



Northern Cape Department of Education

PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING

PAPER 1

SEPTEMBER 2026

MARKS: 150

TIME: 2 hours

**This question paper consists of 13 pages,
a formula sheet and a 15-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. 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, blue or 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	SUBJECT	MARKS	MINUTES
1	Company Financial Statements	55	45
2	Cash Flow Statement and Financial Indicators	45	35
3	Interpretation of Financial Information	35	25
4	Corporate Governance	15	15
TOTAL		150	120

QUESTION 1: COMPANY FINANCIAL STATEMENTS

(55 marks; 45 minutes)

The following information was taken from the accounting records of Heyneke Limited. The financial year ended on 30 June 2026.

REQUIRED:

1.1 Refer to information D.

Calculate:

1.1.1 Total depreciation for the year. (9)

1.1.2 The profit/loss on the sale of the vehicle. (4)

1.2 Calculate the correct net profit after tax for the year ended 30 June 2026. Show a (+) for increase and a (–) for decrease. (12)

1.3 Complete the Statement of Financial Position for the year ended 30 June 2026. (30)

NOTE:

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

INFORMATION:

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

	2026 R	2025 R
Ordinary share capital	?	
Retained earnings	?	
Trading stock	360 000	
Debtors' control	345 000	
Provision for bad debts	?	35 000
Creditors' control	416 000	
Directors' fees	685 000	
Loan: Julies Bank	?	2 400 000
Interim dividends	462 000	
SARS: Income tax (provisional tax payments)	350 000	

B. Net profit before tax to the value of R1 547 949 was calculated before the following adjustments were taken into account:

C. Transfer of balance and provision for bad debts:

Human Traders, a creditor, requested that Heyneke Ltd's overpayment of R9 000 be transferred to the Debtors' Ledger in the books of Heyneke Ltd.

Provision for bad debts must be adjusted to R35 400.

D. Fixed Assets:

	2026 R	2025 R
Vehicles	?	2 000 000
Accumulated depreciation on vehicles	?	700 000
Equipment	590 000	?
Accumulated depreciation on equipment	?	370 000

The bookkeeper calculated the total depreciation on fixed assets as R660 000, before the following was calculated:

Vehicles:

- Vehicles depreciate at 20% p.a. on the diminished balance method.
- An old vehicle, with a carrying value of R180 000 on 1 July 2025, was sold for R150 000 cash on 31 March 2026. The sale transaction was correctly recorded.

Equipment:

- Equipment depreciates at 12% p.a. on the straight-line method.
- New computers were purchased on 1 January 2026 at a total amount of R180 000. Note that this transaction has already been recorded.

E. Advertisements:

The company signed a one-year contract with Armstrong-Advertising on 30 September 2025. The annual premium of R29 400 was paid in full.

F. Directors' fees:

At the beginning of the financial year, the company had two directors. Both directors did not receive their fee for June 2026. A third director was appointed on 1 January 2026, at a fee of 10% lower than the current directors. The third director received all his fees for the current year.

G. Loan statement: Julies Bank

	R
Repayments for the year including interest	?
Interest capitalised. This represents 24% of total repayments for the year.	312 000

- R360 000 of the loan will be repaid within the next financial year.

H Shares and dividends:

- On 1 July 2025, there were 132 000 shares issued.
- Additional shares were not issued during the year.
- 5% of the issued shares were bought back at the average price of R2,20 per share on 30 June 2026; these shares still qualify for the final dividend.
- A final dividend was declared on 30 June 2026.
- Total dividend for the year amounted to 550c per share.

I. Income Tax:

Income tax for the year is calculated at 30% of net profit.

J. Financial indicators calculated on 30 June 2026 after taking all of the above information into account:

Net Asset Value (NAV)	675 cents per share
Current ratio	1,7 : 1

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

The information relates to Luvuyo Power Solutions Ltd, a company that provides solar panels and renewable energy solutions to municipalities and large enterprises. The financial year ends on 28 February 2026.

The company is registered with an authorised share capital of 1 000 000 shares.

REQUIRED:

- 2.1 Prepare the Retained Income Note on 28 February 2026. (6)
- 2.2 Complete the following:
- 2.2.1 Note of reconciliation of net profit before tax and cash generated from operating activities on 28 February 2026. (8)
- 2.2.2 The Cash Flow Statement on 28 February 2026 (18)

NOTE:

- Certain figures are provided in the ANSWER BOOK.
- Missing amounts in the shaded areas should NOT be filled in.

