basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MAY/JUNE 2025

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages, a formula sheet and a 10-page answer book.

KEEP THIS PAGE BLANK.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Company Financial Statements	50	40
2	Fixed Assets, Cash Flow Statement and Financial Indicators	45	35
3	Interpretation of Financial Information	40	30
4	Corporate Governance	15	15
TOTAL		**150**	**120**

QUESTION 1: COMPANY FINANCIAL STATEMENTS (50 marks; 40 minutes)

EBONY LTD

The information relates to the financial year ended on 28 February 2025. The company sells various car accessories and also services customers' vehicles.

REQUIRED:

1.1 Prepare the Statement of Comprehensive Income for the financial year ended 28 February 2025. (34)

1.2 Prepare the EQUITY AND LIABILITIES section of the Statement of Financial Position as at 28 February 2025. Show workings in brackets. (16)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Balances and/or totals, among others, that appeared in the books on:

	28 Feb. 2025 (R)	29 Feb. 2024 (R)
Ordinary share capital	2 480 000	2 480 000
Retained income	?	
Loan: Oracle Bank	?	
Trading stock		
Fixed deposit: Rainbow Bank	620 000	620 000
Provision for bad debts	?	19 230
SARS: Income tax (provisional tax payments)	363 100	
Creditors' control	420 358	
Prepaid expenses	8 520	
Bank overdraft	?	
Sales	12 171 200	
Cost of sales	?	
Salaries and wages	763 000	
Depreciation	285 860	
Service fee income	174 580	
Audit fees	75 168	
Rent income	72 960	
Directors' fees	1 595 385	
Trading stock deficit	22 150	
Interest income	?	
Interest expenses	?	
Sundry expenses	710 000	
Ordinary share dividends (interim dividends)	372 000	

B. The following adjustments must still be taken into account:

- Stocktaking on 28 February 2025 reflected a trading stock deficit of R22 150. This deficit was calculated without considering the following:

  Merchandise of R31 200, returned by M Vrede, a debtor, on 28 February 2025, was not recorded. The goods returned were placed back into stock. Ebony Ltd maintains a consistent mark-up of 60% on all goods.

- Audit fees still owing, R18 792.
- Provision for bad debts must be decreased to R17 200.
- The company rented out part of its premises on 1 July 2024. Rent has been received up to 30 June 2025.
- Ebony Ltd had two directors, each earning the same fee at the beginning of the financial year. A third director was appointed on 1 September 2024, earning a monthly fee of R5 445 less than the existing directors. All the directors were paid their fees for March 2025.

C. A supplier, Midrand Tyres, was paid R22 750. This amount was incorrectly debited to the Debtors' Control Account. This must be corrected.

D. **Loan: Oracle Bank**

- Extract from the annual loan statement for the year ended 28 February 2025:

  Monthly payments, including interest: R27 500

- The capital repayment on the loan for the past financial year was R126 600.This will remain the same until the loan is fully repaid.

E. **Income tax**

- Income tax is calculated at 30% of the net profit.
- The correct income tax for the year was R397 800.

F. **Share capital and dividends**

- The company had 1 550 000 shares in issue on 1 March 2024.
- On 31 July 2024, interim dividends were paid.
- A final dividend of 19 cents per share was declared on 28 February 2025. It must be brought into account.

NOTE: No shares were issued or repurchased during the year.

G. Information calculated at the end of the financial year after all adjustments had been taken into account:

Total assets	R5 214 000
Solvency ratio	2,4 : 1

50

QUESTION 2: FIXED ASSETS, CASH FLOW STATEMENT AND FINANCIAL INDICATORS **(45 marks; 35 minutes)**

The information relates to Premier Ltd for the financial year ended 28 February 2025.

REQUIRED:

2.1 **Refer to information D.**

Calculate the missing figures indicated by **(i)** to **(iii)** on the Fixed Asset Note. (12)

2.2 Calculate the following figures for the Cash Flow Statement:

- Taxation paid (4)
- Dividends paid (4)

2.3 Complete the 'Cash effects from financing activities' in the Cash Flow Statement. (8)

2.4 Calculate the following financial indicators on 28 February 2025:

- % operating expenses on sales (3)
- % return on average shareholders' equity (4)
- Dividends per share (4)

2.5 According to the Fixed Asset Note (see **Information D**), the company completed extensions to the building for R7 909 600 during the financial year.

