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basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/
NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MAY/JUNE 2026

MARKS: 150

TIME: 2 hours

This question paper consists of 14 pages, a formula sheet and a 12-page answer book.

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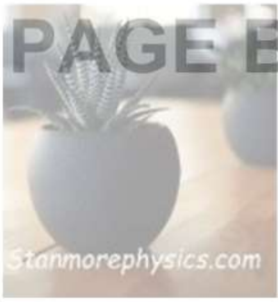

INSTRUCTIONS AND INFORMATION

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 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 the 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	45
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	45	35
4	Corporate Governance	15	10
TOTAL		**150**	**120**

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QUESTION 1: COMPANY FINANCIAL STATEMENTS (50 marks; 45 minutes)

You are provided with the information of Menzi Ltd for the financial year ended 28 February 2026. The company sells two types of bluetooth speakers, namely Hidance and Ketwood.

REQUIRED:

1.1 **Refer to information B(i).**

Calculate the value of closing stock using the specific identification method on 28 February 2026. (7)

1.2 **Refer to information C.**

Calculate the total amount of the fixed deposit on 28 February 2026. (5)

1.3 Complete the Statement of Financial Position for the year ended 28 February 2026. (38)

NOTE:
- Show ALL workings in brackets.
- Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Balances/Totals on 28 February:

	2026 R	**2025 R**
Fixed assets at carrying value	**?**	6 680 600
Fixed deposit	**?**	**?**
Debtors' control	376 700	
Provision for bad debts	**?**	9 780
Prepaid expenses	**?**	
Bank (favourable)	610 300	
Petty cash	4 700	
Ordinary share capital	**?**	
Retained income	820 000	
Loan: DBN Bank	**?**	1 459 200
Creditors' control	392 050	
Accrued expenses	**?**	
Income received in advance	**?**	
SARS: Income tax (provisional payments)	493 710	
IT support services	40 320	
Advertising	36 300	

B. Adjustments and additional information:

(i) The following information was obtained after the physical stock count:

- Packing material on hand of R8 330
- The stock record of the bluetooth speakers revealed the following:

NOTE: The specific identification method is used to value the stock of bluetooth speakers.

	MODEL	UNITS	TOTAL R
Stock on hand on 1 Mar. 2025	Hidance	400	
	Ketwood		2 690 000
Purchases	Hidance	575	
	Ketwood		3 819 800
Returns	Hidance	66	
Stock on hand on 28 Feb. 2026	Hidance	89	**?**
	Ketwood	**?**	**?**

Sales and cost of sales

- **Hidance:** units were sold at R7 105 each
- **Ketwood:** cost of sales was calculated as R5 519 880

Mark-up percentage:

- **Hidance:** goods are marked at 45% on cost

(ii) 80% of the annual amount for IT support services has been paid.

(iii) Advertising consists of a half-yearly contract with the local newspaper starting on 1 August 2025. A renewed six-month contract was paid on 1 February 2026, with a monthly increase of R450.

(iv) A supplier to whom Menzi Ltd. owed R5 200 requested that this balance be transferred to their Debtors' Account, as they also buy from Menzi Ltd.

(v) **Shares and dividends:**

- 1 260 000 shares were in issue on 28 February 2026.
- Final dividends of 23 cents per share were declared on 28 February 2026. This must be brought into account.

C. **Extract from the Statement of Comprehensive Income for the year ended 28 February 2026:**

	R
Operating income	
Provision for bad debts adjusted	2 680
Rent income	196 620
Operating expenses	
Depreciation	395 600
Operating profit	
Interest on fixed deposit	36 000
Net profit before interest expense	
Interest on loan	(207 000)
Net profit before tax	
Income tax	(516 150)
Net profit after tax	1 204 350

NOTE: The information below was taken into consideration in the statement above.

(i) Provision for bad debts decreased.

(ii) **Fixed deposit: Umlazi Bank**

- On 1 June 2025, Menzi Ltd made an additional fixed deposit at an interest rate of 7,5% per annum, which is the same rate as the existing investment.
- The interest earned on the new investment for this financial year was R6 750.
- Interest on fixed deposit is not capitalised.

(iii) **Rent income**

A tenant, AYA Electronics, has been renting a building. A second contract to rent another building at the same rate commenced on 1 September 2025. Menzi Ltd agreed to decrease the monthly rent for both buildings by 5% immediately on AYA Electronics resuming the second contract. Rent for March 2026 has already been received.

