250 = 388 750

4.2 **VEHICLES ACCOUNT**

March	01	Balance	b/d	590 000	Dec	31	Asset disposal	GJ	126 000
		Bank	CPJ	100 000	Feb	28	Balance	c/d	564 000
				690 000					690 000
March	01	Balance	b/d	564 000					

ACCUMULATED DEPRECIATION									
DEC	31	Asset disposal	GJ	107 250	March	01	Balance	b/d	460 000
		Balance	c/d	388 750			depreciation	GJ	36 000
				496 000					**496 000**

ASSET DISPOSAL									
Dec	31	vehicles	GJ	126 000	Dec	31	Accum dep	GJ	107 250
		Profit	GJ	3 000			Bank	CRJ	21 750
				129 000					**129 000**

4.3 Selling price R15 000- R2000= 13 000

Vehicle was about to reach its useful life 126 000- 107 250 = 18 750

LPA – AA5

5.1 Historical principle, cannot verify the actual value until is sold, prevents manipulation of figures.

5.2 The fixed asset register is the book in which all assets owned by a business are recorded

5.3

Asset disposal							
2025 Nov	30	vehicles	140 000	2025 Nov	30	Accumulated depreciation	75 650
		Profit on sale	1 850			Bank	66 200
			141 850				**141 850**

5.4			
	A.	2 500 000+ 450 000	2 950 000
	B.	522 000 + 378 000	900 000
	C.	66 200 – 1850	64 350
	D.	140 000×20/100×9/100 = 21 000 480 000 ×20/100×3/12 = 24 000 760 000×20/100 = 152 000	197 000
	E.	522 000 +480 000- 64 350 -197 000	740 650
	F.	900 000 +480 000 – 140 000	1 240 000
	G.	1 240 000 – 740 650 OR 378 000 + 197 000 – 75 650	499 350
	H.	245 000 – 230 000	15 000
		305 000 – 245 000	60 000
	J.	(60 000 × 10/100×6/12 = 3 000 New) + (15 000 – 1 = 14 999 Old)	17 999
	K.	15 000 + 60 000 – 17 999	57 001
	L.	230 000 +17 999	247 999

LPA - BB1: INVENTORY VALUATION

1.1.1	**Calculate the value of the closing stock on 28 February 2026. Use the weighted-average method.**

WORKINGS	ANSWER
[710 + 2 370 – 2 508] 572 x 3 420	1 956 240 If x R3 420

Calculate the gross profit on 28 February 2026.	
WORKINGS	ANSWER
[2 508 x R4 550] [2 508 x R3 420] 11 411 400 – 8 577 360	2 834 040

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

- Revise the selling price to match the cost price/rising inflation rate can increase production costs and prices will need to be adjusted.
- Consider how much are competitors charging for the same bag.
- Adjust price based on customer satisfaction/consider how the customers perceive the value of his bags.
- Assess the demand of travel bags and align his price with broader goals.
- Rising inflation rate will lead to increased prices to maintain profit margins.

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

- Increased operating expenses.
- Change in consumer preference.
- Increased prices by the suppliers.
- Increase in inflation rate.
- Decreased price by competitors.
- Decline in number of units sold/Less travel leads to reduced sales.
- High rate of product returns.
- Stock losses or damaged stock can reduce profits.
- Decreased price by competitors.

1.2.1 **Calculate the value of the closing stock on 28 February 2026. Use the specific identification method.**

WORKINGS	ANSWER

[29 + 96 + 44 – 123] (46 x R8 700) 400 200 [116 + 61 – 161] (16 x R5 550) 88 800	R489 000

1.2.2 Zane watches

Provide a calculation to confirm that the closing stock of Zane watches is expected to be sold in 8,9 days.	
WORKINGS	**ANSWER**
*Dec + Jan + Feb = 31 + 31 + 28 = $\frac{88\ 800}{893\ 550} \times \frac{90}{1}$ OR *Refer to 2024 NSC P2 Q.2.2.3* $\frac{16}{161} \times \frac{90}{1}$ #(116 + 61 – 161)	8,9 days

1.2.3 Duplex watches

Sanda is confident that the Duplex model should NOT be out of stock. Provide a calculation to support his assumption.	
WORKINGS	**ANSWER**
[46 + 85] 131 – 125 OR [131 x 7 220] [125 x 7 220] 945 820 – 902 500	6 OR 43 320

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.	
PROBLEMS	**SOLUTIONS**
Possibility of theft	Lock watch cabinet /increase security system
Incorrect handling by customers	Staff guidance when clients try on watches
Customers may damage the watch	Display only demonstration models

1.3.1

Comment on the stock holding period of winter jackets. Qoute figures
Stock holding period has increased (from 156 days) to 224 days / by 68 days.
What effect does this stock holding period have on Fusion Fashions?

- Cash tied up in stock which could lead to cash flow problems.
- Risk of stock being out of fashion due to change of season.
- Possibility of having low profits because business would need to sell stock at a reduced price.

1.3.2 **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.**

The mark-up percentage increased (from 40%) to 50% /by 10% points/ by 25%.

