



NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2026

ACCOUNTING P1

MARKS: 150

TIME: 2 hours

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

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. 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	TIME (minutes)
1	Fixed Assets and Company Financial Statements	55	50
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	40	30
4	Corporate Governance	15	10
TOTAL		150	120

QUESTION 1: FIXED ASSETS AND COMPANY FINANCIAL STATEMENTS

(55 marks; 50 minutes)

ASHAY LTD

The following information was taken from the accounting records of Ashay Ltd. The company trades with shoes. Their financial year ends on 30 June 2026.

REQUIRED:

1.1 Refer to information B.

Calculate the figures denoted by (a)–(c). (10)

1.2 Complete the Statement of Comprehensive Income for the year ended 30 June 2026. (28)

1.3 Complete the Equity and Liabilities section of the Statement of Financial Position. (17)

NOTE:

- Show ALL workings in brackets.
- Certain figures are provided in the ANSWER BOOK
- Missing amounts in shaded areas must NOT be filled in.

INFORMATION:

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

	30 June 2026	30 June 2025
	R	R
Ordinary share capital	3 300 000	2 650 000
Retained income	?	?
Buildings	2 080 000	1 600 000
Loan	?	?
Trading stock	220 500	
Debtors control	286 100	
Bank	423 400	
Creditors control	364 200	
SARS (provisional tax payments)	320 125	
Provision for bad debts	?	12 850
Sales	?	
Cost of sales	4 120 000	
Rent income	116 150	
Audit fees	199 000	
Salaries and wages	767 000	
Advertising	34 900	
Insurance	?	
Packing material	109 600	
Directors' fees	240 000	
Dividends on ordinary shares	188 000	

B. Note to the Statement of Financial Position on 30 June 2026:

FIXED/TANGIBLE ASSETS	BUILDINGS	EQUIPMENT	VEHICLES
Carrying value (1 July 2025)			
Cost	1 600 000	366 400	
Accumulated depreciation		(160 300)	
Movements			
Additions		?	0
Disposals		0	(c)
Depreciation		(a)	(124 400)
Carrying value (30 June 2026)		(b)	
Cost	2 080 000	486 400	
Accumulated depreciation			

- Depreciation is calculated as follows:
 - Equipment at 10% p.a. on diminished-balance method
 - Vehicles at 15% p.a. on cost
 - New office furniture was purchased on 31 January 2026.
 - A vehicle with a cost price of R187 500 was sold for R45 750 cash on 30 November 2025, which resulted in a loss of R18 000. This transaction was not recorded.
- C.** The company uses a mark-up of 120% on cost. Goods costing R86 000 were sold at a mark-up of 90% to staff members. These goods were included in the cost of sales figure.
- D.** Physical stock taking on 30 June 2026 revealed the following:
- Packing material used during the financial year, R91 300.
 - A trading stock surplus of R15 800 was identified. This was calculated before taking into account the R12 500 credit purchase that was returned to the supplier.
- E.**
- A credit balance of R3 000 in Mr Wills account in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.
 - The provision for bad debts must be adjusted to 4% of the outstanding debtors.
- F.** Rent for July and August had already been received from a tenant. Note that rent was decreased by R850 per month effective from 1 April 2026.
- G.** The company pays insurance for its buildings at Just Insure. The insurance premium is calculated at 2,5% p.a. of the cost of the buildings. The business acquired an additional vacant building on 1 January 2026 and was insured under the same terms and conditions on this date.

- H. The company had two directors at the beginning of the financial year. Each director's annual fee was projected to be R240 000. However, one director resigned on 1 October 2025 after receiving a fee increase of R2 500 per month on 1 September 2025. A new director was appointed on 1 November 2025 at a fee that is 10% lower than that of the remaining director. At year-end, the fees for both the resigned director and the newly appointed director had not yet been paid.
- I. Loan statement received from Bigger Bank reflected the following on 30 June 2026:
- Loan balance on 30 June 2026, R1 415 654.
 - Fixed monthly instalments (including interest), R49 500.
 - Interest capitalised for the financial year, R237 600.
- NOTE:** Interest for the next financial year is expected to increase by 6% p.a. due to changes in the interest rates.
- J. Tax is calculated at 28% of the net profit before tax. The net profit after tax was accurately calculated to be R872 550.
- K. A final dividend of 18 cents per share was declared on 1 200 000 shares in issue on 30 June 2026.
- L. The following appeared in the accounting records on 30 June 2026:
- Non-current assets R3 775 300
 - Current assets R2 264 800

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

You are provided with information from Zurie Ltd for the financial year ended 28 February 2026.