(iv) **Loan: DBN Bank**

- The yearly repayment for the next financial year will amount to R291 840. The repayments are fixed throughout the term, inclusive of interest.
- Capitalised monthly interest for the next financial year is expected to be R15 100.

D. **Capital employed:**

The total capital employed for the financial year was R8 383 720.

50

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(40 marks; 30 minutes)

2.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 Depreciation is regarded as an outflow of cash as it is an expense.

2.1.2 A decrease in inventory will result in an inflow of cash.

2.1.3 An increase in payables will result in an outflow of cash. (3 x 1) (3)

2.2 **METRO LTD**

The information relates to the financial year ended on 31 March 2026.

REQUIRED:

2.2.1 Complete the Retained Income Note on 31 March 2026. (8)

2.2.2 Complete the Cash Flow Statement on 31 March 2026. (18)

NOTE:
- Show ALL workings in brackets.
- Some amounts are provided in the ANSWER BOOK.

2.2.3 Calculate the following financial indicators on 31 March 2026:

- Debt-equity ratio (4)
- Net asset value per share (3)
- Acid-test ratio (4)

INFORMATION:

A. Extract from the Statement of Comprehensive Income on 31 March 2026:

	R
Sales	8 500 000
Interest expenses	126 800
Income tax (28% of net profit)	952 000

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

	2026 R	2025 R
Fixed assets (carrying value)		
Fixed deposit	540 000	760 000
Current Assets	**1 712 650**	**1 583 000**
Inventories	405 430	884 000
Trade and other receivables	?	605 200
SARS: Income tax	0	81 000
Cash and cash equivalents	?	12 800
Shareholders' equity	**?**	**8 006 000**
Ordinary share capital	10 416 000	7 020 000
Retained income	?	986 000
Non-current liabilities	**2 252 800**	**3 027 300**
Current liabilities	**2 178 700**	**2 462 850**
Trade and other payables	856 500	1 599 000
Shareholders for dividends	1 302 000	741 000
SARS: Income tax	20 200	0
Bank overdraft	0	122 850

C. Shares and dividends

- The authorised share capital consisted of 3 000 000 ordinary shares.
- 65% of the authorised shares were in issue on 1 April 2025.
- 450 000 additional shares were issued at R10 per share on 30 June 2025.
- An interim dividend of 42 cents per share was paid on 30 September 2025.
- 230 000 shares were repurchased on 31 January 2026, at 25% above the average price per share, on this date.
- A final dividend of R1 302 000 was declared on 31 March 2026.

40

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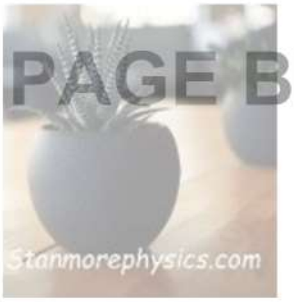

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION
(45 marks; 35 minutes)

The information relates to Refined Interiors Ltd, a public company that specialises in selling a variety of floor and wall tiles as well as other kitchen accessories. The financial year ended on 31 March 2026.

REQUIRED:

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

3.1 **Profitability/Operating efficiency:**

- Explain how the change in the mark-up percentage has benefitted the company. State ONE point with figures. (2)
- The directors are of the opinion that the company's operating expenses are being well controlled. Quote and explain TWO financial indicators to support their opinion. (4)

3.2 **Liquidity:**

- The directors are satisfied with the credit policy of the company. Quote and explain TWO relevant financial indicators to justify this statement. (4)
- The directors are not concerned with the decline of the acid-test ratio as they feel that the company is still in a favourable liquidity position. Quote and explain ONE other relevant financial indicator to support their opinion. (3)

3.3 **Returns, earnings and dividends:**

- Comment on why the shareholders should be satisfied with the return on their investment. Quote and explain ONE financial indicator. (3)
- The earnings per share (EPS) is higher than the dividends per share (DPS). Explain why the shareholders would have been pleased with the DPS. State TWO points with figures. (4)

3.4 **Share value:**

- Explain what the 'net asset value' per share represents. State ONE point. (2)
- Give TWO reasons why the share price on the stock exchange is much higher than the net asset value per share. (4)

3.5 **Risk and gearing:**

Explain why it will be wise for Refined Interiors Ltd to use loans more often in the future. Quote and explain TWO financial indicators. (4)

3.6 **Shareholding:**

Refer to information C, D and E.

The directors issued 750 000 new shares during the financial year.