Any ONE valid explanation
- Customers are willing to pay more.
- The stock holding period decreased.
- Stock on hand decreased.
- units sold increased.

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

- Attached security tags to jackets to minimise fraud.
- Regular stock counts to confirm stock on hand.
- Limited access control to storerooms.
- Regular supervision by senior managers.
- Reconciliation of stock on hand against stock records.
- Improved security system within the business.

LPA - BB2: INVENTORY VALUATION

2.1

2.1.1	Perpetual
2.1.2	Weighted-Average method
2.1.3	First-in-First Out (FIFO)

2.2 FAIRY POTS & PEBBLES

GARDEN POTS (Weighted average method):

2.2.1 Calculate the weighted average cost per garden pot.

13 500 + 53 750 both 5 x 195

67 250 – 975 + 2 395

320 - 5

60 + 260 – 5

$\frac{68\ 670}{315}$ = R218

2.2.2

Calculate the Rand value of the garden pots lost at market exhibitions during the year ended 31 May 2026
60 + 260 – 5 315 – 265 – 42 = 8 x 218 = R1 744

2.2.3

Advise Fairy on preventing future losses of missing/stolen garden pots whilst attending market exhibitions. Provide TWO points
• Put only one pot of each range on display and lock the rest of the stock properly. • Do not display too much stock, rather have customers order from the catalogue/use samples. • Upgrade physical security at exhibitions by negotiating proper lock-up storage and security guards with organisers. • If possible, chain pots together to make it difficult to steal garden pots.

PEBBLES (FIFO method):
2.2.4 **Calculate the value of the stock on hand on 31 May 2026.**
(1 850 – 100) 1 750 x 68 = 119 000 590 x 75 = 44 250 163 250

Calculate the stockholding period in days (using closing stock).

. 163 250 see 2.2.4 above 810 350 – 6 100 – 163 250 x 365 = 93 days/accept 92,9 days 194 300 + 616 050 641 000 OR using units: 2 340 / 9 010 x 365 = 94,8 days must x 365

2.2.5

Comment on whether Fairy should be satisfied with the stock-holding period. Quote figures. Note that the stockholding period on 31 May 2025 was 96 days.
Yes, pebbles are not perishable and can last for a very long time. Given that their focus is on tourists visiting Fairmead over weekends which is very unpredictable for stock budgets. Appeals to a select set of clients – demand may be constant. **OR** No, stock takes up extra storage space. Carrying stock to the value of R163 250 can put pressure on cash flow.

LPA - BB3: INVENTORY VALUATION

3.1.1.	Trading stock
3.1.2	Periodic
3.1.2	Specific identification

3.2.1 Calculate the value of the closing stock.

CALCULATION	**ANSWER**
390 848 +8 069 320 - 77 168 x 440 [98 + 1 576 – 14] OR 8 383 000 x 440 1 660 OR 5 050 x 440	2 222 000

3.2.2 Calculate the gross profit for the year ended 28 February 2026.

CALCULATION	**ANSWER**
Sales: 6 900 600 Cost of sales: 8 383 000 - 2 222 000 = (6 161 000)	739 600

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

CALCULATION	**ANSWER**
386 * (400 - 14) x R5 512 = 2 127 632 54 x R5 145 = 277 830	2 405 462

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

Any ONE valid point

A larger closing stock will result in a smaller Cost of sales and this will lead to a bigger gross profit, compared to the gross profit if the weighted average were used

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

Do a calculation to show why he is not satisfied.

CALCULATION	**ANSWER**
Gross profit 739 600 see 3.2.2 x 100 = Cost of sales 6 161 000 see 3.2.2 OR Sales 6 900 600 x 25/125 =	12% markup% reached, instead of 25% R1 380 120 gross profit, instead

	reached only R739 600

LPA - BB4: INVENTORY VALUATION

4.1.1	Cost of sales
4.1.2	Lower
4.1.3	FIFO

4.2.1

Calculate the total value of closing stock of electric and gas heaters on 30 June 2026.	
ELECTRIC HEATERS [15 – 2 – 10] 3 x R17 600 = 52 800 [20 – 15] 5 x R18 000 = 90 000	R201 900
GAS HEATERS [9 – 6] x [19 500 + 200] = 59 100	

4.2.2

Calculate the value of the closing stock of <u>Air conditioners</u> on 30 June 2026.	
CALCULATION	**ANSWER**
120 x 2 000 = 240 000 40 x 1 875 = 75 000	R315 000

4.2.3

Calculate the cost of sales of the <u>Air Conditioners</u> for the year ended 30 June 2026.	
CALCULATION	**ANSWER**
[720 000 – 18 750] 675 000 + 701 250 - 315 000 (see 3.2.2) **OR** [120 x 1 500] [110 x 1 875] 675 000 + 180 000 + 206 250	R1 061 250

4.2.4

Calculate the gross profit made on the Air Conditioners	
CALCULATION	**ANSWER**
Sales: 680 x R3 000 = R2 040 000 Cost of Sales: = <u>(R1 061 250)</u>	R978 750

4.2.5	Explain to the owner why the bookkeeper is correct in using the $\frac{closing\ stock}{cost\ of\ sales} \times \frac{90}{1}$ instead of $\frac{closing\ stock}{cost\ of\ sales} \times \frac{365}{1}$ Quote figures using number of days/months.
	Any ONE comment Figures The financial year is 12 months, but gas heaters were only sold during the last 3 months. • The stock holding period is calculated for the specific period of sales (90 days), not the full financial year (365 days). • To determine the stock holding period accurately for these 3 months, you multiply by 90 (the actual number of days in the period), not 365. • Multiplying by 365 would misrepresent the holding period for the 3 months of actual sales.