- 2.3 Calculate the following financial indicators for the year ended 28 February 2026.
- 2.3.1 Dividend pay-out rate (4)
- 2.3.2 Return on average capital employed (6)
- 2.3.3 Net asset value per share (3)

INFORMATION:

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

	R
Other income	2 505 100
Operating expenses	18 014 700
Interest on loan	?
Net profit before income tax	544 000
Net profit after income tax	366 480

Operating expenses include depreciation on vehicles, R115 500, as well as depreciation on equipment, R99 000.

- B. Extract from the Statement of Financial Position as at 28 February 2026:**

	2026 R	2025 R
Fixed assets at carrying value	20 987 700	21 098 300
Fixed Deposit: Brummer Bank	106 000	69 700
Inventory (trading stock only)	8 277 300	7 193 300
Trade and other receivables	4 207 600	3 743 700
Cash and cash equivalents	6 765 900	5 711 500
Ordinary share capital	1 315 000	600 000
Retained income	?	2 786 200
Loan: May Bank	13 656 500	14 322 700
Trade and other payables	13 065 200	12 198 800

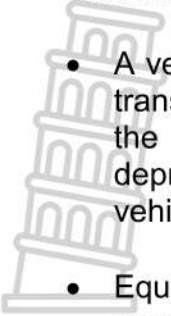
- C. Trade and other receivables:**

	2026 R	2025 R
Trade debtors	3 218 800	3 430 200
Accrued income	324 200	209 500
Prepaid expenses	121 900	104 000
SARS: Income tax	542 700	0

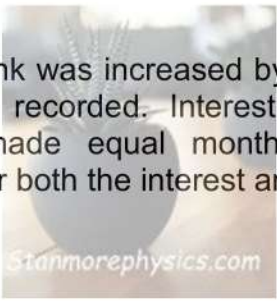
- D. Trade and other payables:**

	2026 R	2025 R
Trade creditors	10 248 700	9 104 600
Income received in advance	2 431 400	2 046 800
Shareholders for dividends	?	353 300
SARS: Income tax	0	694 100

E. Fixed assets:

- 
- A vehicle was sold for cash during the year at carrying value. The transaction is fully recorded. According to the Fixed Assets Register, the cost price of this vehicle was R350 000 and the accumulated depreciation on the date of sale was R247 900. Depreciation on this vehicle is included in the depreciation amount calculated for the year.
 - Equipment to install solar panels was purchased for cash during the year.

F. Loan:

- 
- The current loan from May Bank was increased by R64 000 during the year. This transaction is recorded. Interest on the loan is capitalised. The company made equal monthly payments of R150 750 to May Bank to cover both the interest and the loan.

G. Shares and dividends:

- 
- 480 000 shares were issued on 1 March 2025.
 - 65 000 shares were repurchased by the company at R6,50 per share on 1 April 2025.
 - The directors paid a total interim dividend of R25 630 on 31 August 2025.
 - A further 122 500 shares were issued at R6,50 on 1 September 2025.
 - A final dividend of 72c per share was declared on 28 February 2026.

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(35 marks; 25 minutes)

SESING INDUSTRIAL HOLDINGS LTD AND NEELSE INDUSTRIES LTD

The information relates to Sesing Industrial Holdings Ltd and Neelse Industries Ltd, trading in the chemical and industrial industries, for the year ended 30 June 2026.

NOTE: Where comments or clarifications are requested, you must:

- Quote financial indicators and trends with figures.
- Give a reason or an explanation for the financial indicators cited (provided).

Use these keys for abbreviations:

CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
JSE:	Johannesburg Securities Exchange
SIH Ltd:	Sesing Industrial Holdings Ltd
NI Ltd:	Neelse Industries Ltd

REQUIRED:

SIH LTD

3.1 Operational Efficiency:

3.1.1 Calculate the following financial indicators:

- % gross profit on sales for 2026. (2)
- % operating expenses on sales for 2025. (2)

3.1.2 The CEO of SIH Ltd is of the opinion that the company's pricing policy is well managed, despite the difficult economic environment. Give TWO financial indicators/financial data to support OR oppose his claim. (5)

3.2 Financing Strategies:

At the 2026 Annual General Meeting (AGM), a majority shareholder proposed that the company should take out an additional loan of R350 000 to increase cash flow, as the risk would only increase by 0,03 : 1.