REQUIRED:

- 2.1 Prepare the Ordinary Share Capital Note. (7)
- 2.2 Calculate the following amounts for the Cash Flow statement:
- Taxation paid (4)
 - Dividends paid (4)
 - Net change in cash and cash equivalents (4)
- 2.3 Complete the Cash flows from the financing activities section of the Cash Flow Statement. (10)
- 2.4 Calculate the following financial indicators for the year ended 28 February 2026:
- Mark-up % (2)
 - Acid-test ratio (5)
 - Stock turnover rate (4)

INFORMATION:

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

Sales	10 795 800
Cost of sales	7 650 000
Gross profit	3 145 800
Operating expenses	2 119 550
Depreciation	84 000
Interest expense	156 000
Net profit before tax	2 640 000
Net profit after tax	1 848 000

B. Extract from the Statement of Financial Position:

	28 Feb. 2026	28 Feb. 2025
Tangible assets at carrying value	7 165 900	6 148 000
Financial assets (Fixed deposit)	1 825 000	1 510 000
Inventories	885 660	764 450
Trade and other receivables (see C)	568 490	493 360
Cash and cash equivalents	16 000	389 600
Ordinary share capital (see E)	7 180 000	6 860 000
Retained Income	640 500	770 400
Non-current liabilities	?	1 200 000
Trade and other Payables (see D)	940 550	1 025 800
Current portion of loan	180 000	
Bank overdraft	68 000	0

C. Trade and other receivables include:	28 Feb. 2026	28 Feb. 2025
Net Trade debtors	453 690	260 510
Accrued Income	31 800	23 000
Prepaid expenses	83 000	23 450
SARS (Income Tax)	0	186 400

D. Trade and other payables include:	28 Feb. 2026	28 Feb. 2025
Trade creditors	488 870	860 800
Income received in advance	54 780	0
SARS: Income tax	209 900	0
Shareholders for dividends	187 000	165 000

E. Share capital:

- The company had an authorised share capital of 1 225 000 shares.
- Four fifths of the authorised shares were in issue on 1 March 2025.
- 160 000 shares were repurchased from a shareholder on 1 April 2025. The shareholder was offered R2,80 more than the original issue price of shares and was paid via EFT.
- Additional shares were issued only to existing shareholders on 1 December 2025.
- There were 920 000 shares in issue on 28 February 2026.

F. Dividends:

- An interim dividend of 21 cents per share was paid on 30 June 2025.
- A final dividend was declared on 28 February 2026.

G. Financial Indicator:

	28 February 2026
Debt-Equity ratio	0,28 : 1

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(40 marks; 30 minutes)****ADEL LTD and LYFO LTD**

The information relates to the TWO companies, Adel Ltd and Lyfo Ltd. Both companies operate in the retail industry. The financial year ends on the last day of February each year.

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

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

REQUIRED:**3.1 Profitability:**

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

(4)**3.2 Liquidity:**

- One of the shareholders at **Lyfo Ltd** is of the opinion that trading stock is not well managed. Quote TWO financial indicators to explain why he feels this way.

(4)

- With reference to the above, provide a recommendation to the directors on how they can more effectively manage their trading stock. State TWO points.

(2)**3.3 Dividends, earnings and returns:**

- Comment on each company's dividend payout policy and explain the reasons for any changes made to the policy.

(4)

- Should the shareholders of **Adel Ltd** be satisfied with the return on their investment? Explain by quoting a relevant financial indicator.

(4)**3.4 Shareholding of Mr Long at Lyfo Ltd:**

Refer to information A–C:

- Calculate Mr Long's % shareholding after the repurchase of shares.