4.3

Identify ONE different problem (including figures) for each product and provide a solution for each problem		
	PROBLEM WITH FIGURES	**SOLUTION**
Beds	Missing money, R70 000 (4 200 000 – 4 130 000) Credit sales much higher than cash sales (liquidity issues) 4 800 credit vs 1 200 cash or 3 600 units more (75%)	Division of duties/ daily banking of money Improve physical security Promote EFT payments by providing incentives such as discount
Fridges	Slow selling item / too much stock on hand (3 500 vs 2 000 opening) Purchases much higher than sales (7 000/5 500)	Change to a different type of radios. Advertise more to increase sales Buy stock according to sales. Reduce mark-up%
Stoves	**High returns, 1 000** **OR** **1 000 / 3 400 (29,4%)**	**Possible change to new supplier** **Ensure high quality ordered** **Order as per customer specifications Check quality before accepting stock delivered**

LPA- CC 1

1.1

1.1.1	B
1.1.2	D

1.1.3	A

1.2

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

WORKINGS 4 800 UNITS x 1,4 = 6 720 x 1,1 = 7 392 x R125	R924 000

1.2.2 Calculate the direct labour cost Refer to Information B

Direct labour budgeted for the year	**1 117 200**
Resigned Worker R1 117 200 X 3 / 84 Or R1 117 200 / 7 = 159 600 X 3 / 12 Or 1 680 x 3 / 12 = 560 X 95 [1 117 200 / 1 680 / 7]	(39 900)
Overtime 3 X 60 = 180 X 95 X 1,6	R27 360
	R1 104 660

1.2.3 Complete the Factory Overhead Cost Note Refer to Information C

Incorrect factory overheads cost	1 132 700
Factory indirect labour [R9 200 X 80% = R7 360 X 12]	88 320
Factory Rent (157 500 X 600 /800) - (126 000 X 400 / 600) 118 125 - 84 000	34 125
	R1 255 145

2.1 LPA- CC 2

2.1.1	C
2.1.2	D
2.1.3	A

2.2

2.2.1 Production Cost Statement for the year ended 30 September 2026

Direct material cost	1 906 000
Direct labour cost (1 500 000 X 60%)	900 000
Prime cost	2 806 000
Factory overheads cost (700 000 -96 000 + 50 000)	654 000
Total manufacturing cost	3 460 000
Work-in-process stock (beginning of the year)	**250 000**
	3 710 000
Work-in-process stock	(110 000)
Total cost of production of finished goods (18 000 units X R200)	3 600 000

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

Sales(16 900 X 270) or [(5 000 +18 000 – 6 100) X 270]	4 563 000
Cost of sales (900 000 + 2 380 000) or 900 000 + (3 600 000 – 1 220 000)	(3 280 000)
Gross profit	1 283 000
Other cost:	(946 000)
Selling and distribution cost (470 000 + 48 000	518 000
Administration cost (380 000 + 48 000	428 000
Net profit for the year	337 000

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.

• To foresee any potential problems of low production • No profits are made until breakeven is reached	• To determine the minimum number of units to be produced to prevent losses

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

- Decrease the mark-up % (or selling price)
- Set targets for completion of work during normal time and try to reduce overtime pay

• Spend more money on advertising and sales promotion and explore new target markets • Allow customers to buy direct from business and offer discounts

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

• Production decreased by 800 units (40%) • Fixed costs are not influenced by the level of production (R210 000) • Fixed cost per unit will be much higher (from 120 to 175)

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
• Working slower/ De-motivated / Lazy workers/ lack of management • Overtime abused to get higher pay	• Monitor normal working hours • Monitor workers to ensure that they work efficiently
• Loadshedding • Lack of skills	• Energy back-up systems, generators or solar panels • Retraining / reskilling

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.