3.2.1 Prove by means of a calculation how the risk will increase by 0.03 : 1, assuming that no change in shareholder equity will occur. (2)

- 3.2.2 Quote ONE financial indicator to prove that the acquisition of this loan will not be in the financial interest of the company, despite the risk increasing only marginally. (4)

SIH LTD AND NI LTD

3.3 Return and dividend pay-out policy

- 3.3.1 The shareholders of SIH Ltd are concerned about their investment in the company. Discuss the following financial indicators and ratios that give them cause for concern.

- The value of the shares (3)
- Earnings and dividend per share (4)
- The return on their investment (3)

- 3.3.2 A prospective investor believes that **NI Ltd** is a better investment option than **SIH Ltd**. Explain why you agree with the investor. Provide TWO points with figures.

NOTE: Market price and Net asset value may not form part of your answer. (4)

3.4 Directors: Market valuation and investment confidence

Explain whether the directors of each company should be satisfied with the market price of shares at the end of the financial year. Provide TWO financial indicators with figures for each company. (6)

INFORMATION:

A. Background information for SIH Ltd:

- The South African business environment has been characterised by significant challenges over the past year, including water shortages, high electricity costs and volatility in the value of the rand, which have led to slower economic growth and pressure on businesses' profitability.
- The board has raised selling prices over the past year to try to offset rising raw material costs and operating expenses in a difficult economic climate.
- Despite this, the company's profitability and return on shareholders' investments weakened noticeably during the 2026 financial year.

- B. The following is an extract from the Statement of Comprehensive Income:

	2026 R'million	2025 R'million
Sales	29 628	27 979
Cost of Sales	24 702	22 465
Gross profit	4 926	5 514
Operating expenses	2 559	2 578
Net profit before tax	796	2 347
Income tax for the year	310	581

- C. Extract from the financial data, financial indicators, market prices and interest rates:

	SIH Ltd		NI Ltd	
	30 Jun. 2026	30 Jun. 2025	30 Jun. 2026	30 Jun. 2025
Gross profit on sales	?	19,71%	22%	23,5%
Gross profit at cost of sales	19,94%	24,54%	28,2%	30,7%
Operating expenses on sales	8,64%	?	10,8%	10,1%
Number of shares issued	2 477 million	2 427 million	1 520 million	1 500 million
Total shareholder equity	R11 705 million	R11 705 million	R6 300 million	R6 000 million
Non-current liabilities (9,25% p.a.)	R9 735 million.	R9 769 million.	R3 750 million	R3 600 million
Return on average shareholder's equity	4,15%	15,03%	18%	17%
Return on average capital employed	7,58%	10,67%	15%	14%
Fixed deposit interest	9,5%	7%	9,5%	7%
Debt-equity ratio	0,83 : 1	0,83 : 1	0,6 : 1	0,6 : 1
Net asset value	R4,73	R4,75	R4,15	R4,00
Market price	R2,70	R4,45	R6,20	R5,80
Earnings per share	16,7 cents	70,3 cents	85 cents	80 cents
Dividends per share	0 cents	29 cents	55 cents	50 cents

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

You are provided with extracts from two unrelated articles on companies in the Mining Industry. Use the information given and your knowledge about companies to answer the questions.

REQUIRED:

NOTE: Do NOT repeat your answers on multiple questions when answering them.

Refer to Information A.

- 4.1 Explain why it is important for a listed company like Pheiffer Precious Metals Ltd to include information such as Information A as part of their financial reports? (2)



Refer to Information B.

- 4.2 The Competition Commission is investigating Frans Badenhorst (part of Schemel G & P Mining Ltd) for alleged price fixing. Identify TWO corporate governance issues that arise from this case. (2)
- 4.3 Price fixing and a competition investigation can have serious consequences for a listed company. Explain TWO ways in which this case may affect Schemel G & P Mining Ltd's future profitability or shareholder confidence. (4)
- 4.4 Information B refers to internal investigations and an independent ethics line. Explain TWO roles of corporate governance mechanisms (such as directors, audit committee, etc.) in preventing and detecting unethical behaviour. (4)
- 4.5 Schemel G & P Mining Ltd states that the conduct in question was unauthorised and in breach of their code of ethics. Evaluate whether this response is sufficient to protect investor confidence. (3)

INFORMATION:

- A. Extract from the Group Annual Report of Pheiffer Precious Metals Ltd for 2026:

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

Our approach is grounded in international best practices, legal compliance, and enforcement of our environmental and social operating license.