- Calculate the issue price per share for the new shares issued. (3)
- Calculate the number of new shares purchased by Nabeel. (4)
- Give ONE possible reason (with figures) why Nabeel decided to buy the new shares. (2)

3.7 **Cash flow:**

Refer to information B.

The directors are pleased with the company's net change in cash flow on 31 March 2026. Explain why they consider this a good way of handling cash in the operating, investing and financing activities. Give ONE reason for each with figures. (6)

INFORMATION:

A. Extract from the Statement of Comprehensive Income for the year ended 31 March:

	2026 R	2025 R
Sales	78 255 000	70 720 000
Cost of sales	(43 475 000)	(44 200 000)
Gross profit	34 780 000	26 520 000

B. Extract from the Cash Flow Statement for the year ended 31 March:

	2026 R	2025 R
Cash flow from operating activities	5 200 000	1 255 000
Cash flow from investing activities	(2 947 000)	(594 000)
Cash flow from financing activities	10 000 000	6 860 000
Net change in cash and cash equivalents	12 253 000	7 521 000

C. Shares in issue of Refined Interiors Ltd on 31 March:

	2026	2025
Number of shares in issue	3 000 000	2 250 000
Average share price	R7,75	R5,00
Ordinary share capital	23 250 000	11 250 000

D. Shareholding of Nabeel Sammie, a shareholder, in Refined Interiors Ltd on 31 March:

	2026	2025
Number of shares	?	787 500
% shareholding	40%	35%

E. Financial data, financial indicators, market prices of shares, interest rates and inflation rates as at 31 March:

	2026	**2025**
Mark-up %	80%	65%
% operating expenses on sales	16,1%	15,6%
% operating profit on sales	28%	22,5%
% return on average shareholders' equity	29,8%	17,6%
% return on average capital employed	35,3%	23,7%
Earnings per share (EPS)	141 cents	78 cents
Dividends per share (DPS)	106 cents	56 cents
Dividend pay-out rate	75%	72%
Net asset value per share (NAV)	522 cents	433 cents
Debt-equity ratio	0,1 : 1	0,2 : 1
Acid-test ratio	0,8 : 1	1,2 : 1
Stock turnover rate	6,2 times p.a.	3,9 times p.a.
Average debtors' collection period	29 days	34 days
Average creditors' payment period	75 days	68 days
Interest rate on loans	11,5%	12,5%
Interest rate on fixed deposits	8%	8,5%
Market price per share on stock exchange	1 667 cents	1 150 cents
Rate of inflation	5,2%	5%

45

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

An extract from a local newspaper has been adapted and presented. Use the information presented and your knowledge on companies to answer the questions.

REQUIRED:

4.1 Explain the roles and responsibilities of the following within a company:

- Board of directors
- Remuneration committee

State ONE point in EACH case. (2)

4.2 Identify the type of unethical and illegal conduct that Jeppy has committed. (1)

4.3 Briefly explain TWO ways in which Jeppy's actions could potentially affect the company. (4)

4.4 Make TWO recommendations that the other directors should present to the board of directors and the remuneration committee in response to Jeppy's conduct. (4)

4.5 Effective corporate governance can reduce the risk of directors acting unethically.

State TWO problems identified in relation to Top D Ltd and give a solution for EACH. (4)

INFORMATION:

TOP D LIMITED

Jeppy Kash was an executive director of Top D Ltd, a public company listed on the stock exchange. He became aware of confidential, price-sensitive information regarding a major contract that was awarded to the company. This contract would report some significant higher earnings than expected for the upcoming quarter.

Before this information was publicly disclosed and the positive earnings were announced, Jeppy Kash decided to purchase a large number of the company's shares.

Upon learning of his actions, the other directors raised serious concerns and requested an urgent board meeting, that included the remuneration committee, to address the matter.

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$ (See Note 1 below)
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (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.

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CENTRE NUMBER

EXAMINATION NUMBER

**SENIOR CERTIFICATE EXAMINATIONS/
NATIONAL SENIOR CERTIFICATE EXAMINATIONS**

ACCOUNTING P1

GRADE 12

MAY/JUNE 2026

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 12 pages.

