



education

Department of
Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2026

MARKS: 150

TIME: 2 HOURS

This question paper consists of 11 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 questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. A Financial Indicator Formula Sheet is attached at the end of this question paper.
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	Financial Statements	60	50
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	35	30
4	Corporate Governance and Audit Reports	15	10
TOTAL		150	120



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QUESTION 1: FINANCIAL STATEMENTS

(60 marks; 50 minutes)

The information relates to Vanity Fashion Limited for the financial year ended 30 June 2026.

REQUIRED:

1.1 Refer to Information B(xii):

Calculate the value of the closing stock. The company uses the weighted-average method for valuing its stock. (6)

1.2 Complete the Statement of Comprehensive Income for the year ended 30 June 2026. Some of the pre-adjustment figures have already been added in the ANSWER BOOK. (35)

1.3 Complete the Statement of Financial Position on 30 June 2026.
NOTE: Figures are not required in the shaded area. (19)

INFORMATION:

A. Extract from the Pre-adjustment trial balance on 30 June 2026:

Balance Sheet Accounts	
Fixed deposit: MBA Bank (8% interest per year)	312 500
Trading stock	?
Debtors' control	96 500
Provision for bad debts	3 920
Loan: MP Bank	110 700
Creditors' control	110 300
SARS: Income tax (provisional payments)	138 600
Nominal Accounts	
Sales	3 600 000
Cost of sales	?
Rent income	186 000
Commission income	47 130
Bad debts	81 400
Directors' fees	511 500
Audit fees	76 180
Repairs	84 500
Sundry expenses (balancing figure)	?
Interest income	?
Interest expense	?

B. Adjustments not considered yet:

- (i) The business prices its goods at a mark-up of 120%. A trade discount of R96 000 was allowed on invoices to certain customers.

- (ii) The monthly rent did not change during the year. During April 2026, the tenant paid R12 000 for repairs to the premises. He deducted the amount from the May 2026 rent, as repairs are the company's responsibility. The repairs were not recorded. The rent for June 2026 was not received by the end of June 2026.
- (iii) The insolvent estate of a debtor paid 40 cents to the rand. An amount of R3 320 was received and recorded. The outstanding amount must be written off.
- (iv) The provision for bad debts must be adjusted to R3 760.
- (v) The company has three directors, and all of them receive the same fee. Two of the directors were paid for the full year, while the other director received payment for only nine months.
- (vi) Audit fees of R14 820 were still outstanding at the end of the financial year.
- (vii) Commission of R9 760 was received for the next financial year.
- (viii) The fixed deposit with MBA Bank remained unchanged during the year. R93 750 of the fixed deposit will mature on 31 December 2026. All due interest for the year was received.
- (ix) Use the following percentages to calculate the missing figures:
- Income tax rate: 28%
 - Operating profit on sales: 15%
- (x) A debtor's credit balance of R3 800 must be transferred to the creditors' ledger on his account.
- (xi) A loan was taken out on 1 December 2024 from MP Bank. Equal monthly repayments must be made over five years. All payments from 31 December 2024 have been made.
- (xii) The value of the closing stock must be calculated by using the weighted-average method. The stock records reflect the following:

	Units	Cost
Opening stock	4 800	96 000
Purchases	54 000	960 000
Carriage on purchases		2 400
Closing stock	7 600	?

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

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

REQUIRED:

2.1 Calculate the following financial indicators on 28 February 2026:

- Mark-up achieved (3)
- Dividend per share (4)
- Return on average shareholders' equity (4)
- Net asset value per share (3)

2.2 **Refer to Information A.**

Complete the Ordinary Share Capital note on 28 February 2026. (5)

2.3 Calculate the following figures for the 2026 Cash Flow Statement.

- 2.3.1 Interest paid (5)
- 2.3.2 Income tax paid (4)

2.4 Complete the 'Cash effects from investing activities' in the Cash Flow Statement. (7)

2.5 Calculate the net change in cash and cash equivalents. (5)

INFORMATION:

A. Shares and dividends:

Date	Details of shares
1 March 2025	? shares in issue
1 April 2025	600 000 shares were issued
28 February 2026	50 000 shares were repurchased at a price of 80c more than the average price of the shares
28 February 2026	The number of shares issued was 1 200 000

- An interim dividend of R562 500 was paid on 31 August 2025.
- A Final dividend of 35 cents per share was declared on 28 February 2026.