(4)

- An internal auditor expressed concerns over the decision taken by the CEO to persuade the board of directors to repurchase shares. State TWO reasons for this concern.

(4)

- Explain TWO reasons why certain shareholders were pleased with the board of directors' decision to buy back the company's shares.

(4)

3.5 Financing strategies and gearing: Adel Ltd

- To what extent does the company rely on debt financing? Explain by referring to a relevant financial indicator. (3)
- Comment on whether borrowed funds were effectively utilised by the directors of the company. Quote ONE financial indicator. (3)

3.6 Share price

- Based on the current performance of share prices, which company would be the better investment? Comment and quote TWO financial indicators. (4)

INFORMATION:

A. Background information for Lyfo Ltd:

- Mr Long, the CEO of the company persuaded the board of directors to repurchase shares from a dissatisfied shareholder on 1 February 2026 at R14,50 each.
- This transaction was approved and the payment was made accordingly.

NOTE: These were the only shares repurchased in the current financial year.

B. Extracts from the accounting records at the end of each year:

	ADEL LTD		LYFO LTD	
	Feb. 2026	Feb. 2025	Feb. 2026	Feb. 2025
Number of share in issue	1 000 000	800 000	?	1 100 000
Funds used for share repurchase			R2 900 000	
Repurchase price			R14,50	

C. Shareholding of Mr Long, the CEO:

	LYFO LTD	
	2026	2025
Number of shares	460 000	460 000
% shareholding in the company	?	41,8%

D. Financial indicators, market prices and interest rates:

	ADEL LTD		LYFO LTD	
	Feb. 2026	Feb. 2025	Feb. 2026	Feb. 2025
% operating expenses on sales	16,8%	19,5%	21,1%	19,6%
% operating profit on sales	28,7%	26,2%	22,0%	24,8%
% net profit on sales	23,4%	19,6%	17,9%	18,3%
Current ratio	2,6 : 1	2,5 : 1	3,0 : 1	2,8 : 1
Acid-test ratio	1,8 : 1	1,7 : 1	0,9 : 1	1,1 : 1
Stock-turnover rate	6 times	4,7 times	3,2 times	5 times
Debt-equity ratio	1,1 : 1	0,4 : 1	0,3 : 1	0,8 : 1
% return on capital employed	18,9%	18,0%	15,6%	15,3%
% return on shareholders' equity	16,4%	12,7%	12,0%	11,8%
Net asset value per share	890 cents	810 cents	1 150 cents	1 205 cents
Market price of shares	955 cents	950 cents	1 080 cents	1 255 cents
Earnings per share	112 cents	110 cents	78 cents	87 cents
Dividends per share	65 cents	98 cents	82 cents	66 cents
Dividend pay-out rate	58%	89%	105%	76%
Interest on alternative investment	13%	13%	13%	13%
Interest on loans	16%	15%	16%	15%

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

- 4.1 Match the concepts in COLUMN A with the correct descriptions in COLUMN B. Write only the letter (A–C) next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
4.1.1 Risk management committee	A makes recommendations on directors' fees and other types of payment
4.1.2 Remuneration committee	B monitors the impact of the company's activities on the environment and public health
4.1.3 Social and Ethics committee	C identify physical, operational and human resources risks ensuring continuity of the company

(3)

- 4.2 You are provided with an article on business ethics. Use the article and what you learnt on corporate governance to answer the questions that follow.

THE SUPPLIER GIFT

Sarah works as a procurement officer at Siza Ltd. Her job is to choose suppliers that provide the best value and quality for the company. One of the suppliers, BettyTech Ltd, is competing for a large contract worth millions. A week before the final decision, the sales manager from BettyTech invites Sarah to a luxury weekend, with all expenses paid for by them, saying it is just a 'thank you for considering them'.

- 4.2.1 Explain the difference between *unethical conduct* and *criminal acts* within a company. (4)
- 4.2.2 Discuss why it is essential for a company to establish an ethical code of conduct for its employees. State TWO points. (4)
- 4.3 Below is a summary of an audit report received by Enzo Ltd for the financial year ending on 28 February 2026.