QUESTION 1

1.1

Calculate the value of closing stock using the specific identification method on 28 February 2026.	
WORKINGS	**ANSWER**
Hidance **Ketwood**	

7

1.2

Calculate the total amount of the fixed deposit on 28 February 2026.	
WORKINGS	**ANSWER**

5

1.3 STATEMENT OF FINANCIAL POSITION OF MENZI LTD ENDED 28 FEBRUARY 2026

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
CURRENT ASSETS	
Inventory	
Trade and other receivables **(376 700**	
Cash and cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained income	**820 000**
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables **(392 050**	
Current portion of loan	
TOTAL EQUITY AND LIABILITIES	

38

TOTAL MARKS
50

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2 METRO LTD

2.2.1 RETAINED INCOME NOTE

Balance on 1 April 2025	**986 000**
Ordinary share dividends	
Final	**1 302 000**
Balance on 31 March 2026	

8

2.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

CASH FLOW FROM OPERATING ACTIVITIES	**(1 557 140)**
Cash generated from operations	
Interest paid	**(126 800)**
CASH FLOW FROM INVESTING ACTIVITIES	**(598 660)**
Purchase of fixed assets	
Proceeds from sale of fixed assets	
CASH FLOW FROM FINANCING ACTIVITIES	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents at the beginning	
Cash and cash equivalents at the end	

18

2.2.3 Calculate the following financial indicators on 31 March 2026:

Debt-equity ratio		
WORKINGS	**ANSWER**	
		4

Net asset value per share		
WORKINGS	**ANSWER**	
		3

Acid-test ratio		
WORKINGS	**ANSWER**	
		4

TOTAL MARKS
40

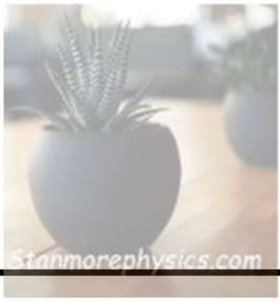
QUESTION 3

3.1 Profitability/Operating efficiency:

Explain how the change in the mark-up percentage has benefitted the company. State ONE point with figures.

2

The directors are of the opinion that the company's operating expenses are being well controlled. Quote and explain TWO financial indicators to support their opinion.



4

3.2 Liquidity:

The directors are satisfied with the credit policy of the company. Quote and explain TWO relevant financial indicators to justify this statement.

4

The directors are not concerned with the decline of the acid-test ratio as they feel that the company is still in a favourable liquidity position. Quote and explain ONE other relevant financial indicator to support their opinion.

3

3.3 Returns, earnings and dividends:

Comment on why the shareholders should be satisfied with the return on their investment. Quote and explain ONE financial indicator.

3

The earnings per share (EPS) is higher than the dividends per share (DPS). Explain why the shareholders would have been pleased with the DPS. State TWO points with figures.

4

3.4 Share value:

Explain what the 'net asset value' per share represents. State ONE point.

	2

Give TWO reasons why the share price on the stock exchange is much higher than the net asset value per share.

	4

3.5 Risk and gearing:

Explain why it will be wise for Refined Interiors Ltd to use loans more often in the future. Quote and explain TWO financial indicators.

	4

3.6 Shareholding:

Calculate the issue price per share for the new shares issued.	
WORKINGS	**ANSWER**

3

Calculate the number of new shares purchased by Nabeel.	
WORKINGS	**ANSWER**

4

Give ONE possible reason (with figures) why Nabeel decided to buy the new shares.

2

3.7 Cash flow:

The directors are pleased with the company's net change in cash flow on 31 March 2026. Explain why they consider this a good way of handling the cash in the operating, investing and financing activities. Give ONE reason for each with figures.	
ACTIVITY	**REASON (with figures)**
Operating activity	
Investing activity	
Financing activity	

6

TOTAL MARKS
45

QUESTION 4

4.1 **Explain the roles and responsibilities of the following within a company:**

- **Board of directors**
- **Remuneration committee**

State ONE point in each case.

Board of directors	
Remuneration committee	

2

4.2 **Identify the type of unethical and illegal conduct that Jeppy has committed.**

1

4.3 **Briefly explain TWO ways in which Jeppy's actions could potentially affect the company.**

4

4.4 **Make TWO recommendations that the other directors should present to the board of directors and the remuneration committee in response to Jeppy's conduct.**

	4

4.5 **Effective corporate governance can reduce the risk of directors acting unethically.**

State TWO problems identified in relation to Top D Ltd and give a solution for EACH.

PROBLEM	SOLUTION

	4

TOTAL MARKS
15

TOTAL: 150

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SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1
MAY/JUNE 2026
MARKING GUIDELINES

Approved	Approved	Approved
V DELUHLAZO DBE Internal moderator 20 June 2026	M SEEVNARAIN DBE Internal moderator 20 June 2026	M VANNEER UMALUSI External moderator 20 June 2026

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 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 memo 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 that 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 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 operation, 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 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 at least in part. 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/presentation.