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

Sales	8 028 000
Cost of sales	5 017 500
Gross profit	3 010 500
Depreciation	141 400
Net profit before income tax	892 000
Income tax	249 760
Net profit after income tax	642 240

C. Extract from the Statement of Financial Position on 28 February:

	2026	2025
Shareholders' equity	4 920 000	2 625 000
Ordinary share capital	3 600 000	1 650 000
Retained income	1 320 000	975 000
Loan: PSW Bank	650 000	800 000
Fixed assets	707 000	632 600
Fixed deposit: PSW Bank	1 680 000	1 250 000
SARS: Income tax	22 000 (Cr)	26 000 (Dt)
Cash and cash equivalents (excluding Bank)	16 000	18 000
Bank	28 000 (Dt)	116 000 (Cr)

D. Loan: PSW Bank

The statement received from PSW Bank on 28 February 2026 reflected:

- Repayments of R21 500 per month (including interest).
- Balance according to statement on 28 February 2026: R650 000.

E. Fixed assets:

- Fixed assets to the value of R428 600 were purchased during the financial year.
- Some of the fixed assets were sold at carrying value.

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

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

REQUIRED:

NOTE: Where comments or explanations are required:

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

3.1 Liquidity

Quote THREE financial indicators that show an improvement in the liquidity position of the business. (6)

3.2 Financial risk and gearing

The directors want to increase the loan next year to finance expansions. Explain the advice you would offer them. Quote TWO financial indicators in your explanation. (6)

3.3 Profitability

3.3.1 The company's directors are satisfied with the net profit and control over expenses. Quote TWO financial indicators to support them. (4)

3.3.2 What do you think the directors did to accomplish the improvement in profitability? Provide ONE point. (2)

3.4 Dividend pay-out rate

3.4.1 Calculate the dividend payout rate for 2026. (2)

3.4.2 The directors have decided to change the dividend payout policy during the current financial year. Provide ONE possible reason for the policy change. (2)

3.5 Shareholding

P. Peppa, the CEO, owns 410 000 (51,2%) shares in the company. He was away on holiday and did not buy any of the additional shares issued.

3.5.1 Calculate Peppa's % shareholding after the issue of the additional shares. (2)

3.5.2 Explain ONE point why Peppa was disappointed that he did not increase his shareholding. (2)

3.5.3 Peppa has convinced the Board of Directors to issue a further 150 000 ordinary shares in the new year. Calculate the number of shares he must purchase to be the major shareholder in the company. (3)

3.6 Share price

Peppa offered R2,20 per share for the shares he wishes to purchase. Provide ONE point why you consider this to be a fair or unfair offer. Quote a relevant financial indicator to support your opinion. (3)

3.7 Return

Explain why shareholders would be satisfied with the return of the company. Quote the relevant indicator with figures to support your answer. (3)

INFORMATION:

- A. The company is registered with an authorised share capital of 2 000 000 ordinary shares.
- B. On 1 March 2025, there were 800 000 shares in issue. On 1 December 2025, the company issued 100 000 shares.

C. Additional information:

	2026	2025
Interest rate on loan	13%	12%
Interest rate on fixed deposits	9%	8%
Market price of shares on the Stock Exchange	432 cents	411 cents

D. Financial indicators calculated on 28 February:

	2026	2025
Current ratio	2,6 : 1	3,3 : 1
Acid test ratio	1,3 : 1	1,2 : 1
Average debtors' collection period	30 days	29 days
Average creditors' payment period (Suppliers' term is 60 days)	60 days	86 days
Stock turnover rate	9,4 times	8,2 times
% Expenses on sales	22%	30%
% Net profit on sales	3,3%	2,9%
% Operating profit on sales	6,1%	4,8%
% Gross profit on sales	60%	50%
Debt/Equity ratio	0,4 : 1	0,4 : 1
Dividend per share	90 cents	50 cents
Earnings per share	104 cents	96 cents
Dividend pay-out rate	?	54,3%
% Return on shareholders' equity	11,3%	9,2%
% Return on total capital employed	15,4%	11,8%
Net asset value	428 cents	422 cents