- Name TWO major sources of funding for the extensions, with figures (over R2 000 000 each). (4)
- For each source, state how the cash flow will be affected negatively in the future. State ONE different point for each source. (2)

INFORMATION:

A. Extract: Statement of Comprehensive Income for the year ended 28 February 2025:

Sales	26 480 000
Operating expenses	4 667 600
Interest expenses	222 400
Net profit before tax	6 200 000
Income tax	1 736 000
Net profit after tax	4 464 000

B. Extract: Statement of Financial Position on:

Assets	**28 Feb. 2025**	**29 Feb. 2024**
Non-current assets	**19 157 500**	**12 293 000**
Fixed assets	17 877 500	10 493 000
Fixed deposit	1 280 000	1 800 000
Current assets	**12 842 000**	**9 020 000**
Inventories		
Debtors' control	1 580 000	1 740 000
SARS: Income tax	220 000	0
Cash and cash equivalents		
Total assets	**31 999 500**	**21 313 000**
Equity and liabilities		
Ordinary shareholders' equity	**22 556 000**	**14 913 000**
Ordinary share capital		13 950 000
Retained income		963 000
Non-current liabilities	**6 513 500**	**2 780 000**
Current liabilities	**2 930 000**	**3 620 000**
Trade and other payables	1 530 000	2 632 000
SARS: Income tax	0	148 000
Shareholders for dividends	1 400 000	840 000
Total equity and liabilities	**31 999 500**	**21 313 000**

C. Shares and dividends:

- The company had 3 000 000 shares in issue on 1 March 2024.
- 1 050 000 new shares were issued on 30 June 2024, R6 300 000.
- An interim dividend of 32 cents per share was paid on 31 August 2024.
- 50 000 shares were repurchased for R3,50 more than the average share price on 31 October 2024.
- Final dividend was declared on 28 February 2025.

D. Fixed Asset Note to the Statement of Financial Position:

FIXED ASSETS	BUILDINGS (R)	VEHICLES (R)	EQUIPMENT (R)
Carrying value (1 Mar. 2024)	**(i)**	**1 473 000**	**1 450 000**
Cost		3 223 000	2 630 000
Accumulated depreciation	0	(1 750 000)	(1 180 000)
Movements			
Additions	7 909 600	0	320 000
Disposals	0	**(ii)**	0
Depreciation	0		**(iii)**
Carrying value (28 Feb. 2025)	**15 479 600**		
Cost			
Accumulated depreciation	0		

Additional information in respect of fixed assets:

- Extensions to the buildings were completed during the financial year.
- An old vehicle was sold at carrying value on 30 September 2024. The cost price of this vehicle was R510 000 and its accumulated depreciation on 1 March 2024 was R330 000.
- Vehicles are depreciated at 20% p.a. on carrying value.
- Additional equipment was purchased on 1 December 2024.
- Equipment is depreciated at 15% p.a. on cost.

45

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION
(40 marks; 30 minutes)

VENUS LTD

The information relates to Venus Ltd for the financial year ended 28 February 2025.

BACKGROUND INFORMATION:

Denzel Crous was appointed as the chief financial officer (CFO) on a 2-year contract which will be reviewed on 31 August 2025. He is also a shareholder in Venus Ltd.

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

INFORMATION:

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

3.1.1 Effective control of expenses in the business is a reflection of (risk/profitability).

3.1.2 When a company is liquidated, the shareholders' liability will be (limited/unlimited), as they will not be held responsible for company debts.

3.1.3 (Solvency/Liquidity) is the ability of the business to pay off all its debts using existing assets. (3 x 1) (3)

3.2 **Liquidity:**

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

3.3 **Dividend pay-out policy:**

- Calculate the dividend pay-out rate for the year ended 28 February 2025. (2)

- Explain why the directors decided to change the policy. Give ONE reason. (2)

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

- Calculate the number of new shares that Denzel purchased on 31 July 2024. (4)

- Calculate Denzel's % shareholding on 28 February 2025. (3)

- The independent auditor discovered that Denzel had made the decision to repurchase the shares from the estate of a deceased relative on 1 December 2024 without informing the board of directors.