Key focus areas of our environmental impact are:

- Carbon footprint
- Renewable energy
- Recycling
- Air Emissions
- Water consumption.



- B. **Article: Public press release regarding Pheiffer Precious Metals Ltd and Schemel G&P Mining Ltd**

The Competition Commission of South Africa has filed a *price-fixing** complaint against Frans Badenhorst (director of Schemel G & P Mining Ltd) and Pheiffer Precious Metals Ltd. The investigation began with a raid during which certain documents and information that have not been disclosed to the public were seized.

As a result of ongoing and extensive internal investigations, Schemel G & P Mining Ltd discovered that certain actions by the company are considered to be a possible breach of the Companies Act 71 of 2008. Not only was this action not known to the board and executive management of Schemel G & P Mining Ltd, but it was also unauthorised and absolutely contrary to the code of ethics and culture of both Schemel G & P Mining Ltd and Pheiffer Precious Metals Ltd

Any person with information about suspected crimes or unethical behaviour can contact the ethics line anonymously, and the matter will be investigated. It is an independent line that is running 24 hours a day, 7 days a week by an independent service provider.

Glossary:

**Price fixing is an agreement between competitors to increase, decrease, maintain, or stabilise prices at price levels*

GRADE 12 ACCOUNTING FORMULA SHEET WITH FINANCIAL INDICATORS

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of Sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-operating liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of Sales}} \times \frac{365}{1}$	$\frac{\text{Cost of Sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit Sales}} \times \frac{365}{1}$	$\frac{\text{Average Creditors}}{\text{Cost of Sales/Credit Purchases}} \times \frac{365}{1}$
$\frac{\text{Net Income After Tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net Income After Tax}}{\text{Number of Issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net Income Before Tax + Interest on Loans}}{\text{Average shareholders' equity + Average non-operating liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholder equity}}{\text{Number of Shares Issued}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued Shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividend}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net Income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable cost per unit}}$	
Note: * In this case, if there is a change in the number of shares issued during a financial year, the weighted average number of shares is used in practice.	



Curriculum Provincial Examination
September 2026
Answer Book



Learner's Class

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READ THE INSTRUCTIONS ON THE NEXT PAGE

This answer book consists of 15 pages.

FOLLOW THESE INSTRUCTIONS CAREFULLY

1. Clearly write your name, surname and class in the space provided.
2. Answer ALL the questions in the spaces provided in the ANSWER BOOK ONLY.
3. If you require additional space for your answers:
 - 3.1 Use the additional space provided at the end of the ANSWER BOOK.
 - 3.2 When answering a question in the additional space, indicate clearly the question number in the column on the left-hand side.
4. No pages may be torn from this ANSWER BOOK.
5. Read the instructions in the question paper carefully.
6. Candidates may not retain the ANSWER BOOK or remove it from the examination room.
7. Answers must be written in a dark pencil, blue or black ink as distinctly as possible.
8. Do not write in the margins.
9. Draw a neat line through any work/rough work that must NOT be marked.

QUESTION 1

1.1.1

Calculate: Total depreciation for the year.

WORKINGS	ANSWER
	

9

1.1.2

Calculate: Profit/loss on the sale of the vehicle.

WORKINGS	ANSWER

4

1.2

CORRECT NET PROFIT AFTER TAX FOR THE YEAR ENDED 30 JUNE 2026

Incorrect net profit before tax		1 547 949
Net profit before tax		
Net profit after tax		

1.3 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2026

ASSETS	
NON-CURRENT ASSETS	
Fixed assets	
Fixed deposit	
CURRENT ASSETS	
Inventory	360 000
Trade and other receivables (345 000)	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables (416 000)	
TOTAL EQUITY AND LIABILITIES	

30

TOTAL MARKS

55

QUESTION 2

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 28 FEBRUARY 2026

Balance at the beginning of the year	2 786 200
Net profit after tax	366 480
Ordinary share dividends	
Interim dividend	25 630
Balance at the end of the year	

6

2.2.1 RECONCILIATION OF NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATING ACTIVITIES ON 28 FEBRUARY 2026

Net profit before tax	544 000
Adjustments for:	
Operating profit before changes in working capital	
Changes in working capital	
Increase in inventory	(1 084 000)
Cash generated from operations	

8

2.2.2 **CASH FLOW STATEMENT FOR THE YEAR ENDED
28 FEBRUARY 2026**

Cash effects of operating activities	
Cash generated from operations	
Interest paid	
Cash effects of investing activities	
Changes in investments	(36 300)
Cash effects of financing activities	
Additional loan	64 000