QUESTION 4: CORPORATE GOVERNANCE AND AUDIT REPORT

(15 marks; 10 minutes)

- 4.1 Match the fictional newspaper headlines in COLUMN A with the most appropriate aspect of Corporate Governance in COLUMN B. Write only the letter (A–D) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

COLUMN A NEWSPAPER HEADLINE		COLUMN B ASPECT OF CORPORATE GOVERNANCE	
4.1.1	The CEO of Logitech Ltd grants a R3 million contract to his brother's company	A	Corporate citizenship
4.1.2	Logitech Ltd placed under temporary supervision	B	Conflict of interest
4.1.3	Logitech Ltd runs an e-school platform, a free digital learning platform for Grade 12 learners	C	Standards for directors' conduct
4.1.4	The CEO of Logitech Ltd caught out for drunk driving on N1	D	Business rescue

(4 x 1) (4)

PILLAY LTD

REQUIRED:

4.2 REFER TO THE INFORMATION BELOW.

- 4.2.1 (i) There are three types of audit reports. Refer to the **INFORMATION** provided. Identify what type of audit report has been issued by the external auditor. (1)
- (ii) Explain why shareholders will be concerned about this type of report. (2)
- 4.2.2 Megan Jones has been the external auditor for Pillay Ltd for the past two years. She has recently married the owner and CEO of Pillay Ltd, Devin Gouws. Explain WHY (ONE point) and HOW (ONE point) this will affect Megan's position as an external auditor. (4)
- 4.2.3 Explain why it should be company policy that directors must declare all gifts, donations or favours received from suppliers. Provide TWO points. (4)

INFORMATION:

Extract from the auditors' report received:

Independent Auditor's Report

To the Shareholders of Pillay Ltd

During the course of our audit, we were unable to obtain sufficient appropriate audit evidence regarding the Company's inventory balances, which are stated at R850 000 as of July 31, 2026. The Company was unable to provide adequate supporting documentation and did not permit us to observe the physical inventory count or apply alternative audit procedures.

In addition, we were unable to obtain sufficient audit evidence regarding several significant transactions and account balances due to a lack of supporting documentation and restricted access to relevant financial records.

As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of recorded or unrecorded assets and liabilities, income and expenses, and the accompanying disclosures in the financial statements.

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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: 1. Trading stock at the end of a financial year may be used if required in a question. 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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PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2026

ANSWER BOOK

QUESTION	MARKS	INITIAL	MODERATOR
1			
2			
3			
4			
TOTAL			

This answer book consists of 10 pages.

QUESTION 1

1.1

Calculate the value of the closing stock. The company uses the weighted-average method for valuing its stock.

ANSWER

6

1.2

STATEMENT OF COMPREHENSIVE INCOME OF VANITY FASHION LIMITED FOR THE YEAR ENDED 30 JUNE 2026

Sales	3 600 000
Cost of sales	
Gross profit	
Other income	
Rent income (186 000)	
Commission income	
Gross operating income	
Operating expenses	
Bad debts (81 400)	
Directors' fees (511 500)	
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	
Net profit before income tax	
Income tax	(149 520)
Net profit after tax	

35

1.3 **STATEMENT OF FINANCIAL POSITION OF VANITY FASHION LTD ON 30 JUNE 2026**

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Financial assets	
CURRENT ASSETS	
Trade and other receivables (96 500)	
Cash and Cash Equivalents	
TOTAL ASSETS	
SHAREHOLDERS' EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained income	
NON-CURRENT LIABILITIES	
Loan: MP Bank (110 700)	
CURRENT LIABILITIES	
Trade and other payables (110 300)	
Shareholders for dividends	180 000
TOTAL EQUITY AND LIABILITIES	

NB: Figures are not required in the shaded area.