  Why should the independent auditor be concerned about this? Give ONE reason. (2)

3.5 **Gearing and risk:**

- The directors of Venus Ltd want to expand the business by opening more branches in other provinces. Explain why you would recommend that they should not 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)

3.6 **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 and other related data. (4)

3.7 **Renewal of the CFO's contract:**

- Explain ONE reason why any company should appoint a suitably qualified person as their chief financial officer (CFO). (2)

- Apart from the factors and financial indicators covered in QUESTIONS 3.2 to 3.6, quote and explain TWO financial indicators why you feel that Denzel's contract should not be renewed. (4)

INFORMATION:

A. Financial indicators calculated:

	28 Feb. 2025	29 Feb. 2024
% operating expenses on sales	18,3%	22,7%
Current ratio	1,6 : 1	0,3 : 1
Acid-test ratio	0,8 : 1	0,1 : 1
Debtors' collection period	36 days	43 days
Creditors' payment period	63 days	63 days
Solvency ratio	2,2 : 1	2,6 : 1
Debt-equity ratio	0,8 : 1	0,5 : 1
Return on average capital employed	8,2%	9,5%
Return on average shareholders' equity	4,5%	6,2%
Earnings per share	51 cents	58 cents
Dividends per share	55 cents	35 cents
Dividend pay-out rate	**?**	60,3%
Net asset value per share	1 025 cents	1 060 cents

B. Additional information:

	28 Feb. 2025	29 Feb. 2024
Market price per share	1 000 cents	1 030 cents
Interest rate on loans	12% p.a.	12% p.a.
Interest rate on investments	7% p.a.	7% p.a.

C. Shares of Venus Ltd:

	Number of shares
In issue:	
on 29 February 2024	900 000
on 28 February 2025	950 000
New shares issued on 31 July 2024 at R10,50 each	125 000
Repurchased on 1 December 2024 at R12,00 each	75 000

D. Shareholding of Denzel Crous in Venus Ltd:

% shareholding on 29 February 2024	45%
Number of shares owned on 28 February 2025	494 000

40

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

4.1 **Refer to Information A.**

4.1.1 Identify the type of audit report that Yungs Ltd received. (1)

4.1.2 Name TWO reliable types of audit evidence that VC Auditors used as the basis for their opinion. (2)

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

4.2 **Refer to Information B.**

4.2.1 What action would Vintage Ltd have taken against the two directors who appeared in court? Provide TWO points. (4)

4.2.2 Explain TWO consequences that Josh, the external auditor, may face for his illegal conduct. (4)

INFORMATION:

A. Extract from an audit report issued by VC Auditors to Yungs Ltd, one of their clients:

Opinion

In our opinion the financial statements fairly present, in all material respects, the financial position and cash flows of Yungs Ltd as at 28 February 2025.
It was set in accordance with International Financial Reporting Standards (IFRS) and complied with the requirements of the Companies Act, 2008 (Act 71 of 2008) of South Africa.

Basis for Opinion

The audit evidence obtained is sufficient, reliable and appropriate to provide a basis for our opinion.

B. Extract from a newspaper article about Vintage Ltd, another client of VC Auditors:

An external independent auditor from VC Auditors, Josh Peters, was implicated in a corruption court case against two directors of Vintage Ltd. These directors allegedly paid bribe money to Josh to ensure that favourable reports were issued by VC Auditors, on the performance of Vintage Ltd, although the company is close to bankruptcy.

15

TOTAL: 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

NOTE:
1. Trading stock at the end of a financial year may be used if required in a question. 365 days is applicable only if relevant to the whole year.
2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).
3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.

Confidential

STICKER

CENTRE NUMBER

EXAMINATION NUMBER

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

GRADE 12

MAY/JUNE 2025

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 10 pages.