These marking guidelines consist of 14 pages.

QUESTION 1

1.1 Calculate the value of closing stock using the specific identification method on 28 February 2026.

WORKINGS	ANSWER
Hidance [400 + 575 – 66 – 820] (7 105 x 100/145) 89 ✓ x 4 900 ✓☑ → three marks 436 100 **Ketwood** one mark (3 819 800 + one mark 2 690 000) 6 509 800 ✓✓ – 5 519 880 ✓ → three marks 989 920 OR 5 519 880 – 3 819 800 – 2 690 000 one mark, one mark, one mark	1 426 020 ☑ one part correct both amounts added

7

Do not award full marks for any superfluous figure/s added

1.2 Calculate the total amount of fixed deposit on 28 February 2026.

WORKINGS	ANSWER
29 250 x 100/7,5 OR (480 000 – 90 000) 390 000 ✓☑ + 6 750 x [100/7,5 x 12/9] 120 000 ✓☑	510 000 ☑ one part correct both amounts added

5

Do not award full marks for any superfluous figure/s added

1.3 STATEMENT OF FINANCIAL POSITION OF MENZI LTD ON 28 FEBRUARY 2026:

ASSETS		
NON-CURRENT ASSETS	6 795 000	☑*
Fixed assets	6 285 000	✓✓
Financial assets: Fixed Deposit see 1.2 **4**	510 000	☑
CURRENT ASSETS	2 430 000	☑*
Inventory (1 426 020 see 1.1 + 8 330) Award one mark if any of the two figures is a final answer	1 434 350	✓☑*
Trade and other receivables (376 700 – 5 200 ☑ [Transfer see T&OP] – 7 100 ✓✓ [Prov. bd] + 16 250 ✓✓ [Advertising])	380 650	☑*
Cash and cash equivalents	615 000	✓✓
TOTAL ASSETS NCA + CA **12**	9 225 000	☑
EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY (8 383 720 – 1 263 720 see NCL)	7 120 000 TCE - NCL	☑☑
Ordinary share capital SHE – RI; can be -vee.	6 300 000 Do not accept '0'	☑
Retained income **3**	**820 000**	
NON-CURRENT LIABILITIES	1 263 720	
Loan: DBN Bank 1 459 200 ✓ – 84 840 ✓✓ [–291 840 + 207 000] – 110 640 ✓✓ [291 840 – 181 200] **6**	1 263 720	☑*
CURRENT LIABILITIES	841 280	☑*
Trade and other payables (392 050 – 5 200 ✓ [Transfer] + 10 080 ✓✓ [IT supp. serv] + 21 470 ✓✓ [Rent inc.])	418 400	☑*
Current portion of loan see NCL	110 640	☑
SARS: Income tax	22 440	✓✓$
Shareholders for dividends	289 800	✓✓$
TOTAL EQUITY AND LIABILITIES SHE + NCL + CL **13**	9 225 000	☑

38

* one part correct
$Inspect CPL, SARS IT and SFD may be included in T&OP.
-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

TOTAL MARKS
50

QUESTION 2

2.1

2.1.1	False	✓
2.1.2	True	✓
2.1.3	False	✓

Accept recognisable abbreviations (T/F)

3

2.2 METRO LTD

2.2.1 RETAINED INCOME NOTE

Balance on 1 April 2025	**986 000**	
Net profit after tax	2 448 000	✓✓
Share buy-back (230 000 x R1,20) OR 1 380 000 – 1 104 000 Do not accept '0' or 230 000 as an answer	(276 000)	✓☑*$
Ordinary share dividends Int. + Final	(2 310 000)	☑$
Interim (2 400 000 x 0,42) Do not accept '0' or 2 400 000 as an answer	1 008 000	✓☑*
Final	**1 302 000**	
Balance on 31 March 2026 Inspect (+NPAT – SBB – OSD)	848 000	☑*

8

*one part correct
$ ignore brackets
-1 presentation/details (max -1)

