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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 12

ACCOUNTING P1

PREPARATORY EXAMINATION

SEPTEMBER 2026

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MARKS: 150

TIME: 2 HOURS

This question paper consists of 12 pages including a formula sheet and an Answer Book of 10 pages.

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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.

2. A special ANSWER BOOK is provided in which to answer ALL the questions.

3. Show workings in order to achieve part-marks.

4. You may use a non-programmable calculator.

5. You may use a dark pencil or blue/black ink to answer the questions.

6. Where applicable, show all calculations to ONE decimal point.

7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.

8. Write neatly and legibly.

9. Use the information and table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Fixed assets and Statement of Financial Position	45	35
2	Cash Flow Statement and Financial Indicators	40	35
3	Interpretation of Financial Statements	50	40
4	Corporate Governance and Audit Reports	15	10
TOTAL		**150**	**120**

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QUESTION 1 **(45 Marks; 35 Minutes)**

STATEMENT OF COMPREHENSIVE INCOME, TANGIBLE ASSETS NOTE AND STATEMENT OF FINANCIAL POSITION

WATCH LIMITED

The following information relates to Watch Limited. The financial year ended on 28 February 2026.

REQUIRED:

1.1 Refer to information B for correction of net profit after tax for the year ended 28 February 2026:

Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2026. Indicate '+' for an increase and '–' for a decrease. (8)

1.2 Calculate the missing amounts denoted by (i) to (iv) on the fixed assets note. (13)

1.3 Complete the Statement of Financial Position as at 28 February 2026. (24)

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INFORMATION:

A. List of balances, before taking into account all adjustments below:

	28 FEBRUARY 2026 R	28 FEBRUARY 2025 R
Ordinary share capital	?	2 415 000
Retained Income	1 210 000	950 000
Mortgage loan: Nhloso Bank	2 160 000	2 700 000
Fixed assets	?	?
Fixed deposit: ZH Bank	1 687 500	1 650 000
SARS: Income tax (provisional tax payment)	1 365 000	
Trading stock	?	
Net trade debtors	93 060	
Bank	936 000	
Creditors' control	149 060	
Shareholders for dividends	737 500	620 000

B. Adjustments and additional information:

Net profit before tax of R 4 900 000, was calculated before correcting (i) to (iv)

(i) **Rent income:**

Rent of R115 620, was received from a tenant for the period 1 March 2025 to April 2026. This has been recorded.

This amount takes into account a reduction of R800 per month from 1 July 2025 to 30 October 2025.

On 1 November 2025 rent increased by 10%. **The year-end adjustment has not yet been made.**

(ii) Audit fees include R86 940 which was paid in advance for the next financial year.

(iii) The repayments on the loan are fixed at R45 000 per month (including capitalised interest).

The balances as per loan statement were as follows:

- 1 March 2025 R2 700 000
- 28 February 2026 R2 280 000

Provide for interest on loan.

(iv) After taking into account the corrections above, it was determined that an additional R90 000 is still owed to SARS in respect of income tax for the year ended 28 February 2026.

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C. Fixed assets :

Extract of the fixed assets note:

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Cost at the beginning	1 820 000	421 100	
Accumulated depreciation	–	(120 600)	(767 500)
Carrying value at the beginning	1 820 000	300 500	
Movements			
Additions	**(i)**	125 000	140 000
Disposal at carrying value		**(ii)**	–
Depreciation			**(iii)**
Carrying value at the end	2 049 700	321 500	**(iv)**
Cost at the end	2 049 700	405 500	1 826 000
Accumulated depreciation			

Extensions to land and buildings were made during the year.

A vehicle with a cost price of R? and accumulated depreciation of R66 650 on the last day of the financial year was sold at carrying value.

On the same day, new vehicle with a value of R125 000 was purchased.

The new Equipment was bought on 1 June 2025.

No equipment was sold during the financial year

Depreciation on equipment is provided at 20% p.a. on the diminished balance method.

D. Advertising:

Advertising amounted to R120 000 appeared in the Statement of Comprehensive Income as a final amount for the current year.

Adverting was paid for 14 months. Transaction was properly recorded.
The year –end adjustment has been taken into account only in the Statement of Comprehensive income.