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	
Cost of sales	
Gross profit	
Other income	
Service fee income	**174 580**
Gross operating income	
Operating expenses	
Salaries and wages	**763 000**
Depreciation	**285 860**
Operating profit	
Interest income	
Profit before interest expense	
Interest expenses	
Net profit before tax	
Income tax	**(397 800)**
Net profit after tax	

34

1.2 Statement of Financial Position as at 28 February 2025

EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	
Ordinary share capital	**2 480 000**
NON-CURRENT LIABILITIES	
Loan: Oracle Bank	
CURRENT LIABILITIES	**972 000**
Trade and other payables **(420 358**	
Bank overdraft	
Current portion of loan	**126 600**
TOTAL EQUITY AND LIABILITIES	

16

TOTAL MARKS
50

QUESTION 2

2.1

(i)

Calculate: Carrying value of buildings on 1 March 2024	
WORKINGS	**ANSWER**

(ii)

Calculate: Disposal of vehicle at carrying value	
WORKINGS	**ANSWER**

(iii)

Calculate: Total depreciation on equipment	
WORKINGS	**ANSWER**

12

2.2

Calculate: Taxation paid	
WORKINGS	**ANSWER**

4

Calculate: Dividends paid	
WORKINGS	**ANSWER**

4

2.3 Cash effects from financing activities in the Cash Flow Statement for the year ended 28 February 2025

Cash effects from financing activities	

8

2.4

Calculate: % operating expenses on sales	
WORKINGS	**ANSWER**

3

Calculate: % return on average shareholders' equity	
WORKINGS	**ANSWER**

4

Calculate: Dividends per share	
WORKINGS	**ANSWER**

4

2.5

	SOURCE OF FUNDING (with figures)	NEGATIVE EFFECT ON CASH FLOW
SOURCE 1		
SOURCE 2		

6

TOTAL MARKS
45

QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	

3

3.2 Liquidity:

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

4

3.3 Dividend pay-out policy:

Calculate the dividend pay-out rate for the year ended 28 February 2025.	
WORKINGS	**ANSWER**

2

Explain why the directors decided to change the policy. Give ONE reason.

2

3.4 % shareholding and repurchase decision-making:

Calculate the number of new shares that Denzel purchased on 31 July 2024.	
WORKINGS	**ANSWER**

4

Calculate Denzel's % shareholding on 28 February 2025.	
WORKINGS	**ANSWER**

3

The independent auditor discovered that Denzel had made the decision to repurchase the shares from the estate of a deceased relative on 1 December 2024 without informing the board of directors.

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

2

3.5 Gearing and risk:

The directors of Venus Ltd want to expand the business by opening more branches in other provinces. Explain why you would recommend that they should not 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

3.6 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 and other related data.

4

3.7 Renewal of the CFO's contract:

Explain ONE reason why any company should appoint a suitably qualified person as their chief financial officer (CFO).

2

Apart from the factors and financial indicators covered in QUESTIONS 3.2 to 3.6, quote and explain TWO financial indicators why you feel that Denzel's contract should not be renewed.

4

TOTAL MARKS
40

QUESTION 4

4.1.1 **Identify the type of audit report that Yungs Ltd received.**

1

4.1.2 **Name TWO reliable types of audit evidence that VC Auditors used as the basis for their opinion.**

2

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

4

4.2.1 **What action would Vintage Ltd have taken against the two directors who appeared in court? Provide TWO points.**

4

4.2.2 **Explain TWO consequences that Josh, the external auditor, may face for his illegal conduct.**

4

TOTAL MARKS
15

TOTAL: 150

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REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MAY/JUNE 2025

MARKING GUIDELINES

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). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for a correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark for that figure (not the method mark for the answer). Note: if figures are stipulated in the marking guidelines for components of workings, these do not carry the method mark for 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. These marking guidelines are not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
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 an operation, the marker must inspect reasonableness of the answer.
11. 'Operation' means check operation. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
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 at least in part. Indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales (12 171 200 ✓ – 31 200 ✓)	12 140 000	☑*
Cost of sales sales/1,6 OR sales x 100/160	(7 587 500)	☑☑#
Gross profit Sales – CofS **6**	4 552 500	☑
Other income	225 250	☑*
Service fee income	**174 580**	
Provision for bad debts adjustment	2 030	✓✓
Rent income [6 080 x 4] OR [72 960 x 4/12] (72 960 – 24 320 ✓✓)	48 640	☑*
Gross operating income GP + OI **7**	4 777 750	☑
Operating expenses	(3 307 800)	☑*
Salaries and wages	**763 000**	
Depreciation	**285 860**	
Audit fees (75 168 + 18 792)	93 960	✓✓
Directors fees (1 595 385 – 143 055 ✓✓✓✓) [143 055: 49 500 (one mark) + 49 500 (one mark) + 44 055 (two marks)]	1 452 330	☑*
Trading stock deficit [31 200 x 100/160] (22 150 – 19 500 ✓✓)	2 650	☑*
Sundry expenses	710 000	✓
12		
Operating profit GOI - OE	1 469 950	☑
Interest income balancing figure	59 450	☑
Profit before interest expense NPBT + Int. exp	1 529 400	☑
Interest expense (330 000 ✓ – 126 600 ✓) OR (27 500 – 10 550) x 12 [16 950 two marks; 27 500 one mark; 10 550 one mark]	(203 400)	☑
Net profit before tax NPAT + IT	1 326 000	☑
Income tax	**(397 800)**	
Net profit after tax [397 800 x 70/30] **9**	928 200	✓✓