2.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

CASH FLOW FROM OPERATING ACTIVITIES	**(1 557 140)**
Cash generated from operations	
Interest paid	**(126 800)**
# Income tax paid (952 000 ✓ – 81 000 ✓ – 20 200 ✓) **OR** – 952 000 + 81 000 + 20 200	(850 800) ☑*@
# Dividends paid see 2.2.1 [2 310 000 ÷ 741 000] (741 000 ✓ + 1 008 000 ☑) **OR** 1 302 000 – 3 051 000 see 2.2.1 one mark one m mark 7	(1 749 000) ☑*@
CASH FLOW FROM INVESTING ACTIVITIES	**(598 660)**
Purchase of fixed assets	
Proceeds from sale of fixed assets	
Change in financial assets 1	220 000 ✓
CASH FLOW FROM FINANCING ACTIVITIES	2 345 500 ☑*
Proceeds from shares issued	4 500 000 ✓
Shares repurchased [230 000 X 4.80] see 2.2.1 (230 000 ✓ x R6 ✓☑) **OR** 1 104 000 + 276 000 [4,80 + 1,20] two marks one m mark see 2.2.1	(1 380 000) ☑*@
Change in loan 7	(774 500) ✓
NET CHANGE IN CASH AND CASH EQUIVALENTS Inspect (OA + IA + FA)	189 700 ☑*
Cash and cash equivalents at the beginning	(110 050) ✓✓ If no bracket, award one mark
Cash and cash equivalents at the end 3	

18

*one part correct and must indicate correct operation & correct use of brackets
Be alert to alternative workings such as ledger account or use of brackets or signs reversed; For use of reversed signs, ensure that only one option is marked consistently.
If no brackets, assume answer is an inflow of cash or vice versa.
@If the correct amount is provided without the brackets & without workings, award all marks allocated for workings only.
-1 presentation (max -1); misplaced items award marks for workings only.

2.2.3 Calculate the following financial indicators on 31 March 2026:

Debt-equity ratio

WORKINGS	ANSWER
one mark one m mark (10 416 000 + 848 000 see 2.2.1) 2 252 800 ✓ : 11 264 000 ✓☑	0,2 : 1☑ one part correct in form x : 1

4

Net asset value per share

WORKINGS	ANSWER
see DE $\frac{11\ 264\ 000 ☑}{2\ 170\ 000 ✓} \times \frac{100}{1}$	519,1 cents ☑ one part correct Accept R5,19 / R5,20 calculated as R/c; R/c not necessary

3

Acid test ratio

WORKINGS	ANSWER
1 307 220 ✓✓ : 2 178 700 ✓	0,6 : 1 ☑ one part correct in form x : 1

4

'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 mark if anything else is added to R2 252 800 / 2 170 000 / 1 307 220 / 2 178 700.

TOTAL MARKS
40

QUESTION 3

3.1 Profitability/Operating efficiency:

Explain how the change in the mark-up percentage has benefitted the company. State ONE point with figures.

Any ONE valid point ✓ Figure/s with trends ✓

- The gross profit has increased (from R26 520 000) to R34 780 000/by R8 260 000/by 31,1%
- The sales has increased (from R70 720 000) to R78 255 000/by R7 535 000/by 10,7%

2

The directors are of the opinion that the company's operating expenses are being well controlled. Quote and explain TWO financial indicators to support their opinion.

Financial indicator with figure/s and trend ✓ ✓ Explanation/comment ✓ ✓

- % operating expenses on sales have increased (from 15,6%) to 16,1%/by 0,5% points/by 3,2%
  It reflects effective cost control and efficient expense management.
  This increase is within the rate of inflation (5,2%)
- % operating profit on sales has increased (from 22,5%) to 28%/by 5,5 % points/by 24,4 %
  This indicates an increase in profits due to better control over expenses.
  Keeping operating expenses low contributed to improved profits.

Do not accept mark-up %.

4

3.2 Liquidity:

The directors are satisfied with the credit policy of the company. Quote and explain TWO relevant financial indicators to justify this statement.

Financial indicator with figure/s and trend ✓ ✓ Explanation/comment ✓ ✓

- Average debtors' collection period has decreased/improved (from 34 days) to 29 days/by 5 days.
  Collections are quicker and this improves the cash flow.
  Improved follow up procedures/customer payment behaviour improved.
  Credit control measures were effective.

- Average creditors' payment period has increased/improved (from 68 days) to 75 days/by 7 days.
  Creditors are paid after collections from debtors.
  More cash is available for daily operations before creditors are paid / Delayed payments strengthens the business cash flow / Extended payment terms strengthens cash flow.
  They are making better use of supplier credit facilities.

FOR FOUR MARKS:
Average debtors' collection period has improved to 29 days while the average creditors' payment period has improved to 75 days. This reflects efficient cash flow management by collecting cash earlier and paying creditors later.