TOTAL MARKS
60

QUESTION 2

2.1 Financial Indicators on 28 February 2026:

Mark-up achieved	ANSWER

3

Dividend per share	ANSWER

4

Return on average shareholders' equity	ANSWER

4

Net asset value per share	ANSWER

3

2.2 ORDINARY SHARE CAPITAL

		1 650 000
600 000	Shares issued during the year	
1 200 000	Shares issued at the end of the year	3 600 000

5

2.3 CASH FLOW STATEMENT FOR 2026:

2.3.1	Interest paid	ANSWER

5

2.3.2	Income tax paid	ANSWER

4

2.4	CASH FLOW FROM INVESTING ACTIVITIES	
	Fixed assets purchased	(428 600)

7

2.5 Net change in cash and cash equivalents

Net change in cash and cash equivalents	

5

TOTAL MARKS

40

QUESTION 3

- 3.1** Quote **THREE** financial indicators that show an improvement in the liquidity position of the business.



6

- 3.2** The directors want to increase the loan next year to finance expansions. Explain the advice you would offer them. Quote **TWO** financial indicators in your explanation.



6

3.3 Profitability:

- 3.3.1** The company's directors are satisfied with the net profit and control over expenses. Quote **TWO** financial indicators to support them.

4

3.3.2 What do you think the directors did to accomplish the improvement in profitability? Provide ONE point.

2

3.4 Dividend payout rate:

3.4.1 Calculate the dividend payout rate for 2026.

2

3.4.2 The directors have decided to change the dividend payout policy during the current financial year. Provide ONE possible reason for the policy change.

2

3.5 Shareholding:

3.5.1 Calculate Peppa's % shareholding after the issue of the additional shares.

2

3.5.2 Explain ONE point why Peppa was disappointed that he did not increase his shareholding.

2

- 3.5.3** Peppa has convinced the Board of Directors to issue a further 150 000 ordinary shares in the new year. Calculate the number of shares he must purchase to be the major shareholder in the company.



3

- 3.6** Share price:

Peppa offered R2,20 per share for the shares he wishes to purchase. Provide ONE point why you consider this to be a fair or unfair offer. Quote a relevant financial indicator to support your opinion.

--

3

- 3.7** Return:

Explain why shareholders would be satisfied with the return of the company. Quote the relevant indicator with figures to support your answer.

--

3

TOTAL MARKS
35

QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2

PILLAY LTD

4.2.1

There are three types of audit reports. Refer to the **INFORMATION** provided. Identify what type of audit report has been issued by the external auditor and explain why shareholders will be concerned about this type of report.

(i) TYPE OF REPORT:

(ii) CONCERN:

3

4.2.2

Megan Jones has been the external auditor of Pillay Ltd for the past two years. She has recently married the owner and CEO of Pillay Ltd, Devin Gouws.

Explain **WHY** (ONE point) and **HOW** (ONE point) this will affect Megan's position as an external auditor.

WHY?

HOW?

4

4.2.3

Explain why it should be company policy that directors must declare all gifts, donations or favours received from suppliers. Provide TWO points.

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4

TOTAL MARKS

15

TOTAL: 150





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PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2026

MARKS: 150

MARKING GUIDELINES

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 a 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 the correct answer. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in marking guidelines for component parts within workings that earn no part marks, these will 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 different 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 question)
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, the marker must inspect the reasonableness of the answer before awarding the mark.
11. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & 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. If only one line is presented, assume it is the numerator.
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 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 11 pages.

QUESTION 1

1.1

Calculate the value of the closing stock. The company uses the weighted-average method for valuing its stock.