E. A debtor with credit balance totaling R14 000 must be transferred to the creditors' ledger.

F. A fixed monthly instalment of R45 000 (to cover loan repayment and interest) has to be paid over the full period of the loan. Interest will decline over the life of the loan.

The interest on the loan budgeted for next financial year is R110 000

G. The following financial indicators were calculated after taking the above information into account:

Acid-test ratio	0.8: 1
Debt-equity ratio	0.4: 1

45

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QUESTION 2 **(40 marks; 35 minutes)**

RETAINED INCOME, CASH FLOW STATEMENT AND FINANCIAL INDICATORS

The information relates to Spring LTD for the financial year ended 28 February 2026.

REQUIRED:

2.1 Prepare the Retained Income Note on 28 February 2026: (6)

2.2 Complete the Cash Flow Statement for the year ended 28 February 2026. Certain figures are provided in the ANSWER BOOK. (23)

2.3 Calculate the following financial indicators on 28 February 2026:

2.3.1 % Operating expenses on sales (3)

2.3.2 Dividends per share (DPS) in cents (3)

2.3.3 % Return on average shareholders' equity (5)

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INFORMATION:

A. SHARES AND DIVIDENDS:

DATE	DETAILS OF SHARES
1 March 2025	800 000 in-issue
30 June 2025	100 000 new shares issued
1 January 2026	30 000 shares repurchased at R1.20 more than average issue price
28 February 2026	? shares in issue

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

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

Sales	R7 293 000
Cost of sales	R4 862 000
Operating expenses	R1 458 600
Income tax (calculated at 27% of net profit before tax)	R364 500

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C. Extract from Statement of Financial Position for the year ended 28 February

	28 February 2026 R	28 February 2025 R
Ordinary shareholders equity	**8 041 100**	**6 450 000**
Ordinary share capital	7 395 000	6 400 000
Retained income	?	50 000
Loan: Lemon Bank	1 650 000	2 200 000
SARS: Income tax	Dr 29 100	Cr 35 900
Shareholders for dividends	191 400	115 300
Bank overdraft	0	95 200
Cash and cash equivalents	?	20 000

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40

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QUESTION 3

INTERPRETATION OF FINANCIAL STATEMENTS **(50 marks; 40 minutes)**

3.1 Choose a term from COLUMN B that matches the description in COLUMN A. Write only the letter (A – D) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK, for example 4.1.5 E.

COLUMN A		COLUMN B	
3.1.1	Ability of the business to pay off all its debts	**A.**	gearing
3.1.2	Ability of the business to pay off its short-term debts	**B.**	return on equity
3.1.3	The benefit that shareholders receive for investing in the company	**C.**	solvency
3.1.4	The extent to which a company is financed by loans	**D.**	liquidity

(4 x 1) (4)

3.2 **SIVUKILE LTD**

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

REQUIRED:

NOTE: Where comments or explanations are required:

- Quote financial indicators and trends with figures.
- Give a reason or an explanation for the financial indicators quoted.

3.2.1 **Liquidity:**

The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement. (4)

3.2.2 **Dividend pay-out policy:**

- Calculate the dividend pay-out rate for the year ended 28 February 2026. (3)
- Explain why directors decided to change the policy. Give THREE reasons. (6)

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3.2.3 **Earnings and returns:**

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures (6)

3.2.4 **Risk and Gearing:**

- The directors of Sivukile Ltd want to expand the business by opening more branches. Explain why you would not recommend that they should borrow more money. Quote TWO financial indicators, with figures (6)

- The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points. (4)

3.2.5 **Share value:**

Explain why the shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators. (4)

3.2.6 **% shareholding and repurchase decision-making:**

Freedom Smith was appointed as the Chief Financial Officer (CFO), he is also a shareholder in Sivukile Ltd.

Freedom purchased additional shares on 1 September 2025 and none of his shares were repurchased on 1 November 2025.

- Calculate the number of new shares that Freedom purchased on 1 September 2025. (5)

- Calculate Freedom % shareholding on 28 February 2026. (4)

- The independent auditor discovered that Freedom had made the decision to repurchase the shares from the estate of a deceased relatives on 1 December 2025, without informing the board of directors.