700 X 203 (540 – 337) = R142 100

LPA-CC3

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

It was not well controlled since it is above the inflation rate of 6%. The DMC has increased from R230 to R320 or by R90 or by 39%

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

Reason 1	Wastage or theft of materials in production Scarcity of materials increased the price/ market conditions Change of Supplier
Reason 2	Additional transport or storage cost Poor quality of materials Lack of supervision/ unskilled workers

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

• An increase in BEP from 2 273 units to 4 328 units or 2 055 units or 90% increase • A small increase in production from 4 000 units to 4 200 units or by 200 units or by 5% • A loss on 128 bags in 2026 against a profit of 1 727 bags in 2025 • A loss of R21 120 for 2026 against a profit of R531 916 in 2025

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
[2 500 X (780 – 615)] - 21 120 Or 1 105 500 – 714 120 Or (4 200 + 2 500 – 4 328) X 165	391 380 Also accept 391 500

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

Although the fixed cost per unit increased from R130 to R196,50 or by R66,50 or by 51,1%, the total fixed cost is relatively constant and well controlled and fixed costs are not related to the level of production. The major cause of diseconomies of scale:

- A decrease in production from 6 000 units to 4 000 units contributed to the increase of fixed cost per unit
- Resulted in less units produced to carry the fixed cost (diseconomies of scale)

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

Direct labour cost
DLC increased from R110 to R175 or by R65 or by 59%

Provide TWO valid solutions to this problem.

Solution 1	Monitor overtime usage/control overtime There should be better supervision of work during normal time
Solution 2	Set targets to be completed / performance incentives Recruit skilled employees and use new technology

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**
Net Purchases (3 090 000 – 120 000)	2 970 000
Carriage on purchases (255 000 + 15 000)	270 000
	4 633 000
Closing stock (1 210 950– 216 000) # [30 000 x (8 -0,8)]	(994 950)
Direct material cost	3 638 050

b) Factory Overhead Cost

Consumable Stores (67 200 – 31 800 +156 000)	191 400
Salary: Factory Manager	540 000
Depreciation	276 000
Insurance (52 200 / 30 X 70)	121 800
Water and Electricity (855 600 + 72 000) X6/10	556 560
Sundry Factory Expenses (615 000 – 15 000)	600 000
Rent Expense (600 000 X 500 / 1 000)	300 000
	2 585 760

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

- Direct cost will decrease as import duties/custom duties/carriage will fall away which will result in an increase in profit
- Support of local products will lead to more employment and raising the standard of living for South Africans.
- This can lead to a powerful tool to eradicating poverty.

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?

- Test local material to ensure they meet the required standards
- Ensure better quality control

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

- Training of employees to use the materials more efficiently
- Better supervision during production
- Improve control over allocation of raw materials

4.2 Break-Even Point

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

$$\frac{239\ 870}{200 - 135.20}$$

$$\frac{239\ 870}{64.80}$$

= 3 702 (3701.70)

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

No
They produced 3 400 jerseys and the break-even point was 3 702
Or: They produced 302 jerseys less than the break-even point✓✓

LPA – DD1
BANK RECONCILIATION
1.1 CONCEPTS

1.1.1	False
1.1.2	False
1.1.3	True

1.2.1 CASH RECEIPT JOURNAL - February 2026 CRJ

Doc	Day	Details	Bank	Amount	Details
	28	**Total**	**52 000**	**52 000**	
B/S		L. Lopez	7 100	7 100	Rent income
B/S		L. Canizares	2 750	2 750	Debtors Control
B/S		MW Bank	230	230	Interest income
			62 080	62 080	

CASH PAYMENT JOURNAL - February 2026 CPJ

Doc	Day	Details	Bank	Amount	Details
	28	**Total**	**51 000**	**51 000**	
		Commission	6 000	6 000	Commission income
B/S		Muzi Traders	6 200	6 200	Creditors Control
B/S		Municipality	2 800	2 800	Rates and Taxes
B/S		MW Bank	1 280	1 280	Bank charges
B/S		Olwami Insurers		5 700	Insurance
			8 000	2 300	Drawings

			75 280	75 280	

1.2.2

GENERAL LEDGER OF NONGOMA STORES

Bank

2026 Feb 1	Balance	13 600	2026 Feb 28	Sundry Accounts	75 280
Feb 28	Sundry Accounts	62 080		Balance	400
		75 680			75 680
2026 March 1	Balance	400			

1.2.3

Prepare a Bank Reconciliation Statement for February 2026.

	Debit	**Credit**
Balance according to bank statement		10 700
Cr. Outstanding deposit		18 500
Dr. Outstanding EFT 111	10 000	
Dr amount wrongly credited	18 800	
Dr. Balance according to the bank account	400	
	29 200	29 200

LPA - DD2

2.1

CASH RECEIPT JOURNAL - JUNE 2026 CRJ

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	**56 200**	**56 200**	
B/S		N. Zungu	11 600	11 600	Rent income
		Rand Bank	4 800	4 800	Telephone
		M. Sibiya	3 400	3 400	Debtors Control
			76 000	76 000	

CASH PAYMENT JOURNAL - JUNE 2026 CPJ

Doc	Day	Details	Bank	Amount	Details
	30	**Total**	**67 400**	**67 400**	
		Service fees	1 500	1 500	Fee income
B/S		Xulu Insurers	5 890	5 890	Insurance
B/S		Vryheid Zyn	6 000	4 500	Rates and taxes
				1 500	Drawings
B/S		Khoza Bank	5 300	5 300	Loan
B/S		Rand Bank	910	593	Bank charges
				317	Interest on overdraft
			87 000	87 000	

2.2

GENERAL LEDGER OF ESETHU TRADERS

Bank

2026 Jun 30	Sundry Accounts	76 000	2026 Jun 1	Balance	3 456
	Balance	14 456	Jun 30	Sundry Accounts	87 000
		90 456			90 456
				Balance	14 456

2.3

Bank Reconciliation Statement on 30 June 2026.