You are required to answer the question based on this report.

Enzo Ltd' auditors issued a qualified audit report because management accounted for a major contract as revenue upfront, whereas it should be recognized over the 2-year contract term. This resulted in a material difference in reported revenue and profits.

Discuss the impact of this audit report on the company and its directors with regards to the following aspects:

- Existing investors' confidence
- Credit ratings

(4)

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



NAME:

SCHOOL:

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2026

**ACCOUNTING P1
ANSWER BOOK**

QUESTION	MAX. MARKS	MARKS OBTAINED	MODERATED MARKS		
			School	District	Province
1	55				
2	40				
3	40				
4	15				
TOTAL	150				

This answer book consists of 10 pages.

QUESTION 1**1.1 Calculate:**

(a)	Depreciation on equipment	
	WORKINGS	ANSWER
(b)	Carrying value of equipment on 30 June 2026	
	WORKINGS	ANSWER
(c)	Disposal at carrying value for vehicle	
	WORKINGS	ANSWER

6

2

2

1.2 STATEMENT OF COMPREHENSIVE INCOME ON 30 JUNE 2026

Sales	
Cost of sales	(4 120 000)
Gross profit	
Other operating income	
Gross operating income	
Operating expenses	
Audit fees	199 000
Salaries and wages	767 000
Advertising	34 900
Insurance	
Packing material	
Directors' fees (240 000	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	(237 600)
Profit before tax	
Income tax	
Net profit for the year	872 550

28

1.3 Statement of Financial Position on 30 June 2026**Equity and Liabilities**

Shareholders' equity		
Ordinary share capital	3 300 000	
Non-current liabilities		
Current liabilities		
Trade and other payables		
(364 200)		
Total equity and liabilities		17

TOTAL MARKS
55

QUESTION 2**2.1 ZURIE LTD****ORDINARY SHARE CAPITAL NOTE**

920 000		7 180 000	7

2.2 Calculate the following for the Cash Flow Statement:

Taxation Paid		
WORKINGS	ANSWER	
		4
Dividends Paid		
WORKINGS	ANSWER	4
Net change in cash and cash equivalents		
WORKINGS	ANSWER	4

2.3 CASH FLOWS FROM FINANCING ACTIVITIES

		10

2.4 Calculate the following financial indicators for the year ended 28 February 2026:

Mark-up %		
WORKINGS	ANSWER	
		2

Acid-test ratio		
WORKINGS	ANSWER	
		5

Stock-turnover rate		
WORKINGS	ANSWER	
		4

TOTAL MARKS
40

QUESTION 3**3.1 Profitability:**

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

4

3.2 Liquidity:

One of the shareholders at Lyfo Ltd is of the opinion that trading stock is not well managed. Quote TWO financial indicators to explain why he feels this way.

4

With reference to the above, provide a recommendation to the directors on how they can more effectively manage their trading stock. State TWO points.

2

3.3 Dividends, earnings and returns:

Comment on each company's dividend payout policy and explain the reasons for any changes made to the policy.

4

Should the shareholders of Adel Ltd be satisfied with the return on their investment? Explain by quoting a relevant financial indicator.

4

3.4 Shareholding of Mr Long at Lyfo Ltd:

Calculate Mr Long's % shareholding after the repurchase of shares.

WORKINGS	ANSWER

4

An internal auditor expressed concerns over the decision taken by the CEO to persuade the board of directors to repurchase shares. State TWO reasons for this concern.

4

Explain TWO reasons why certain shareholders were pleased with the board of directors' decision to buy back the company's shares.

4

3.5 Financing strategies and gearing: Adel Ltd

To what extent does the company rely on debt financing? Explain by referring to a relevant financial indicator.

3

Comment on whether borrowed funds were effectively utilised by the directors of the company. Quote ONE financial indicator.

3

3.6 Share price:

Based on the current performance of share prices, which company would be better investment? Comment and quote TWO financial indicators.