34

*one part correct
-1 foreign items (max -2) i.e SFP items; -1 presentation (max -1).
Prov. for bd adjust must be shown as an income.
Trading stock deficit could be shown as an income, mark as per principle 11.
If trading stock deficit is shown as an income with correct workings, -1 for answer.
#two m marks will be awarded only if the candidate has used the sales figure calculated above.

1.2 Statement of Financial Position on 28 February 2025

EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY (TE&L – TL)	3 041 500 ☑
Ordinary share capital	**2 480 000**
Retained income balancing figure **2**	561 500 ☑
NON-CURRENT LIABILITIES [5 214 000 / 2,4] (2 172 500 ✓✓ – 972 000 ✓) **4**	1 200 500 ☑*
Loan: Oracle Bank	1 200 500
CURRENT LIABILITIES	**972 000**
Trade and other payables Audit fees / Rent income / correction (**420 358** + 18 792 ✓ + 24 320 ☑ – 22 750 ✓)	440 720 ☑*
SARS Income tax (397 800 – 363 100)	34 700 ✓✓
Shareholders for dividends (1 550 000 x 19/100)	294 500 ✓✓
Bank overdraft balancing figure	75 480 ☑
Current portion of loan	**126 600**
TOTAL EQUITY AND LIABILITIES **10**	5 214 000 ✓

16

*one part correct
-1 foreign items (max -2); presentation -1 (max -1)
Inspect: SARS:IT and SFD may be included in T&OP
Note principle 11 when awarding method marks; Operation as per candidate's operation, unless otherwise specified.

TOTAL MARKS	**50**

QUESTION 2:

2.1

(i)

Calculate: Carrying value of buildings on 1 March 2024	
WORKINGS	**ANSWER**
15 479 600 – 7 909 600	7 570 000 ✓✓

(ii)

Calculate: Disposal of vehicle at carrying value	
WORKINGS	**ANSWER**
180 000 x [20% x 7/12] 510 000 ✓ – 330 000 ✓ – 21 000 ✓☑ 180 000 two marks **OR** 510 000 – 351 000 one mark two marks one m mark Accept ledger format	159 000 ☑ CP – AccD@B – Curr Depr

(iii)

Calculate: Total depreciation on equipment	
WORKINGS	**ANSWER**
New 320 000 x [15% x 3/12] 12 000 ✓☑ Old 2 630 000 x [15% x 12/12] 394 500 ✓✓ Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R320 000 or R2 630 000.	406 500 ☑ one part correct new + old depr

12

2.2

Calculate: Taxation paid	
WORKINGS	**ANSWER**
148 000 ✓ + 1 736 000 ✓ + 220 000 ✓ **OR** – 148 000 – 1 736 000 – 220 000 Accept ledger format or use of brackets as workings. Be aware of signs reversed; Ensure that only one option is marked consistently.	2 104 000 ☑ one part correct ignore brackets

4

Calculate: Dividends paid	
WORKINGS	**ANSWER**
[4 050 000 x 0,32] 840 000 ✓ + 1 296 000 ✓✓ **OR** 840 000 + [2 696 000 – 1 400 000] one mark two marks Accept ledger format or use of brackets as workings	2 136 000 ☑ one part correct ignore brackets