	Debit	Credit
Dr. Balance according to bank statement	12 645	

Cr. Outstanding deposit		17 800
Dr amount wrongly credited	16 300	
Cr Debit orders wrongly debited		2 244
Dr. Outstanding EFT – 654	5 555	
Cr. Balance according to the bank account		14 456
	34 500	34 500

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

- All bank notes received must first be scanned under an UV light to detect counterfeit money, to ensure it is not excepted.
- Encourage customers to make card / electronic payments.

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

PROBLEM:

Late deposits / not depositing money on time / keeping cash for a long period is risky.

TWO CONTROL MEASURES

- Division of duties – ensure that the person receiving cash is not the one depositing cash
- Supervise deposits – authorised person to check and sign deposit slips
- Arrange with bank for notifications for all transactions (sms)

2.6 **Refer to the debit order for R2 244. Explain a possible reason how this may have occured, and provide advise on how this can be rectified.**

POSSIBLE EXPLANATION:

Fraudulent entry; someone hacked the business security code; business entered the wrong account number for a service provider.

POINT OF ADVICE

Cancel the debit order with the incorrect business / person receiving the funds
If that cannot be done, it may be necessary to change the business banking details Or change the security code

Closely monitor the statement / statement or transaction records can be easily accessed at regular intervals; to detect unusual entries.

LPA - DD3

3.1 **Calculate the correct Bank Account balance on 31 March 2026.**

Receipts: 55 400 + 900 + 2 850 + 9 300 + 120= 68 570

Payments: 36 900 + 6 000 + 1 450 + 5 350 + 980 = 50 680

7 500 + 68 570 – 50 680 = 25 270

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

	Debit	Credit
Balance according to Bank Statement		15 380
Cr Outstanding deposit		22 700
Dr Outstanding EFT – 333	6 500	
Dr amount wrongly credited	6 400	
Bank charges overstated		210
Dr Balance on the bank account	25 390	
	38 290	38 290

3.3 **(a) Identify the GAAP principle which will be applied in this case.**

GAAP Principle:
Principle of prudence

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

- Division of duties/Rotation of duties/Divide duties amongst employees so that the one can act as a check on the other / The person issuing receipts should not be the same person doing the deposits.
- Responsible staff members to check/make the deposits.
- Regular and timely supervision / monitor cash deposits
- Cash must be deposited daily (check deposit slip against receipts).
- Outstanding deposits must be investigated promptly.
- Encourage EFT payments by customers / debtors.
- Request bank to send confirmation of all transactions (e.g. sms).

LPA – DD4
BANK RECONCILIATION
CASH JOURNALS 31 JULY 2026

Cash Receipts Journal	Cash Payment Journal
R162 000	**R55 200**
2160	10 000
33 000	5 400
	13 000
	975

4.2

BANK RECONCILIATION STATEMENT ON 31 JULY 2026		Debit	Credit
Balance as per Bank Statement			119 080
Outstanding deposit			41 850
Outstanding EFTs	No. 207	7 650	
	No. 208	10 800	
Incorrect EFT			11 000
Debit card on 29 July 2025		13 000	
Balance as per bank account		140 480	
		171 930	171 930

4.3

Identify TWO problems (with figures) with the management of cash in Fezi Stores. In EACH case, provide a different solution on how these problems can be prevented in future.	
Problem with figures	**Solution**
Missing cash of R10 000	Outsource the collection of cash by

LPA - EE1: DEBTOR'S RECONCILIATION

1.1	**Provide ONE reason why the balance of the Debtors' Control Account and the total of the Debtors' List should be the same.**			
	The Debtor's Control Account is a summary of all the individual debtor's accounts in the Debtor's Ledger, and the Debtor's List is a detailed breakdown of the same individual debtor balances.			
1.2	**Calculate the correct Debtors' Control Account balance after taking into account the relevant errors and omissions.**			
	222 000 – 10 360 + 1 800 = 213 440			
1.3	**Debtor**	**Workings**	**Balance**	
	Z. Zulu	102 600 + 1800 + 6 000	110 400	
	N. Naidoo	110 240 – 7 200	103 040	
LPA - EE2: CREDITORS RECONCILIATION				
2.1		**CREDITORS LEDGER ACCOUNT OF EAGLE TRADERS**	**STATEMENT OF ACCOUNT FROM CORNUBIA SUPPLIERS**	
	BALANCES	**101 900**	**88 900**	
	(i)	+ 400		
	(ii)	– 2 700		
	(iii)		– 3 200	
	(iv)	+ 2 000	– 5 000	
	(v)	– 13 800		