4

TOTAL MARKS
40

QUESTION 4

4.1	4.1.1		
	4.1.2		
	4.1.3		

3

4.2.1	Explain the difference between <i>unethical conduct</i> and <i>criminal acts</i> within a company.	
		4

4.2.2	Discuss why it is essential for a company to establish an ethical code of conduct for its employees. State TWO points.	
		4

4.3.1	Discuss the impact of this audit report on the company and its directors with regards to the following aspects:	
	Existing investors' confidence Credit ratings	4

TOTAL MARKS
15

TOTAL: 150



NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2026

ACCOUNTING P1 MARKING GUIDELINE

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, 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 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 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 marking guideline 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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, marker must inspect the reasonableness of the answer.
10. 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 guideline.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

This marking guidelines consists of 10 pages.

QUESTION 1

1.1 Calculate:

(a)	Depreciation on equipment	
	WORKINGS	ANSWER
	$\text{Old} = \frac{206\,100}{(366\,400 - 160\,300)} \times 10/100 = 20\,160 \checkmark \boxed{\checkmark} \text{ one part correct}$ $\text{New} = \frac{120\,000}{[486\,400 - 366\,400]} \checkmark \times [10/100 \times 5/12] \checkmark = 5\,000 \boxed{\checkmark} \text{ one part correct}$	25 610 $\boxed{\checkmark}^*$ one part correct
(b)	Carrying value of equipment on 30 June 2026	
	WORKINGS	ANSWER
	$206\,100 + 120\,000 - 25\,610 \quad \text{OR}$ $486\,400 - (160\,300 + 25\,610)$	300 490 $\checkmark \boxed{\checkmark}^*$ one part correct
(c)	Disposal at carrying value for vehicle	
	WORKINGS	ANSWER
	45 750 + 18 000	63 750 $\checkmark \boxed{\checkmark}^*$ one part correct

6

2

2

1.2 STATEMENT OF COMPREHENSIVE INCOME ON 30 JUNE 2026

4 034 000	
Sales (4 120 000 – 86 000)✓ x 220/100✓ + (86 000✓ x 90/100✓)	9 038 200 ☒ *
Cost of sales	(4 120 000)
Gross profit	
Other operating income	
Rent income (116 150✓ – 15 500✓✓)	100 650 ☒ *
Trading stock surplus (15 800 – 12 500)	3 300 ✓✓
Provision for bad debts adjustment (12 850 – 11 564)	1 286 ✓✓
Gross operating income	
Operating expenses	
Audit fees	199 000
Salaries and wages	767 000
Advertising	34 900
Insurance (20 000 ✓ + 26 000✓✓) OR (40 000 one mark + 6 000 two marks)	46 000 ☒ *
Packing material	91 300 ✓
Directors' fees (240 000 + 62 500✓✓ + 144 000✓✓)	446 500 ☒ *
Depreciation (25 610 see 1.1 + 124 400) #must add both	150 010 ☒ #
Loss on sale of asset	18 000 ✓
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	(237 600)
Profit before tax	1 211 875 ☒
Income tax (872 550 x 28/72)	(339 325) ✓✓
Net profit for the year	872 550

1.3 STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2026

EQUITY AND LIABILITIES

Shareholders' equity (6 040 100 – 1 154 044 – 1 073 510)	3 812 546 ☒
Ordinary share capital	3 300 000
Retained income SHE-OSC	512 546 ☒
Non-current liabilities	1 073 510
Loan (1 415 654 ✓ – 342 144 ✓✓)	1 073 510 ☒
Current liabilities	1 154 044 ☒
Trade and other payables Stock return Transfer See rent See Director's Fees (364 200 – 12 500 ✓ + 3 000 ✓ + 15 500 ☒ + 206 500 ☒)	576 700 ☒
SARS (Income tax) (339 325 - 320 125)	19 200 ✓
Short-term portion of loan See Loan above	342 144 ☒
Shareholders for dividends (1 200 000 x 18c)	216 000 ✓ ☒
Total equity and liabilities (3 775 300 + 2 264 800)	6 040 100 ✓