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

2.3.1 Dividend Pay-out Rate

WORKINGS	ANSWER

4

2.3.2 Return on average capital employed

WORKINGS	ANSWER

6

2.3.3 Net asset value per share

WORKINGS	ANSWER

3

TOTAL MARKS
45

SIH Ltd

3.1 Operational Efficiency

3.1.1

Calculate the following financial indicators:

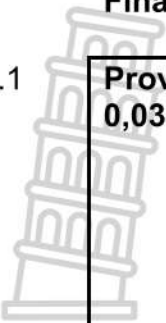
WORKINGS		ANSWER
% gross profit on sales for 2026		2
% operating expenses on sales for 2025		2

3.1.2

The CEO of SIH Ltd is of the opinion that the company's pricing policy is well managed, despite the difficult economic environment. Give TWO financial indicators/financial data to support OR oppose his claim.

3.2 Financing Strategies:

- 3.2.1 Prove by means of a calculation how the risk will increase by 0,03: 1, assuming that no change in shareholder interest will occur.



2

- 3.2.2 Quote ONE financial indicator to prove that the acquisition of this loan will not be in the financial interest of the company, despite the risk increasing only marginally.

Indicator:

Overall Comments:

4

SIH Ltd and NI Ltd

3.3 Return and dividend pay-out policy

3.3.1 The shareholders of SIH Ltd are concerned about their investment in the company. Discuss the following financial indicators and ratios that give them cause for concern.

- Value of the shares

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3

- Earnings and dividend per share

4

- Return on their investment

3

3.3.2

A prospective investor believes that NI Ltd is a better investment option compared to SIH Ltd. Explain why you agree with the investor. Provide TWO points with figures.

Point 1:

Point 2:

4

3.4

Directors: Market valuation and investment confidence

Explain whether the directors of each company should be satisfied with the market price of their shares at the end of the financial year. Provide TWO financial indicators with figures for each company.

SIH Ltd	NI Ltd
	

6

TOTAL MARKS
35

QUESTION 4:

4.1

Explain why it is important for a listed company like Pheiffer Precious Metals Ltd to include information such as Information A as part of their financial reports?



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2

4.2

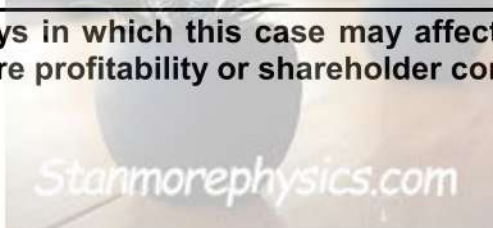
Identify TWO corporate governance issues that arise from this case.



2

4.3

Explain TWO ways in which this case may affect Schemel G & P Mining Ltd's future profitability or shareholder confidence.



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4

4.4

Explain TWO roles of corporate governance mechanisms (such as directors, audit committee, etc.) in preventing and detecting unethical behaviour.

4

4.5

Evaluate whether this response is sufficient to protect investor confidence.

3

TOTAL MARKS

15

TOTAL: 150



Northern Cape Department of Education

PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

**ACCOUNTING
PAPER 1
SEPTEMBER 2026
MARKING GUIDELINES**

MARKS: 150

These marking guidelines consist of 15 pages.

Unless
applied
item (n

Penalti
candid

Unless

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

QUESTION 1:

Calculate: Total depreciation for the year.

9	

Calculate: Profit/loss on the sale of the vehicle.

4	

1.2

CORRECT NET PROFIT AFTER TAX FOR THE YEAR ENDED 30 JUNE 2026

Incorrect net profit before tax	1 547 949	
Provision for bad debts adjustment (35 400 – 35 000)	- 400	✓
Depreciation (660 000✓ – 301 799✓ see 1.1.1) OR (27 000✓ + 10 800✓ see 1.1.1)	+ 358 201 OR -37 000	✓
Loss on sale of asset see 1.1.1	- 3 000	✓
Advertising (29 400 x 3/12)	+ 7 350	✓✓
Director fees (685 000✓ x [200/2 740✓]) #see alternative calculation	- 50 000	✓
Interest expense	(312 000)	✓
Net profit before tax	1 548 100 OR 1 152 899	
Income Tax operation	(464 430) OR (345 869,70 the candidate could round up 345 870)	✓
Net profit after tax		