	(vi)		– 1 900
	(vii)		+ 9 000
	BALANCES	87 800	87 800

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	• Conduct a disciplinary hearing / Issue a written warning. • Lay criminal charges against him. • Launch civil charges to pay back the money. • Temporary suspend him while investigating. • Liable for demotion / transfer to another department. • Conduct forensic audit to check for other possible fraud.
	ONE suggestion on how to prevent this problem in future	• Validation of the existence of suppliers. • Ensure goods received are supported by order form and a valid invoice. • Proper authorization of payments. • Financial department should verify banking details before making payment. • Regular training on ethics and consequences of misconduct. • Conduct regular surprise checks or internal audits to detect fraud early

LPA - EE3: DEBTORS' RECONCILIATION

3.1	**Explain why the Debtors' Control Account should correspond with the Debtors' List**
	The Debtors' Control Account is a summary of the individual debtors' accounts.
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**
	• Check the entries in the journals • Check casting (totalling) of journals • Control with actual source documents • Check posting from journal
3.3.1	**Calculate the correct closing balance of the Debtors' Control Account on 31 March 2026.**
	200 000 – 2 600 + 1 800 + 15 000 = 214 200
3.3.2	**Calculate the correct amounts owing by the following debtors of Isidingo Traders**

	WORKINGS	**ANSWER**

	R. Johnson	R41 200 + 15 000 – 8 300	47 900
	S. Walker	R23 000 + R1 800 – 2 700	22 100
	P. Chellan	R7 900 + 12 000 + 8 300	28 200

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

Their credit terms are 60 days and they are expecting 80% of debtors to adhere to these terms. However, they have outstanding debts of R143 100 which amounts to 71% of outstanding debts (i.e. only 29% are complying with the credit terms).

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

- Proper screening of debtors, i.e. check credit references
- Offer discounts to debtors for paying within the 60-day period
- Charge interest on overdue accounts
- Follow up on outstanding debts with constant reminders or phone calls

LPA - EE4: DEBTOR'S RECONCILIATION

4.1 Correction of the Debtor's Control account

Provisional Balance	29 000
(i)	+ 2 600
(ii)	+ 500
(iii)	No change
(iv)	No change
(v)	- 1 080
	31 020

4.2 Debtors List on 31 July 2026

A. Khan (- 2 000 + 3 200)	1 200
T. Naicker (12 400 – 1 800)	10 600
X. Zuma (4 600 – 1 080)	3 520
M. Scott (15 200 + 500)	15 700
	31 020

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

The Debtor's Control account is the summary of the Debtors' List.
The Debtor's Control account reflects the total amount owed by all customers to the business.
They are both recorded using the same source documents, so the information used should be the same.

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.	
	Send regular reminders (SMS/Email), automated invoicing and payment reminders Give discount for early payments Hand over customers to debt collectors Suspend the debtor's account for payment before making any purchase	

LPA-FF1: VAT

1.1 Concepts

1.1.1

(a)	Increase
(b)	Credit
(c)	Salaries
(d)	Input VAT

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

	WORKINGS	ANSWER
(a)	1 104 - 960	144
(b)	52 600 x 15%	7 890
(c)	720 x 100/15	4 800
(d)	(112 470 – 6 325) x 15/115	13 845

1.2.2

Explain what you would say to Yamal. Provide TWO points
This is tax evasion / he is attempting to reduce the amount due to SARS for VAT. (this is illegal and unethical) He will be increasing the input VAT, effectively reducing the amount due to SARS. He could be fined or imprisoned because it is a criminal offence. Personal transactions and business transactions should be kept separate (Business entity concept) / Yamal should pay for this out of his private bank account. As the car is not used for business purposes, the full amount of R345 000 should either be treated as drawings or a reduction of his capital contribution.

LPA- FF2: VAT

2.1 Indicate whether the following statements are TRUE or FALSE.

2.1.1	False
2.1.2	False
2.1.3	True

2.2 2.2.1

VAT amount that is either payable to or receivable from SARS.
44 800 + 69 300 – 7 500 – 27 750 – 6 900 – 5 250 + 900 – 2 175 = 65 425 Payable OR - 44 800 - 69 300 + 7 500 + 27 750 + 6 900 + 5 250 - 900 + 2 175 = 65 425 Payable

2.2.2

What comment would you offer Jane concerning this practice? State TWO points
Jane must keep accurate records of VAT and make timeous submissions to SARS for the following reasons: It is illegal/unethical business practice (fraud)/not prudent practice.

The business is an agent of SARS – money collected on behalf of SARS. The business will be liable for penalties and fines.

LPA- FF3: VAT

3.1

Calculate the amount of VAT either receivable from or payable to SARS on 31 July 2026.
27 200 – 72 000 + 23 850 + 3 300 + 2 250 – 1 350 – 4 200 = - 20 950 (Receivable) OR - 27 200 + 72 000 – 3 300 – 23 850 + 1 350 – 4 200 + 2 250 = 20 950 (Receivable)

3.2

Give ONE reason why you would disagree with her.
It is unethical to forward incorrect information to SARS in order to reduce the amount payable/increase amount receivable. It is illegal/fraudulent to provide falsified information to SARS as this will lead to fines or a jail sentence to the offender.