ANSWER

$$\frac{96\,000 + 960\,000 + 2\,400}{4\,800 + 54\,000} \times 7\,600$$

1 058 400 three marks
 58 500 two marks

136 800
 one part correct
 if multiplied by
 7 600

6

1.2 STATEMENT OF COMPREHENSIVE INCOME OF VANITY FASHION LIMITED FOR THE YEAR ENDED 30 JUNE 2026

Sales	3 600 000
Cost of sales (3 600 000 + 96 000) ÷ 100/220 one mark for both one mark	⊗* (1 680 000)
OR (3 600 000 + 96 000) ÷ 220%	
Gross profit Sales - COS (4)	⊠ 1 920 000
Other income	⊠* 253 530
Rent income (186 000 + 12 000 + 18 000)	⊠* 216 000
Commission income	⊠⊠ 37 370
Provision for bad debts adjustment	⊠⊠ 160
Gross operating income GP+OI (10)	⊠ 2 173 530
Operating expenses	⊠* (1 633 530)
Bad debts (81 400 + 4 980)	⊠ 86 380
Directors' fees (511 500 + 46 500)	⊠ 558 000
Repairs (84 500 + 12 000)	⊠* 96 500
Audit fees (76 180 + 14 820)	⊠⊠ 91 000
Sundry expenses (balancing figure)	⊠ 801 650
Operating profit (3 600 000 × 15%) (14)	⊠⊠ 540 000
Interest income	⊠⊠ 25 000
Profit before interest expense OP + Int. Inc	⊠ 565 000
Interest expense balancing figure	⊠ (31 000)
Net profit before income tax NPAT + IT	⊠ 534 000
Income tax	(149 520)
Net profit after tax (149 520 × 72/28) (7)	⊠⊠ 384 480

35

– 1 foreign item (max – 2); – 1 presentation (max – 1) misplaced items award marks for workings only

1.3 STATEMENT OF FINANCIAL POSITION OF VANITY FASHION LTD ON 30 JUNE 2026

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Financial assets (2)	218 750
CURRENT ASSETS	
Inventory	136 800
Trade and other receivables (96 500 + 18 000 – 4 980 + 3 800 – 3 760) (6)	109 560
Cash and Cash Equivalents	
TOTAL ASSETS	
SHAREHOLDERS' EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
Ordinary share capital	
Retained income	
NON-CURRENT LIABILITIES	78 300
Loan: MP Bank (110 700 – 32 400) (3)	78 300
CURRENT LIABILITIES	
Trade and other payables (110 300 + 46 500 + 14 820 + 9 760 + 3 800) (Dir fees Audit fees Commis see Transfer)	185 180
Shareholders for dividends	180 000
SARS: Income tax (149 520 – 138 600)	#10 920
Short-term loan (see loan above)	#32 400
(8)	
TOTAL EQUITY AND LIABILITIES	

#Can be included in trade and other payables

* one part correct

-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

19

TOTAL MARKS

60

QUESTION 2

2.1 Financial indicators on 28 February 2026:

Mark-up achieved	ANSWER	
$\frac{3\,010\,500}{5\,017\,500} \times 100$	60% % sign not necessary	3
Dividend per share	ANSWER	
Interim $\frac{562\,500}{1\,250\,000} \times 100 = 45\text{c}$ Final $= 35\text{c}$ Total: $45\text{c} + 35\text{c} = 60\text{c}$	80 cents R0,80 one part correct	4
Percentage return on average shareholders' equity	ANSWER	
$\frac{642\,240}{\frac{1}{2}(2\,625\,000) + (4\,920\,000)} \times 100$ 3 772 500 two marks	17,0% one part correct % sign not needed	4
Net asset value per share in cents	ANSWER	
$\frac{4\,920\,000}{1\,200\,000} \times 100$	410,0 one part correct c not needed Accept R4,10 - Not 4,10	3

For EACH calculation, the 'x 100' does not constitute 'one part correct'.
 Numerator and denominator must be marked as such.