Why should the independent auditor be concerned about this? Give TWO reason. (4)

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INFORMATION:

A. Financial Indicators calculated on February:

	28 FEBRUARY 2026	28 FEBRUARY 2025
Current ratio	2.5: 1	0.9: 1
Debtors' collection period	68 days	36 days
Stock turnover rate	9 Times	7 times
Solvency ratio	3.2 : 1	2.6: 1
Debt-equity ratio	0.9: 1	0.5: 1
% Return on average capital employed	13%	17%
%Return on average shareholders' equity	18.5%	18%
Earnings per share	150 cents	120 cents
Dividends per share	159 cents	72 cents
Dividend pay-out-rate	?	60%
Net asset value per share	850 cents	920 cents

B. Additional information on February:

	28 FEBRUARY 2026	28 FEBRUARY 2025
Market price of shares on stock exchange	825 cents	900 cents
Interest rate on loan	15%	15%
Interest rate on alternative investment	12%	12%

C. SHARES AND SHAREHOLDING

	28 FEBRUARY 2026	28 FEBRUARY 2025
Number of shares in issue	1 200 000	1 000 000
New shares issued on 1 September 2025	450 000	
Repurchased of shares on 1 November 2025	250 000	
Number of shares owned by Freedom Smith	602 400	
% shareholding of Freedom Smith	?	47%

50

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

You are provided with an extract below of the independent external audit report of Lubanzi Ltd. Presented to the shareholders at the Annual General Meeting.

Required:

Note: in your answer, do not repeat your responses in the different questions.

4.1 Choose the correct word from those in brackets, Lubanzi Ltd received a / an (qualified / unqualified / disclaimer opinion) audit report and also support your statement (2)

4.2 Name TWO reliable types of audit evidence that Owami auditors used as the basis for their opinion. (4)

4.3 Explain how this audit report could have a positive influence on the company. Provide TWO points. (4)

4.4 Explain the role of an independent external auditor. Provide ONE point. (2)

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4.5 State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report. (3)

INFORMATION:

Extract from the independent external auditor's report on the Financial Statement of Lubanzi Ltd:

Audit opinion: In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2026.

15

TOTAL MARKS: 150

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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.

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EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 12

ACCOUNTING P1

ANSWER BOOK

PREPARATORY EXAMINATION

SEPTEMBER 2026

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Name: ______________________________ **Grade:** ________

QUESTION	MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE DISTRICT	MOD BY THE PROVINCE
1					
2					
3					
4					
TOTAL					

N.B. This answer book consists of 10 pages.

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1.1 **Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2026. Indicate '+' for increase and '–' for decrease.**

No	WORKINGS	ANSWER
	Incorrect net profit	**4 900 000**
(i)		
(ii)		
(iii)		
(iv)		

8

1.2

	WORKINGS	ANSWER
(i)	**ADDITIONS AT COST LAND AND BUILDINGS**	
(ii)	**DISPOSAL AT CARRYING VALUE**	
(iii)	**DEPRECIATION ON EQUIPMENT**	
(iv)	**CARRYING VALUE OF EQUIPMENT**	

13

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1.3 Statement of Financial Position on 28 February 2026.

Assets		
Non-current assets		
Tangible assets		
Fixed deposit	**1 687 500**	
Current assets		
Cash and cash equivalents	**936 000**	
Total assets		
Equity and liabilities		
Shareholders' equity		
Retained income	**1 210 000**	
Non-current liabilities		
Loan		
Current liabilities		
Trade and other payables		
Total equity and liabilities		**24**

TOTAL MARKS
45

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QUESTION 2

2.1 Retained income Note on 28 February 2026.

Balance at the beginning	50 000
Net profit after tax	
Dividends	
Balance at the end	

6

2.2 Cash Flow Statement for the year ended 28 February 2026

Cash flow from operating activities	**1 180 000**
Cash generated from operations	
Interest paid	
Cash flow from investing activities	**(1 320 000)**
Cash flow from financing activities	
Cash and cash equivalent at the end	

23

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2.3.1

% Operating expenses on sales	
WORKINGS	**ANSWER**

3

2.3.2

Dividends per share (DPS)	
WORKINGS	**ANSWER**

3

2.3.3

% Return on average shareholders' equity	
WORKINGS	**ANSWER**

5

TOTAL MARKS
40

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QUESTION 3

3.1

Choose a term from COLUMN B that matches the description in COLUMN A. Write only the letter (A – D) next to the question number (3.1.1 – 3.1.4).	
3.1.1	
3.1.2	
3.1.3	
3.1.4	

4

3.2.1 **The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement.**

4

3.2.2 **Calculate the dividend pay-out rate for the year ended 28 February 2026.**

3

Explain why directors decided to change the policy. Give THREE reasons.