LPA- FF4: VAT

4.1

Calculate the amount of VAT payable to SARS for the VAT period ended 31 July 2026
6 300 – 1 035 – 3 075 – 117 + 240 = 8 790 = 11 103 OR -6 300 + 1 035 + 3 075 + 117 – 240 – 8 790 = 11 103

4.2

Explain what you would say to Gebashe from above. Provide ONE point
This is tax evasion / he is attempting to reduce the amount due to SARS for VAT / it is illegal and unethical. He will be increasing the VAT input, effectively reducing the amount due to SARS. He could be fined or imprisoned because it is a criminal offence. Personal transactions and business transactions should be kept separate (Business entity concept)/Gebeshe should pay for this out of his private bank account. As the laptop is not used for business purposes, the full amount of R12 880 should be treated as drawings.

LPA- FF5: VAT

5.1

Calculate the amount owed to/by SARS for VAT on 31 May 2026
1 245 + 18 900 - 13 185 – 11 985 + 5 430 + 20 169 – 1 404 = 19 170 (Payable) OR -1 245 -18 900 + 13 185 + 11 985 – 5 430 – 20 169 + 1 404 = 19 170 (Payable)

LPA - GG1

1.1 **Calculate the total sales for June 2026.**

WORKINGS	ANSWER
345 000 x 100/75 Or 301 875 x 160/35	1 380 000

1.2 **DEBTOR'S COLLECTION SCHEDULE**

MONTHS	CREDIT	JULY	AUGUST

	SALES		
MAY	320 000	48 000	
JUNE	345 000	207 000	51 750
JULY	298 000	57 812	178 800
AUGUST	401 000		77 794
		312 812	**408 344**

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**
1 170 x [(100x12)/13] **Or** 210 000- 102 000	**108 000**

(ii) Cash purchases of stock for August 2026.	
WORKINGS	**ANSWER**
1 604 000 x [100/160 x 65/100]	**651 625**

(iii) Payment to creditors for July 2026.	
WORKINGS	**ANSWER**
800 000 x 35/100 x 96/100	**268 800**

(iv) Salaries and wages for August 2026.	
WORKINGS	**ANSWER**
29 000 + 10 150	**39 150**

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

	REASON
Payment to Creditors	• The business credit rating will decline • The business failed to meet the agreed payment • Creditors may charge interest • Creditors may refuse to offer the business credit
Insurance	• Risk items not being replaced in case of disaster. • The policy will lapse. • The business will have to pay from it pocket / increased financial risk. • Potential investors may be reluctant to engage with the company that lacks adequate insurance coverage.

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**
Social Media	Information will reach targeted customers and allow feedback
SMS / Emails / calls	Personalized messages are likely to improve customer buying items frequently

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

PROBLEM	SOLUTION
Total receipts are insufficient to cover total payments	• Improve collection from debtors • Use improved strategies to increase sales

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

- Paying rent for / or securing a new building can be expensive.
- The businesses payroll will increase.
- Customers still need to familiarise themselves with the appliances.
- Advertising costs will increase.

ACTIVITY GG2

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

- Collection from debtors
  Payment to creditors
  Loan: FSB Bank
- Cash purchases of stock

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

- Trading stock deficit
- Loss on sale of fixed asset

2.2 **Complete the Creditor's Payment Schedule for July 2025.**

	CREDIT PURCHASES		
MAY	451 350	90 270	
JUNE	**497 250**	377 910	99 450
JULY	334 050		253 878
		468 180	**353 328**

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

(i) Cash Sales: July 2025

WORKINGS	**ANSWER**
393 000 x 1.65 = 648 450 x 0.3	194 535

(ii) Collection from debtors: July 2025

WORKINGS	**ANSWER**
965 250 x 70/100	675 675

(iii) Rent income: June 2025

WORKINGS	**ANSWER**
42 000 x 100/112	37 500

(iv) Loan: FSB Bank: June 2025

WORKINGS	**ANSWER**
7 800 x 100/13 x 12/1	720 000

(v) Cash purchases: June 2025

WORKINGS	**ANSWER**
965 250 x 100/165 = 585 000x 15/100	87 750

(vi) Director's fee: June 2025

WORKINGS	**ANSWER**

142 800 – 42 000 = 100 800 x 100/105	96 000

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

- Due to drop in sales, decided to sell more on credit

Explain TWO disadvantages of the approach adopted.

- Could lead to cash flow problems – debtors pay later
- Controlling debtors – additional administrative duties – sending statements, etc
- Possibility of bad debts / debt collectors / legal action

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

ADVERTISING Quote figures	budgeted of 3.9% of sales, actual is 3.6% of sales / Sales is less than budgeted by 10% but advertising only 16.3% less than budgeted. Advertising was not effective – did not achieve the desired sales.
PACKING MATERIAL	Budgeted for 7% of sales, actual is 5.1% of sales / Sales is less than budgeted by 10% but packing material is 34.3% less than budgeted. Packing material is well controlled – effective use is made. No wastage or mismanagement noted.