4

The directors are not concerned with the decline of the acid-test ratio as they feel that the company is still in a favourable liquidity position. Quote and explain ONE other relevant financial indicator to support their opinion.

Financial indicator with figure/s and trend ✓

- Stock turnover rate has increased/improved (from 3,9 times) to 6,2 times/by 2,3 times.

Any ONE valid explanation/comment ✓✓

- Based on this improvement, stock is considered to be a stronger current asset.
- Stock is sold and replaced more quickly / reducing stock piling / more demand for stock.
- Stock is converted into cash more efficiently, resulting in improved liquidity and cash flow / More funds are available for day-to-day operations, resulting in improved liquidity and cash flow.

3

3.3 Returns, earnings and dividends:

Comment on why the shareholders should be satisfied with the return on their investment. Quote and explain ONE financial indicator.
Financial indicator with figure/s and trend ✓ • Return on average shareholders' equity (ROSHE) has increased/improved (from 17,6%) to 29,8%/by 12,2% points/by 69,3% Any ONE valid explanation/comment ✓✓ • ROSHE is greater than the interest rate on fixed deposit (8%) • The business is generating higher profits from the capital invested by shareholders. • Shareholders are receiving better value for their investment compared to alternative low risk investments. • The return indicates efficient use of shareholders' funds and good overall financial performance.

3

The earnings per share (EPS) is higher than the dividends per share (DPS). Explain why the shareholders would have been pleased with the DPS. State TWO points with figures.
Any TWO valid points ✓ ✓ figure/s ✓ ✓ • The DPS has increased/improved (from 56 cents) to 106 cents/by 50 cents/89,3% • The company has still retained 25% (in 2026) for future expansion projects. • Shareholders are receiving higher cash income of 75% from their investment, improving personal returns / high pay-out rate of 75% shows the company is prioritising rewarding shareholders. • The increase in DPS by 89,3% reflects stronger profitability and confidence in future earnings. • It has led to an increased pay-out rate (from 72 %) to 75%/ by 3% points.

4

3.4 Share value:

Explain what the 'net asset value' per share represents. State ONE point.	
Any ONE valid point ✓✓ part marks for incomplete / partially correct answers • It represents the book value of the share / shows the worth of a share according to the accounting records of the company. • Represents the value of the shareholders equity per share. • It is influenced positively the increase in retained income by the company. • Provides a measure of financial growth. • Reflects company's accumulative wealth available to shareholders after settling all liabilities.	2

Give TWO reasons why the share price on the stock exchange is much higher than the net asset value per share.	
Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partially correct answers • Higher market value indicates that investors want to buy shares in the company as it is a good investment / Good financial performance increase investor confidence and demand for shares. • High demand and limited supply for shares pushes the share price to be above the NAV. • Companies with potential growth opportunities are valued higher than their currently owned assets. • The NAV is based on historical cost amounts recorded by the business, and this will suggest that the net asset value may be unrealistic or outdated.	4

3.5 Risk and gearing:

Explain why it will be wise for Refined Interiors Ltd to make more use of loans in the future. Quote and explain TWO financial indicators.	
Financial indicator with figure/s and trend ✓ ✓ explanation/comment ✓ ✓ • Debt-equity ratio has decreased/improved (from 0,2 : 1) to 0,1 : 1 The company is becoming less reliant on borrowed funds. This indicates a decrease in the financial risk. • Return on average capital employed has increased/improved (from 23,7%) to 35,3%/by 11,6 % points/by 48,9%. This indicates that the company is positively geared as the ROTCE is greater than the interest rate on loans (11,5%). The company is generating sufficient returns to cover its borrowing costs and still increase profits for shareholders.	4

3.6 Shareholding:

Calculate the issue price per share for the new shares issued.	
WORKINGS	**ANSWER**
[23 250 000 – 11 250 000] 12 000 000 ✓ / 750 000 ✓ OR [23 250 000/750 000] R31 (one mark) – [11 250 000/750 000] R15 (one mark)	R16 ☑ one part correct

3

Calculate the number of new shares purchased by Nabeel.	
WORKINGS	**ANSWER**
[3 000 000 x 40%] 1 200 000 ✓✓ – 787 500 ✓ OR [3 000 000 x 5%] 150 000 (two marks) + [750 000 X 35%] 262 500 (one mark) OR 750 000 (one mark) x [13,75/25] 55% (two marks)	412 500 ☑ one part correct

4

Give ONE possible reason (with figures) why Nabeel decided to buy the new shares.
Any ONE valid reason ✓ figure/s ✓ • He views this company as an excellent investment as the market price is 717 cents more than NAV / High market price of 1 150 cents compared to NAV of 433 cents (in 2025) convinced him to buy shares. • To increase his % shareholding which will give him more voting power of 40%.