4

2.3 Cash effects from financing activities in the Cash Flow Statement for the year ended 28 February 2025

*one part correct

Cash effects from financing activities	9 608 500 ☑*
Issuing of shares	6 300 000 ✓
Shares repurchased (50 000 ✓ x R8,50 ✓✓) OR 175 000 + 250 000 one mark two marks	(425 000) ☑* Must be in brackets
Change in loan	3 733 500 ✓✓

-1P if no details (max -1)

8

2.4

Calculate: % operating expenses on sales	
WORKINGS	**ANSWER**
$\frac{4\,667\,600 ✓}{26\,480\,000 ✓} \times \frac{100}{1}$	17,6 % ☑ one part correct

3

Calculate: % return on average shareholders' equity	
WORKINGS	**ANSWER**
$\frac{4\,464\,000 ✓}{½\,(22\,556\,000 ✓ + 14\,913\,000 ✓)} \times \frac{100}{1}$ 18 734 500 two marks	23 ,8% ☑ one part correct if average SHE (x ½) is used

4

Calculate: Dividends per share	
WORKINGS	**ANSWER**
[1 296 000/4 050 000] [1 400 000 / 4 000 000] one mark two marks 32 ✓ + 35 ✓✓ OR 0,32 + 0,35 Ensure that only one option is marked consistently.	67cents ☑ one part correct Do not accept 67,4

4

- For EACH calculation, the 'x 100' does not constitute 'one part correct'.
- Numerator and denominator must be marked as such.
- Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R4 667 600.

2.5

	SOURCE OF FUNDING (with figures)	**NEGATIVE EFFECT ON CASH FLOW**
SOURCE 1	Shares issued, ✓ R6 300 000 ✓	Expectations of shareholders to receive regular dividends in the future ✓
SOURCE 2	Change in loan, ✓ R3 733 500 ☑ See 2.3	Loan has to be repaid with interest. ✓

6

TOTAL MARKS	**45**

QUESTION 3:

3.1

3.1.1	Profitability ✓	No abbreviations
3.1.2	Limited ✓	
3.1.3	Solvency ✓	

3

3.2 Liquidity:

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

Financial indicators ✓ ✓ Figures and trends ✓ ✓

- Current ratio improved/increased (from 0,3 :1) to 1,6:1 / by 1,3 : 1.
- Acid test ratio improved/increased (from 0,1 :1) to 0,8:1 / by 0,7 : 1
- Debtors collection period improved/decreased (from 43 days) to 36 days / by 7 days

Do not accept creditors payment period

4

3.3 Dividend pay-out policy:

Calculate the dividend pay-out rate for the year ended 28 February 2025.

WORKINGS	ANSWER
$\frac{55}{51} \times \frac{100}{1}$	107,8% ✓✓ Do not accept 1,07

2

Explain why the directors decided to change the policy. Give ONE reason.

ONE valid point ✓✓

- The company wants to keep shareholders happy/increase shareholder 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.

2

3.4 % shareholding and repurchase decision making:

Calculate the number of new shares that Denzel purchased on 31 July 2024.

WORKINGS	ANSWER
494 000 ✓ – 405 000 ✓✓ [900 000 x 45%] **OR** 495 000 (one mark) – 456 000 (one mark) + 50 000 (one mark) [125 000 – 75 000]	89 000 ☑ one part correct

4

Calculate Denzel's % shareholding on 28 February 2025.

WORKINGS	ANSWER
$\frac{494\ 000 ✓}{950\ 000 ✓} \times \frac{100}{1}$ • Numerator and denominator must be marked as such. • Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R494 000.	52% ☑ one part correct

3

The independent auditor discovered that Denzel had made the decision to repurchase the shares from the estate of a deceased relative on 1 December 2024 without informing the board of directors.

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

ONE valid reason ✓✓ part marks for incomplete / partial / unclear responses

- Unethical, as Denzel is taking advantage as the majority shareholder/This creates potential conflict of interest.
- Nepotism, as Denzel has favoured his relative's estate by paying R12 per share.
- This is not procedural; one person cannot determine buy-back prices.
- Shareholders may lodge a dispute, as this action could be a breach of the company's policies.
- The decision was not fair and transparent.

2

3.5 Gearing and risk:

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

TWO financial indicators ✓ ✓ Figures and trends ✓ ✓ Explanation ✓ ✓

- Debt/equity ratio increased (from 0,5 : 1) to 0,8 : 1 / by 0,3 : 1
  The financial risk has increased / The company is more reliant on debt to finance its operations.