17

TOTAL MARKS

55

QUESTION 2**2.1 ZURIE LTD****ORDINARY SHARE CAPITAL NOTE**

980 000 ✓	Shares at the beginning of the year	6 860 000 ✓
(160 000) ✓	Shares repurchased at R7 ✓	(1 120 000) ✓*
100 000 ✓	Additional shares during the year balancing figure	1 440 000 ✓
920 000	Shares at the end of the year	7 180 000

7**2.2 Calculate the following for the Cash Flow Statement:**

Taxation Paid	
WORKINGS	ANSWER
(-792 000 ✓ + 186 400 ✓ + 209 900 ✓) OR (792 000 – 186 400 – 209 900)	(395 700) ✓*
Dividends Paid	
WORKINGS	ANSWER
[820 000 x 21c] two marks 172 200 ✓✓ + 165 000 ✓ OR -172 200 – 165 000	(337 200) ✓*
Net change in cash and cash equivalents	
WORKINGS	ANSWER
16 000 ✓ – 68 000 ✓ – 389 600 ✓	(441 600) ✓*

4**4****4**

* one part correct

2.3 CASH FLOWS FROM FINANCING ACTIVITIES

	861 740 ✓*
Sale of shares	see 2.1 1 440 000 ✓
Shares repurchased see 2.1 [160 000 x R2, 80] (1 120 000 ✓ + 448 000 ✓✓) OR (160 000 one mark x R9,80 one mark + one m/mark)	(1 568 000) ✓*
Loan (2 189 740 ✓✓ – 1 200 000 ✓) (7 820 500 one mark x 0,28 one mark)	989 740 ✓*

10

2.4 Calculate the following financial indicators for the year ended 28 February 2026:

Mark-up %	
WORKINGS	ANSWER
$\frac{3\,145\,800}{7\,650\,000} \times 100$	41,1% ✓✓* One part correct; x 100 not one part correct

2

Acid-test ratio	
WORKINGS	ANSWER
$\frac{584\,490}{(568\,490 + 16\,000)} : \frac{1\,188\,550}{(940\,550 + 68\,000 + 180\,000)}$	0,5 : 1 ✓* One part correct

5

Stock-turnover rate	
WORKINGS	ANSWER
$\frac{7\,650\,000}{\frac{1}{2} \times [764\,450 + 885\,660]}$ 825 055 two marks	9,3 times ✓* One part correct

4

TOTAL MARKS
40

QUESTION 3

3.1 Profitability:

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

Financial indicator ✓ ✓ figures and trends ✓ ✓

Adel Ltd:

- % operating expenses on sales decreased from 19,5% to 16,8%
- % operating profit on sales increased from 26,2% to 28,7%
- % net profit on sales increased from 19,6% to 23,4%

4

3.2 Liquidity:

One of the shareholders at Lyfo Ltd is of the opinion that trading stock is not well managed. Quote TWO financial indicators to explain why he feels this way.

Financial indicator, figures and trends ✓ ✓ Explanation ✓ ✓
current ratio must be compared with acid-test ratio

- The difference between Current ratio and Acid-test ratio increased from 1,7 : 1 to 2,1 : 1. This shows that there is stock piling.
- OR**
- Current ratio increased from 2,8 : 1 to 3,0 : 1 but Acid-test ratio decreased from 1,1 : 1 to 0,9 : 1 indicating stock piling/overstocking.
 - Stock-turnover rate decreased from 5 times to 3,2 times. Stock is moving slower in the current year / there is reduced demand of stock. More funds are tied up in stock.

4

With reference to the above, provide a recommendation to the directors on how they can more effectively manage their trading stock. State TWO points.

TWO valid points ✓✓ ✓✓

- Implement stock clearance strategies such as discounts / bundles / promotions to shift slow moving stock.
- Optimize inventory levels by balancing stock levels with the rate of sales.
- Use sales trends to inform ordering decisions.

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3.3 Dividends, earnings and returns:

Comment on each company's dividend payout policy and explain the reasons for any changes made to the policy.

Financial indicator, figures and trends ✓ ✓ explanation ✓ ✓

Adel Ltd:

- Dividend payout rate decreased from 89% to 58% / have retained 42% of profits (47c of 112c).
- This shows that they have plans for future expansions which will benefit shareholders in the future / allowed reinvestment in profitable projects.