12

See 1.1.1

$$\# (2x \times 11 \times 1) + (1x \times 6 \times 0,9) = 685\,000$$

$$22x + 5,4x = 685\,000$$

$$27,4x = 685\,000$$

$$x = 25\,000$$

1.3

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2026

ASSETS		
NON-CURRENT ASSETS TA - CA	1 049 049	✓
Fixed assets		
Fixed deposit		
CURRENT ASSETS CL X 1.7	2 062 831	✓
Inventory	360 000	
Trade and other receivables (345 000 + 9 000✓ – 35 400✓ + 7 350✓ Transfer Provision for bad debts. advertising	325 950	✓
Cash and cash equivalents Balancing Figure	1 376 881	✓*
TOTAL ASSETS see Total E+L (8)	3 111 880	✓
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
(132 000 x 95%)✓ x R6.75✓	846 450	✓
Ordinary share capital (132 000 – 6 600) x R2,2✓	275 880	✓
Retained income Balancing figure (7)	570 570	✓
NON-CURRENT LIABILITIES	1 052 000	✓
Loan: Julies Bank alternative (2 400 000✓ – [312 000 x 76/24] ✓) – 360 000✓ (5)	1 052 000	✓*
CURRENT LIABILITIES (10)	1 213 430	✓*
Trade and other payables (416 000 + 9 000✓ + 50 000 directors fees ✓)	475 000	✓*
Current portion of loan	360 000	✓
Shareholders for dividend 462 000/132 000 (R5.5✓ – R3.5✓) x 132 000	264 000	✓#
SARS (Income Tax) (464 430 – 350 000) see 1.2 above (can be trade and other receivables check learner calculation)	114 430	✓✓#
TOTAL EQUITY AND LIABILITIES	3 111 880	

30

* one part correct

Check: if included in T&AP -1 foreign item (max -2); presentation -1 (max -1).

Note Assigning Principle 11 when awarding method marks: Operation as per candidate's calculations, unless specified.

Alternative

Loan							
2026 30 Jun	Bank (312 000 x 100/24)	crj	1 300 000	2025 1 Jul	Balance	b/d	2 400 000
	Balance	c/o	1 412 000		Interest		312 000
			2 712 000				2 712 000
				2026 1 Jul	Balance	b/d	1 412 000

Thus: R1 412 000 – 360 000 = 1 052 000

Marks: 2 400 000✓ [– 1300 000 + 312 000] ✓ = 1 412 000 – 360 000✓

TOTAL MARKS

55

QUESTION 2

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 28 FEBRUARY 2026

Balance at the beginning of the year	2 786 200
Net profit after tax	366 480
Repurchase of shares (65 000 ✓ x [R6,5 – R1,25]✓)	(341 250) ✓*
Ordinary share dividends	(412 630)
Interim dividend	25 630
Final dividend (537 500 x 0,72)	387 000 ✓✓*
Balance at the end of the year must deduct RoS and OSD * operation one part correct	2 398 800 ✓* Check operation from the top

6

2.2.1 RECONCILIATION OF NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATING ACTIVITIES AS OF 28 FEBRUARY 2026

Net profit before tax	544 000
Adjustments for:	
Depreciation (115 500 + 99 000)	214 500 ✓✓
Interest expense (14 322 700 + 64 000 – (150 750 x 12) – 13 656 500) also accept Loan Ledger account as calculation	1 078 800 ✓✓*
Operating profit before changes in working capital	
Changes in working capital	
Increase in inventory	(1 084 000)
Decrease in debtors (3 743 700 – 3 664 900)	78 800 ✓✓*
Increase in creditors (12 680 100 – 11 151 400)	1 528 700 ✓✓*
Cash generated from operations	

8

* operation one part correct

If the amount is in brackets and the calculation is correct award method mark

2.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2026

Cash effects of operating activities	
Cash generated from operations	
Interest paid	
Dividends paid (353 300 + 25 630)	(378 930) ✓
Income tax paid (694 100✓ + 177 520 ✓ + 542 700✓) (5) reversal of signs is also accepted as well as SARS(income tax) ledger account	(1 414 320) ✓
Cash effects of investing activities	
Proceeds from sale of fixed assets (350 000 – 247 900)	102 100 #✓✓
Purchase of fixed assets (21 098 300 – 102 100# – 214 500# see 2.2.1 – 20 987 700✓) reversal of signs also accepted as well as Fixed assets at carrying value ledger account. (6)	(206 000) ✓
Changes in investments	(36 300)
Cash effects of financing activities	
Proceeds from shares issued (122 500 x R6,5)	796 250 ✓✓
Share buy-back (65 000 x R6,5)	(422 500) ✓✓
Loan repayment (1 809 000✓ – 1 078 800#) (7) see interest expense 2.2.1	(730 200) ✓*
Additional loan	64 000