- The % return on average capital employed (ROTCE) decreased (from 9,5%) to 8,2% / by 1,3% points / by 13,7%
  The company is negatively geared / ROTCE is lower than the (12%) interest rate/using loans ineffectively.

6

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

TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

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

4

3.6 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 and other related data.

Financial indicators / other data ✓ ✓ Figures and trends ✓ ✓

- Net asset value per share decreased (from 1 060 cents) to 1 025 cents / by 35 cents / by 3,3%.
- Market price per share decreased (from 1 030 cents) to 1 000 cents / by 30 cents / by 2,9%.

For FOUR marks:
- Market price per share of 1 000 cents is lower than the Net asset value per share of 1 025 cents

4

3.7 Renewal of the CFO's contract:

Explain ONE reason why any company should appoint a suitably qualified person as their chief financial officer (CFO).

ONE valid point ✓✓ part marks for incomplete / partial / unclear responses

- Develop sound financial strategies aligned with company long term goals.
- Ensure that the company complies with financial regulations and standards.
- Instil confidence in the company performance and growth.
- CFO's are instrumental in identifying financial risks.
- He / She must have the relevant knowledge (experience/skill) as the CFO makes final decisions concerning all the aspects of the company's finances.
- Must be informed of all policies relevant to the effective handling of the company's finances.
- To prevent fraud and mismanagement of funds.

2

Apart from the factors and financial indicators covered in QUESTIONS 3.2 to 3.6, quote and explain TWO financial indicators why you feel that Denzel's contract should not be renewed.

Financial indicators / other data ✓ ✓ Figures and trends ✓ ✓

- Earnings per share decreased (from 58 cents) to 51 cents / by 7 cents / by 12%.
- Return on average shareholders' equity decreased from (from 6,2%) to 4,5% / by 1,7% points / by 27,4%.
- Solvency ratio decreased (from 2,6 : 1) to 2,2 : 1 / by 0,4 : 1.

Note: Do not accept % operating expenses on sales
Be aware of relevant indicators not used in Q3.2 – Q3.6 excluding positive trends. e.g liquidity.

4

TOTAL MARKS	**40**

QUESTION 4

4.1.1 Identify the type of audit report that Yungs Ltd received.

Unqualified ✓ Accept 'clean' report

1

4.1.2 Name TWO reliable types of audit evidence that VC Auditors used as the basis for their opinion.

Any TWO valid and different types ✓ ✓

source documents (any two may be marked separately e.g. invoices /receipts)

journals	ledgers
(signed) contracts	(signed) payrolls
debtors' statements	creditors' statements
bank statements	EFT voucher (proof of payment)
asset registers	physical inspections
Deeds/registration documents	

Be aware of other valid examples that are related to financial records

2

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

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- 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.
- The company may find it easier to secure financing from financial institutions/It will improve the company's image and result in an increased credit rating.
- Reassures shareholders that company's financials are trustworthy, reducing perceived risk.
- It may increase the share price of the company on the JSE.

4

4.2.1 **What action would Vintage Ltd have taken against the two directors who appeared in court? Provide TWO points.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- They could have been suspended while investigations/court case are taking place.
- Directors' fees and/or directors' benefits may not have been paid out while court case is taking place.
- Dismissed or declared delinquent directors, if they are found guilty in court.
- They may have been required to pay back the bribes to the company, if found guilty.
- Vintage Ltd could claim back any directors' fees or benefits earned during the period that the offence occurred.

4

4.2.2 **Explain TWO consequences Josh, the external auditor, may face for his illegal conduct.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- Disciplinary action by his employer/lose his licence from professional body, e.g. SAICA.
- Other auditing reports he signed off, may be investigated. He may lose creditability in his workplace.
- VC Auditors (employer) may sue him for loss of future income / other auditing contracts due to their damaged reputation.
- Vintage Ltd (client) could sue him in his personal capacity to repay the total bribe money he received/he may lose his personal possessions.
- If he is also charged for fraud, he may face jail time / not be able to practice as an auditor in future.

Do not accept:
Lose qualification; blacklisted; fired

4

TOTAL MARKS	15

TOTAL: 150