2

3.7 Cash flow:

The directors are pleased with the company's net change in cash flows on 31 March 2026. Explain why they consider this as a good way of handling the cash in the operating, investing and financing activities. Give ONE reason for each with figures.	
ACTIVITY	**REASON ✓ ✓ ✓ (with figures) ✓ ✓ ✓**
Operating activity	Increased cash resources (from 1 255 000) to R5 200 000/by R3 945 000 (314%) indicating effective management of daily operations.
Investing activity	Improved non-current assets (from R594 000) to R2 947 000/by R2 353 000 which will enhance future profits.
Financing activity	Funding increased (from R6 860 000) to R10 000 000/by R3 140 000, which improved cash position and enabled further investment opportunities.

6

TOTAL MARKS
45

QUESTION 4:

4.1 **Explain the roles and responsibilities of the following within a company:**

- **Board of directors**
- **Remuneration committee**

State ONE point in each case.

Board of directors ✓	• Safeguard the company's assets and shareholders' investments. • They ensure that the company complies with laws and regulations. • Review company performance to ensure required goals are achieved. • Evaluates and partake in recruiting the senior management. • They set up the company's current goals and long-term vision / They are involved in strategic decision making. • Determine the direction the company by making strategic management decisions. • Authorise significant investments, acquisitions, and projects. • Identify and monitor major business risks. • Review and approve annual budgets and financial plans. • Promote good corporate governance within the company.
Remuneration committee ✓	• Create remuneration policies of the senior management / Create long-term and short-term incentive plans. • Ensures remuneration of managers complies with legal and regulatory requirements / Avoid unjustified or excessive executive pay. • Review and recommend competitive remuneration for managers. • Disclose compensation of senior managers to shareholders / Ensure transparent reporting of directors' remuneration. • Ensure that accurate performance bonuses are accurately and fairly distributed / Decide on performance-related rewards. • Design remuneration packages that attract and retain skilled employees.

2

4.2 Identify the type of unethical and illegal conduct that Jeppy has committed.

Accept explanation as an answer

Insider trading ✓

- He used confidential, price sensitive information that is not available to the public for personal gain.
- He gained an unfair advantage by using confidential, price-sensitive information to enrich himself.
- He has engaged in an illegal action to enrich himself (personal gain) by acting on confidential information which was not made public yet.

1

4.3 Briefly explain TWO ways in which Jeppy's actions could potentially affect the company.

Any TWO valid explanation ✓✓ ✓✓ part marks for incomplete / partially correct answers

- Shareholders may lose confidence in the company and sell their shares.
- Damage to the company's reputation from unethical conduct may discourage future investors.
- Discourage potential shareholders from buying shares avoiding similar situation.
- The market price could decrease due to his unethical behaviour.

4

4.4 Make TWO recommendations that the other directors should present to the board of directors and the remuneration committee in response to Jeppy's conduct.

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partially correct answers

- Initiate internal investigation to determine breach of company's code of conduct.
- Propose strengthening the company's ethics policy.
- Regular mandatory training for all directors and senior managers on ethical behaviour.
- Recommend considering disciplinary measures or legal action against Jeppy and suspend him till matter is resolved.
- Suggest withholding his incentives pending the outcome of investigations.

Do not accept dismissal of Jeppy.

4

4.5 **Effective corporate governance can reduce the risk of directors acting unethically.**

State TWO problems identified in relation to Top D Ltd and give a solution for each.

PROBLEM ✓ ✓	SOLUTION ✓ ✓
• Abuse of access to confidential information / Inadequate control over confidential information / Misuse of privileged information / Involved in fraudulent or illegal conduct.	• Directors need to sign confidential agreements / All trades by directors should go through compliance officer / Buying and selling of shares should be restricted during closed periods
• Lack of transparency / Conflict of interest	• Senior managers should declare any personal or financial interests that could interfere with their professional duties.
• Inadequate knowledge by the directors / Weak corporate governance oversight	• Regular leadership workshop and consequences of unethical behaviour / Conduct regular governance review and ensure independent oversight.
• Poor monitoring of directors' share transactions.	• Establish a system to monitor and disclose directors' dealings in company shares.

TOTAL MARKS
15

TOTAL: 150