6

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3.2.3 **Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures.**

6

3.2.4 **The directors of Sivukile Ltd want to expand the business by opening more branches. Explain why would you not recommend that they should borrow more money. Quote TWO financial indicators, with figures.**

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6

The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points.

4

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3.2.5 **Explain why shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators.**

4

3.2.6 **Calculate the number of new shares that Freedom purchased on 1 September 2025.**

CALCULATION	ANSWER

5

Calculate Freedom % shareholding on 28 February 2026.

CALCULATION	ANSWER

4

Why should the independent auditor be concerned about this? Give TWO reasons.

4

TOTAL MARKS
50

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QUESTION 4

4.1 **Choose the correct word from those in Brackets, Lubanzi Ltd received a / an (qualified / unqualified / disclaimer opinion) audit report.**

AUDIT REPORT	EXPLANATION

2

4.2 **Name TWO reliable types of audit evidence that Owami auditors used as the basis for their opinion.**

4

4.3 **Explain how this audit report could have a positive influence on the company in the future. Provide TWO points.**

4

4.4 **Explain the role of an independent external auditor. Provide ONE point.**

2

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4.5 **State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.**

3

TOTAL MARKS
15

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TOTAL MARKS: 150

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FINAL

KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

MARKING GUIDELINES

PREPARATORY EXAMINATION

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item).
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark the workings.
4. If a pre-adjustment figure is shown as the final figure, award part-mark as a working mark for that figure (not the method mark for the answer). ***Note***: if figures are stipulated in memo for components of workings, these do not carry the method for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in a certain question.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
11. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +,-,x,÷, or per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f=foreign item; p=placement.

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QUESTION 1

1.1 **Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2026. Indicate '+' for increase and '- ' for decrease.**

No	WORKINGS	ANSWER
	Incorrect net profit	**4 900 000**
(i)	Rent income 115 620 – 3 200 = 112 420✓ x660/1460✓ **OR** = 50 820 x 2/6 two marks	(16 940) ☑ one part correct
(ii)	Audit fees	+ 86 940✓
(iii)	Interest on loan 2 160 000 – 2 280 000 Or 2 280 000 + 540 000 – 2 700 000	(120 000) ✓✓ Two or nothing
(iv)	Income tax 1 365 000 + 90 000	(1 455 000)✓
	Net profit after tax Operation one part correct	3 395 000☑

8

1.2

	WORKINGS	ANSWER
(i)	**ADDITIONS AT COST LAND AND BUILDINGS** 2 049 700 – 1 820 000	229 700 ✓
(ii)	**DISPOSAL AT CARRYING VALUE** 140 600 ✓ – 66 650✓	73 950 ✓
(iii)	**DEPRECIATION ON EQUIPMENT** 140 000 x 20/100 x 9/ 12 = 21 000✓✓ 918 500 x 20/100 = 183 700✓✓ 21 000 + 183 700	204 700 ☑ Operation one part Correct
(iv)	**CARRYING VALUE OF EQUIPMENT** $1\ 826\ 000✓ – \overset{(767\ 500 + 204\ 700)}{972\ 200}✓✓$	853 800☑ Operation one part Correct

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1.3 Statement of Financial Position on 28 February 2026.

Assets		
Non-current assets	4 912 500	☑
Tangible assets (2 049 700 + 321 500 + 853 800)see 1.2 (iv)	3 225 000	☑
Fixed deposit	**1 687 500**	
Current assets TA- NCA	3 000 000	☑
Inventory Operation one part correct	1 850 000	☑
Trade and other receivables (93 060✓ + 14 000✓ + 86 940☑ see 1.1 + 20 000 ✓)	214 000	✓
Cash and cash equivalents	**936 000**	
Total assets Operation one part correct	7 912 500	☑
Equity and liabilities		
Shareholders' equity 1 850 000/0.4	4 625 000	✓
Ordinary share capital	3 415 000	☑
Retained income	**1 210 000**	
Non-current liabilities Operation one part correct	1 850 000	☑
Loan (2 280 000✓ – 430 000✓)	1 850 000	
Current liabilities Operation one part correct	1 437 500	☑
Trade and other payables (149 060✓ + 14 000✓ + 16 940 ☑ see 1.1)	180 000	✓
SARS- Income tax	90 000	✓
Shareholders for dividends	737 500	✓
Current portion of loan SEE NCL	430 000	☑
Total equity and liabilities Operation one part correct	7 912 500	☑