LPA GG3
PROJECTED STATEMENT OF COMPREHENSIVE INCOME

3.1

(a) 2	**Operating profit** 46 500 – 350 = 46 150
(b) 3	**Cost of sales** 198 000 x 100/160 = 123 750 **OR** 198 000 x 62,5% = 123 750
(c) 3	**Wages** 1 800 x 1,08 = 1 944 **OR** 1 800 + 144 = 1 944 **OR** 1 800 + 8% = 1 944
(d) 4	**Rent income** 10 028 x $\frac{100}{109}$ = R9 200 **OR** 10 028 - 828 = R9 200

3.2.1

Calculate the monthly salary due to the sales manager in June 2026

$\frac{(18\,000 - 400)}{2}$

(8 800 + 400) x 107% = 9 844
9 200

3.2.2

Calculate the total credit sales expected in July 2026.

221 760
198 000 x 1,12 x 80% = 177 408

OR If based on May actual figures

240 240
195 000 x (1,1 x 1,12) x 80% = 192 192

3.2.3

Calculate the cost price of the new vehicle purchased on 1 May 2026.

(9 000 – 6 200)
2 800 x 12 x $^{100}/_{15}$ = 224 000
33 600

3.3

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

Comment

She has overspent / under-budgeted / not well controlled.
(Budgeted R2 000, spent R4 880 / 2 880 more/144%)

Advice:

- She must monitor the use of telephone, water and electricity.
- She must budget to take into account increase in tariffs or usage.
- Keep/Check records regularly.
- Investigate reasons for overspending

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.

- Her actual maintenance expense is more than R500 (R2 000).
- She will be under-budgeting.
- Maintenance will be neglected – may cost more in the long run.
- Replacement of old equipment sooner.
- Benefits of training to the business and will it impact on the use of machines.
- It would be irresponsible to reduce an important expense by so much.

3.5

Explain how Sazi responded to this threat. State THREE points. Provide figures/calculations to support your answer.

- Bought a new vehicle to do deliveries – vehicle expenses incurred (R4 000) and depreciation increased
- Reduced mark-up from 60% to 30% (45 000/150 000) to increase sales
- Advertised more – increased from 2 400 to 9 600 or by R7 200 (3 times)

Explain whether Sazi's response was successful or not. Provide figures.

Sazi's efforts were not successful because even though sales increased gross profit decreased (R45 000)

OR

Sazi's efforts were not successful because even though sales increased expenses such as cost of sales (R150 000) / Vehicle expenses (R4 000), etc. increased significantly

OR

- Sales exceed budget by R15 000

LPA GG4

4.1.1 **Calculate the figures indicated by (i)–(v) on the incomplete Cash Budget provided.**

	WORKINGS	ANSWER
(i)	15 500 X 109/100	16 895
(ii)	918 000 X (100 / 180) X (65 / 100) 510 000	331 500
(iii)	864 000 X (100 / 180) X (35 /100) X (95 / 100)	159 600
(iv)	41 000 + 18 450 + 4 100 **16 400 + 43 050 + 4 100**	63 550
(v)	48 600 X 100 / 108	45 000

4.1.2 **Comment on the effectiveness of the advertising**

- Actual and Budgeted amounts are the same. (no change / R0)
- Actual sales was less than budgeted sales by 25% or R216 000 or R864 000 – R648 000. Advertising was therefore not effective.

Comment on the control over delivery expenses. Quote figures

Budgeted: may be implied/ effect on sales / figure

Delivery expenses is lower than budgeted by R9 000 (60 000 – 51 000) or by 15% while sales were less than expected by 25% or by R216 000. Delivery expenses is therefore not well controlled.

4.2.1

Calculate the mark-up % that Thembi actually achieved in July.	
WORKINGS	**ANSWER**
240 000 X 100 400 **000**	60%

Thembi feels that the business benefited from the price reduction. Quote figures from the question to support his opinion. • Even though the mark-up is less than budgeted for, the gross profit of R240 000 in July exceeded the budget of R200 000 • Sales increased from R400 000 to R640 000 by R240 000 (60%) Sales increased from R432 000 in August to R680 000 by R248 000(57%) • Net profit increased from R167 500 in July to R227 500 by R60 000 (35.8%) Net profit increased from R181 500 in August to R235 500 by R54 000 (29.8%)

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.
Cash problems will be identified in the cash budget. The Projected Statement of Comprehensive Income reflect profit. Certain income items may not have been collected, while receipts from debtors are not reflected in the projected Statement of Comprehensive income.

4.2.3

Calculate the additional loan on 1 August 2026.	
WORKINGS	**ANSWER**
10 000 X 100 / 15 X 12	R800 000

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.

Possible responses:

- Interest on the additional loan =R10 000 leads to decrease in profit
- Saving on rent amounted to (R30 000 – R10 000) R20 000 p.m. which results in an increase in the profit
- Rates of R15 000 are now being incurred.