18

* operation one part correct

#See proceeds of sale of fixed assets

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

2.3.1 Dividend Pay-out Rate

WORKINGS	ANSWER
$\frac{\text{Interim} \quad \text{final}}{25\,630 \checkmark + 387\,000 \checkmark \text{ see 2.1}} \times \frac{100}{366\,480 \checkmark} = \frac{100}{1}$	112,6% ☒ one part correct

4

2.3.2 Return on average capital employed

WORKINGS	ANSWER
$\frac{544\,000 \checkmark + 1\,078\,800 \checkmark \text{ see 2.1}}{\frac{1}{2}[915\,000 \checkmark + (2\,786\,200 + 2\,398\,800 \checkmark \text{ see 2.1}) + 27\,979\,200 \checkmark]} \times \frac{100}{1}$ OR $\frac{544\,000 \checkmark + 1\,078\,800 \checkmark \text{ see 2.1}}{\frac{1}{2}[3\,386\,200 \checkmark + (1\,315\,000 + 2\,398\,800 \checkmark \text{ see 2.1}) + 27\,979\,200 \checkmark]} \times \frac{100}{1}$	9,3% ☒ one part correct Learners only receive method mark for answer if they have x½ percentage % is not necessary in answer, however do not accept R of c, then no method mark

6

2.3.3 Net asset value per share.

WORKINGS	ANSWER
$\frac{1\,315\,000 \checkmark + 2\,398\,800 \checkmark \text{ see 2.1}}{537\,500 \checkmark} \times \frac{100}{1}$	690.9 cents ☒ one part correct must be in cents accept R6,91 and 691c

3

TOTAL MARKS

45

QUESTION 3

SIH Ltd

3.1 Operational Efficiency

3.1.1

Calculate the following financial indicators:

WORKINGS

- % gross profit on sales for 2026

$$\frac{\text{R4 926mil.}}{\text{R29 628mil.}} \times \frac{100}{1}$$

ANSWER

16,6%✓✓

2

- % operating expenses on sales for 2025

$$\frac{\text{R2 578mil.}}{\text{R27 979mil.}} \times \frac{100}{1}$$

9,2%✓✓

2

3.1.2

The CEO of SIH Ltd is of the opinion that the company's pricing policy is well managed, despite the difficult economic environment. Give TWO financial indicators/financial data to support OR oppose his claim.

Financial indicator/financial data ✓ ✓ figure with trend ✓ ✓

Opinion for or against ✓

Financial Indicators:

- % Gross profit on cost of sales (mark-up) decreases (from 24,54%) to 19,94% with 18,7%/ with 4,5% points. (support and opposed)
- Sales increased from R27 979mil. to R29 628mil. with R1 649mil. (support)
- Gross profit decreases from R5 514 to R4 926 (opposed).

Opinion for or against with explanation:

There is a significant decrease in profitability despite the increase in sales.

5

3.2 Financing Strategies:

3.2.1 **Prove by means of a calculation how the risk will increase by 0.03 : 1, assuming that no change in shareholder interest will occur.**

R9 735milj. + R350milj. : R11 705milj.

R10 085milj : R11 705milj.

0,86 : 1 ✓

0,86 – 0,83 = 0,03 ✓

Two marks if the learner uses the debt-to-equity ratio plus the new loan.

R350 000 + 9 735 000 000] ✓: R11 705 000 000million✓

2

3.2.2 **Quote ONE financial indicator to prove that the acquisition of this loan will not be in the financial interest of the company, despite the risk increasing only marginally.**

Do not accept the debt-to-equity ratio. Must compare ROTCE to the interest rate on loans.

Indicator:

The return on average capital employed (ROTCE) ✓

decreased from 10.67% in 2025 to 7,58% in 2026/by 3,09% points/by 28,96%. ✓

The company is geared negative as the ROTCE of 7,58% is lower than the interest rate on loans of 9,25%. ✓

Overall Comments:

The interest on the loan will further reduce the company's profits, which have already declined from R2 347mil. in 2025 to R796mil. in 2026. ✓

4

SIH Ltd and NI Ltd**3.3 Return and dividend pay-out policy**

3.3.1 The shareholders of SIH Ltd are concerned about their investment in the company. Discuss the following financial indicators and ratios that give them cause for concern.