24

TOTAL MARKS
45

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QUESTION 2

2.1 Retained income Note on 28 February 2026.

Balance at the beginning		**50 000**	
Net profit after tax (364 500 x 73/27)		985 500	✓
Buy back of shares (30 000 x 1.20)		(36 000)	✓
Dividends	operation one part correct	(353 400)	☑
Paid (900 000 x 0.18)		162 000	✓
Final		191 400	✓
Balance at the end		646 100	☑

6

2.2 Cash Flow Statement for the year ended 28 February 2026

Cash flow from operating activities	**1 180 000**	
Cash generated from operations		
Interest paid		
Dividends paid (115 300✓ + 162 000✓) operation one part correct 115 300 one m + 353 400 one m – 191 400 one m	(277 300)	✓☑
Tax paid (364 500✓ + 35 900✓ + 29 100✓) operation one part correct -364 500 – 35 900 – 29 100	(429 500)	☑
Cash flow from investing activities	**(1 320 000)**	
Cash flow from financing activities operation one part correct	409 000	☑
Proceeds from shares issued (7 395 000✓ + 255 000✓ – 6 400 000✓)	1 250 000	☑
Buy-back of shares (30 000✓ x 9.70 ✓) or (255 000 + 36 000)	(291 000)	☑
Changes in loan (2 200 000 – 1 650 000)	(550 000)	✓✓
Net change in cash and cash equivalent operation	269 000	☑
Cash and cash equivalents at the beginning (20 000✓ – 95 200✓)	(75 200)	✓
Cash and cash equivalents at the end	193 800	☑

23

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2.3.1

% Operating expenses on sales	
WORKINGS	**ANSWER**
$\frac{1\,458\,600 ✓}{7\,293\,000 ✓} \times \frac{100}{1}$ operation one part correct	20%☑

3

2.3.2

Dividend per share (DPS)	
WORKINGS	**ANSWER**
18✓ + 22✓ operation one part correct or $\frac{353\,400}{870\,000} \times 100$ cents	40 cents☑ or 40.6 cents

3

2.3.3

% Return on average shareholders' equity	
WORKINGS	**ANSWER**
$\frac{985\,500 ✓}{½ ✓ (8\,041\,100 ✓ + 6\,450\,000 ✓)} \times \frac{100}{1}$	operation one part correct 13.6 % ☑

5

TOTAL MARKS
40

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QUESTION 3

3.1 Choose a term from COLUMN B that matches the description in COLUMN A. Write only the letter (A–D) next to the question number (3.1.1–3.1.4)

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

4

3.2 SIVUKILE LTD

3.2.1 The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement.

Financial indicator with figures and trend ✓✓ ✓✓

- Stock turn-over rate increased from 7 times to 9 times / by 2 times
- Current ratio increased from 0.9 to 2.5 / by 1.6

Do not accept debtors collection period.

4

3.2.2 Calculate the dividend pay-out rate for the year ended 28 February 2026.

$\frac{159✓}{150✓} \times \frac{100}{1}$

= 106% ☑ one part correct

3

Explain why directors decided to change the policy. Give THREE reasons.

Any three valid points with figures ✓✓ ✓✓ ✓✓

- The company wants to keep shareholders happy/increase shareholder's satisfaction.
- They are trying to influence the market price of shares by increasing dividends
- Equalising dividends over several years.
- Not planning for future expansions
- The company had sufficient reserves from previous years.

6

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3.2.3 **Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures**

Expressing a change for EPS to a % ✓✓

- The earnings per share increased by 30 cents / by 25%

Comment mentioning ROSHE with trend✓ and compare it with interest rate on alternative investment ✓✓ explanation✓

- Return on Shareholders' equity increased from 18 % to 18.5% by 0.5 point / 2.8%
  Return on shareholders' equity of 18.5% is above the interest rate on alternative investment of 12% by 6.5 point/ 35.1%.
- Shareholders are receiving better returns.