2.2 ORDINARY SHARE CAPITAL

□ 650 000	Shares issued beginning of the year	1 650 000
600 000	Shares issued during the year	□ 2 100 000
□ (50 000)	Shares repurchase (R3) □	□ (150 000)
1 200 000	Shares issued at the end of the year	3 600 000

5

2.3 CASH FLOW STATEMENT FOR 2026:

2.3.1

Interest paid	ANSWER
800 000 □ – 258 000 □ – 650 000 □ OR 650 000 + 258 000 – 800 000	□ 108 000 one part correct no brackets needed

5

2.3.2

Income tax paid	ANSWER
26 000 □ – 249 760 □ + 22 000 □ OR 0? – 26 000 + 249 760 – 22 000 Accept T-form account or use of brackets as workings Ensure that only one line is marked consistently	□ 201 760 one part correct no brackets needed

4

2.4

CASH FLOW FROM INVESTING ACTIVITIES	
Fixed assets purchased	(428 600)
Proceeds from sale of fixed assets (707 000 □ + 141 400 □ – 428 600 □ – 632 600 □)	□ 212 800
Increase in fixed deposit (1 680 000 – 1 250 000)	□ (430 000) #

7

2.5

Net change in cash and cash equivalents	
Net change in cash and cash equivalents	□ 142 000
Cash and cash equivalents: beginning of year (18 000 – 116 000)	□ (98 000) # must be in brackets
Cash and cash equivalents: end of the year (16 000 + 28 000)	□ 44 000 #

#no part marks

5



TOTAL MARKS
40



QUESTION 3

3.1 Quote **THREE** financial indicators that show an improvement in the liquidity position of the business.

Financial indicators □ □ □ Figures and trend □ □ □

- Current ratio improved (from 3,3 : 1) to 2,6 : 1/by 0,7 : 1
- Acid test ratio improved (from 1,2 : 1) tot 1,3 : 1/by 0,1 : 1
- Stock turnover rate increased (from 8,2 times) to 9,4 times/by 1,2 times
- Creditors' payment period decreased (from 86 days) to 60 days, which adheres to the terms and is still 30 days after collection of debtors.

Do not accept average debtors' collection period (maintained at the normal credit terms) and or creditors' payment period separately (was necessary to reach within normal credit terms) (must be comparative (30 days))

6

3.2 The directors want to increase the loan next year to finance expansions. Explain the advice you would offer them. Quote **TWO** financial indicators in your explanation.

Financial indicators □ □ Figures and trend □ □ Comment □ □

- Debt/equity ratio was maintained as 0,4 : 1.
- The company **has maintained** a low **financial** risk.
- ROTCE improved (from 11,8%) to 15,4%/by 3,6% points/by 30,5%

Comment:

- The **ROTCE** is **higher** than the interest rate on a loan (13%) / it is positively geared.
- The company utilised the borrowed funds optimal and should continue to apply for an increased loan.

6

3.3 Profitability:

3.3.1 The company's directors are satisfied with the net profit and control over expenses. Quote **TWO** financial indicators to support them.

Financial indicators ☐ ☐ Figures and trend ☐ ☐

- % **operating** expense on sales decreased (from 30%) to 22%/by 12% points/by 26,7%
- % **net** profit on sales increased (from 2,9%) to 3,3%/by 0,4% points/by 13,8%
- % **operating** profit on sales increased (from 4,8%) to 6,1%/by 1,3% points/by 27,1%

Do not accept % Gross profit on ~~cost of~~ sales

4

3.3.2 What do you think the directors did to accomplish the improvement in profitability? Provide ONE point.

Any ONE valid point ☐ ☐

- Increased % gross profit on sales (from 50%) to 60%
- They saved on some expenses/controlled operating expenses well./Implemented cost saving measures.
- They increased the sales by better advertising, expanding the market/promotional sales/price markdowns

2

3.4 Dividend pay-out rate:

3.4.1 Calculate the dividend payout rate for 2026.

$$\frac{90}{140} \times 100 = 86,5\% \quad \text{☐ ☐$$

2

3.4.2 The directors have decided to change the dividend payout policy during the current financial year. Provide ONE possible reason for the policy change.

Any ONE valid point ☐ ☐

- The business does not have plans for future development.
- The business wants to keep the shareholders happy.
- Rewarding shareholders for foregoing dividends the previous year.
- The business is trying to influence the market price of shares by increasing the dividends.
- To gain favour with the shareholders to ensure they get re-elected at the AGM.