Lyfo Ltd:

- They did not retain any funds (used up all earnings for the current year to pay dividends) but used 5% (82c of 78c) of funds from previous financial year which accounts for the 105% dividend payout rate.
- This was to distract shareholders from the decrease in the profitability (EPS) of the company for the current financial year / hiding company share performance / shares are undervalued.
- Keeping shareholders happy at the expense of the company's growth.

4

Should the shareholders of Adel Ltd be satisfied with the return on their investment? Explain by quoting a relevant financial indicator.

Financial indicator, figures and trend ✓✓ Comment ✓✓

- ROSHE increased from 12,7% to 16,4%.
- ROSHE exceeds the interest on alternative investment of 13%

4

3.4 Shareholding of Mr Long at Lyfo Ltd:

Calculate Mr Long's % shareholding after the repurchase of shares.

WORKINGS	ANSWER
$\frac{460\,000}{900\,000} \times 100$	51,1% ☒

3

An internal auditor expressed concerns over the decision taken by the CEO to persuade the board of directors to repurchase shares. State TWO reasons for this concern.

TWO valid explanations ✓✓ ✓✓

- The CEO is now a majority shareholder / reduce the influence of the minority shareholders.
- The price paid was above the MP/ NAV
- The CEO acted for personal gain, not for the company's benefit
- He took advantage of his position to convince the board

4

Explain TWO reasons why certain shareholders were pleased with the board of directors decision to buy back the company's shares.

TWO valid explanations ✓✓ ✓✓

- Increased value of remaining shares /can lead to higher share prices which will benefit existing shareholders.
- Boost EPS because of fewer shares in issue.
- Reduced number of outstanding shares increases existing shareholders' ownership percentage.

4

3.5 Financing strategies and gearing: Adel Ltd

To what extent does the company rely on debt financing? Explain by referring to a relevant financial indicator.

Financial indicator with figures and trends ✓ ✓ explanation ✓

- Debt-equity ratio increased from 0,4 : 1 to 1,1 : 1. The company is a high financial risk.

3

Comment on whether borrowed funds were effectively utilised by the directors of the company. Quote ONE financial indicator.

Financial indicator with figures and trends ✓✓ Explanation ✓

- ROTCE increased from 18% to 18,9% and is above interest on loan of 16%
- The company is positively geared/ used the borrowed funds to generate higher profits.

3

3.6 Share price:

Based on the current performance of share prices, which company would be better investment? Comment and quote TWO financial indicators.

Comparison of MP and NAV ✓✓ figures ✓

Adel Ltd, MP is 955c, and is higher than NAV of 890c / by 65c
Adel's shares are overvalued by 65c / shows increased demand / public confidence in company's shares.

3

TOTAL MARKS

40

QUESTION 4

4.1

4.1.1	C ✓
4.1.2	A ✓
4.1.3	B ✓

3

4.2.1

Explain the difference between unethical and criminal acts within a company.

Any reasonable explanation of unethical conduct ✓✓
 Any reasonable explanation of criminal acts ✓✓
 Part marks for partially correct answers

Unethical conduct: refers to behaviour that violates moral principles or company values but might not be necessarily illegal.

Criminal acts: are specific actions that break the law and can lead to prosecution.

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4.2.2

Discuss why it is essential for a company to establish an ethical code of conduct for its employees. State TWO points.

TWO valid points ✓✓ ✓✓

- It promotes accountability / good ethical behavior / ensures employee's commitment to ethical values.
- Promotes positive culture of being honest and transparent / reduces the risk of misbehavior
- Protects the company's reputation.

4

4.3.1

Discuss the impact of this audit report on the company and its directors with regards to the following aspects:

Existing investors' confidence

One valid explanation ✓✓

Existing investors might question the company's accounting practices or management integrity / might want to sell their shares and leave the company.

Credit ratings

One valid explanation ✓✓

The company may be viewed by credit lenders as having an increased financial risk which can affect its borrowing ability / the borrowing costs may increase / less attractive terms from suppliers.

4

TOTAL MARKS
15

TOTAL: 150