6

3.2.4 **The directors of Sivukile Ltd want to expand the business by opening more branches in other Districts. Explain why would you not recommend that they should borrow more money. Quote TWO financial indicators, with figures.**

Financial indicator with figures and trend✓
Explanation could be combined with figures or separate, risk must be mentioned✓✓

Debt/equity ratio increase from 0.5 : 1 to 0.9 : 1 by 0.4 (80%)
The company is more reliant on debt to finance its operations. / the financial risk has increased.

Financial indicator with figures and trend✓ explanation, a candidate must compare ROTCE with interest rate on loan✓✓

The % return on average capital employed (ROTCE) decreased from 17% to 13% by 4 points / 23.5%
The company is negatively geared ROTCE is lower than the 15% interest rate / using loans ineffectively, it means the borrowed funds (loan) is costing more interest than the profit

6

The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points.

Any two valid points ✓✓ ✓✓

- Dividends will only be declared if the company can afford to do so.
- No interest is paid, this will improve profits.
- Improvement in the debt-equity ratio.
- The capital raised does not have to be repaid to the shareholders.

4

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3.2.5 **Explain why the shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators and other related information.**

Financial indicators with figures ✓ ✓ Explanation ✓ ✓

- Net asset value per share decreased from 920 cents to 850 cents / by 70 cents/ 7.6 %. Shareholders net worth is decreasing.
- Market price per share decreased from 900 cents to 825 cents / 75 cents / by 8.3%. Low demand of shares/ negative publicity.

Four marks

- Market price per share of 825 cents is lower than the net asset value per share of 850 cents. Shares are undervalued.

4

3.2.6 **Calculate the number of new shares that Freedom purchased on 1 September 2025.**

CALCULATION	ANSWER
1 000 000 x 47/100 = 470 000 602 400✓ – 470 000✓✓	132 400 shares✓☑ one part correct

5

Calculate Freedom % shareholding on 28 February 2026.

CALCULATION	ANSWER
$\frac{602\ 400 ✓}{1\ 200\ 000 ✓}$ x 100	50.2%✓☑ one part correct

4

Why should the independent auditor be concerned about this? Give TWO reason.

Any two valid point ✓✓ ✓✓

- The decision was not fair and transparent.
- Unethical, as Freedom is taking advantage as the majority shareholder / this is a conflict of interest.
- Insider trading.

4

TOTAL MARKS
50

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QUESTION 4

4.1 **Choose the correct word from those in Brackets, Lubanzi Ltd received a / an (qualified / unqualified / disclaimer opinion) audit report**

AUDIT REPORT	EXPLANATION
Unqualified✓	Any suitable relevant response ✓ No errors / problems / irregularities were discovered. Opinion indicates that the financial statement fairly present the financial situation of the company.

2

4.2 **Name TWO reliable types of audit evidence that Owami auditors used as the basis for their opinion.**

Any TWO valid different types ✓ ✓ ✓✓

Source documents
journals
Signed contracts
Bank statements
Asset register
Creditors statements

4

4.3 **Explain how this audit report could have a positive influence on the company in the future. Provide TWO points.**

Any TWO valid points ✓ ✓ ✓✓

- Shareholders have confidence in the management of the company and would want to retain their shares.
- It would attract potential shareholders.
- It will make it viable for the company to raise more capital in the future.
- It may increase the share price of the company on the JSE.

4

4.4 **Explain the role of an independent external auditor. Provide ONE point.**

Any suitable relevant response ✓✓

- Provides an unbiased audit report on the financial statements of the company.
- Presents an opinion on the fair presentation of the financial statements.
- Protects the interest of the shareholders

2

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4.5 **State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.**

Any suitable relevant response ✓ ✓ ✓

Accept one-word answer

Possible consequences for auditor as employee:

- Deregistered / struck off the roll by auditing board/ loss of professional license/ revocation of his certificate.
- Disciplinary hearing / suspended (during investigation)/ fired by his employer / fined/ arrested.
- Sued for negligence / bad reputation to his name.
- Lose clients / removed as auditors by clients/ bad image for the auditing company.

3

TOTAL MARKS
15

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