2

3.5 Shareholding:

3.5.1 Calculate the % shareholding after the issue of the additional shares.

$\frac{410\,000}{900\,000} \times 100 = 45,6\%$	2
---	---

3.5.2 Explain ONE point why Peppa was disappointed that he did not increase his shareholding.

Any ONE valid point

- His shareholding decreased from 51,2% to 45,6%/by 5,6 % points/by 10,9%
- He will not be the majority shareholder anymore.
- He missed out on 10,9% of increased dividend pay-out

2

3.5.3 Peppa has convinced the Board of Directors to issue a further 150 000 ordinary shares in the new year. Calculate the number of shares he must purchase to be the major shareholder in the company.

$1\,050\,000 \times 50\% = 525\,000 + 1$
 $= 525\,001 - 410\,000$
 $= 115\,001$

OR

$1\,050\,000 \times 50\% = 525\,000 + 100$
 $= 525\,100 - 410\,000$
 $= 115\,100$

OR

$1\,050\,000 \times 51\% = 535\,500$
 $= 125\,500$

3

3.6 Shareholding:

Peppa offered R2,20 per share for the shares he wishes to purchase. Provide ONE point why you consider this to be a fair or unfair offer. Quote a relevant financial indicator to support your opinion.

Compare with MP Compare with NAV Comment

Comparison

His offer of R2,20 is far less than the market price of 432 cents/by 212 cents and also far less than the net asset value of 428 cents/by 208 cents.

Comment

He is compromising the company as they could receive more for the shares./He is acting in his personal interest, not the company's.

3

3.7 Return:

Explain why shareholders would be satisfied with the return of the company. Quote the relevant indicator with figures to support your answer.

Indicator ☐ Figures and trend ☐ Comment ☐

ROSHE increased (from 9,2%) to 11,3%/by 2,1% points/by 22,8%.

Comment

ROSHE is higher than the interest rate on a fixed deposit of 9%.
Better than returns on alternative investments.

3

TOTAL MARKS

35

QUESTION 4

4.1

4.1.1	B (Conflict of interest)	☐
4.1.2	D (Business rescue)	☐
4.1.3	A (Corporate citizenship)	☐
4.1.4	C (Standards for directors' conduct)	☐

4

4.2

PILLAY LTD

4.2.1

There are three types of audit reports. Refer to the **INFORMATION** provided. Identify what type of audit report has been issued by the external auditor and explain why shareholders will be concerned about this type of report.

(i) **TYPE OF REPORT:**

Disclaimer of opinion ☐

(ii) **CONCERN:** ☐

- It will have a negative effect on the company, e.g. reputation
- Share price will decrease/demand for shares will decrease
- Potential investors will lose confidence in the company/ shareholders will sell their shares.
- The company may find it difficult to secure financing from financial institutions.
- The corporate governance of the company is compromised/not in line with the King Code

3

4.2.2

Megan Jones has been the external auditor of Pillay Ltd for the past two years. She has recently married the owner and CEO of Pillay Ltd, Devin Gouws.

Explain **WHY** (ONE point) and **HOW** (ONE point) this will affect Megan's position as an external auditor.

Why ☐ How ☐

WHY?

The external auditor must be independent from the company that they audit in order to be unbiased in their audit opinion./**Conflict of interest which will be an audit risk.**

HOW?

~~Since Megan is the owner of the audit firm and her husband the owner of the company to audit:~~

- Megan will have to be taken off the Pillay Ltd audit team to avoid any conflict of interest/compromise the audit quality and reliability.

4

- ~~Megan or members of her firm may not act as external auditors to Pillay Ltd.~~

4.2.3

Explain why it should be company policy that directors must declare all gifts, donations or favours received from suppliers. Provide TWO points.

Any TWO different valid points

- It might appear to be a bribe/kick-back/corruption/fraud.
- Transparency in awarding contracts, tenders or appointing service providers.
- Could result in not appointing the best-suited client for the job.
- Policy would prevent colluding with service providers.
- To protect the image of the business.
- Conflict of interest, **directors must only act in the best interest of the company, not their own.** (it can prevent corruption, fraud, **nepotism**, bribery)

4

TOTAL MARKS

15

TOTAL: 150