- Value of the shares**

figures and trend must be present) ✓

(learners should compare NAV with Market Price)

2025

NAV was R4,75 while the market price was R4,45. The shares were therefore trading below value by R0,30/6,3%.

2026

Not only did the NAV, R4,73, and market price, R2,70, drop from 2025, but the shares are being sold below their value by R2,03/2,9%

There is a large drop in the demand for shares, and the company is experiencing weak investment confidence OR However, the shares have also been diluted as another R5 million worth of shares have been issued.

✓ (overall comment)

3

- Earnings and dividend per share**

EPS decreased from 70.3 cents to 16.7 cents / by 53.6 cents / by 72.2%

✓ (figures and trend must be present)

DPS decreased from 29 cents to no dividend for the current financial year. ✓ (figures and trend must be present)

This is a result of the dividend payout rate that has weakened from 41.25% to 0%. This can be attributed to the net profits that have decreased. ✓

(learners should compare EPS with DPS)

Retaining all earnings in 2026 was a good financial decision in favour of the company, but not necessarily for the investor. However, the shares were also diluted as another R5 million worth of shares were issued. ✓

(overall comment)

4

- Return on their investment**

The return on shareholder equity decreased from 15.03% to 4.15%/by 10.89% points/by 72.46%. ✓ (figures and trend must be present)

The return in 2026 is currently lower than alternative investments ranging from 7% to 9,3% (for the 2026 financial year) ✓. (figures and trend must be present)

(learners should compare ROSHE with current rate of alternative investments or inflation rate).

As a result, the company's net profits declined despite shareholder interest remaining unchanged. ✓ (overall comment)

3

3.3.2

A prospective investor believes that NI Ltd is a better investment option compared to SIH Ltd. Explain why you agree with the investor. Provide TWO points with figures.

Market price and NAV may not be repeated in this question.

✓ ✓ ✓ ✓ per valid point: 1 mark for figures 1 mark for interpretation

Point 1:

NI Ltd's return on average shareholder equity is 18% while SIH Ltd has a return of only 4,15% for 2026.

This is an indication that NI Ltd offers a higher return on investors' investment than SIH Ltd.

Point 2:

NI Ltd.'s EPS is 85 cents and the DPS is 55 cents/with a dividend payout rate of 65%, indicating that investors receive high earnings as well as a regular cash return.

SIH's EPS, 16,7 cents, is lower than NI Ltd's EPS of 85 cents, and their DPS stands at 0 cents, thus a 0% payout rate to investors (see 3.3.1)

Alternative answer worth only 2 marks

This is an indication that NI Ltd not only delivers more return on investors' money, but also offers higher payouts, making NI Ltd a much more attractive investment.

4

3.4

Directors: Market valuation and investment confidence

Explain whether the directors of each company should be satisfied with the market price of their shares at the end of the financial year. Provide TWO financial indicators with figures for each company.

✓✓✓ for SIH Ltd., ✓✓✓ for NI Ltd.

1 mark: Market price with figure

1 mark: NAV with figures

1 mark: Correct Interpretation

A candidate must cite MP with a figure and NAV with a figure for each company to receive full marks.

If a candidate has only mentioned one financial indicator with a figure, assign only one mark in each company.

If a candidate only mentioned a financial indicator with no figures, no marks.

SIH Ltd.	NI Ltd.
The market price of R2,70 is lower than the NAV of R4,73/by R2,03. Market price decreased from R4,45 to R2,70 by R1,75 (39%) and the NAV also decreased from R4,75 to R4,73 by 2 cents (0,4%). Dissatisfied: • Stocks are undervalued • Stocks are low in demand • Poor investor confidence	The market price of R6,20 is higher than the NAV of R4,15/by R2,05. Market price increased from R5,80 to R6,20 by R0,4 (6,9%) and the NAV also increased from R4,00 to R4,15 by R0,15 (3,8%). Satisfied: • Stocks are in demand • Potential investors who are willing to buy shares (investors' trust). • Good image, and positive market confidence.

6

TOTAL MARKS

35

QUESTION 4:

4.1

Explain why it is important for a listed company like Pheiffer Precious Metals Ltd to include information such as Information A as part of its financial reports?

Any ONE valid reason ✓✓

- King IV requires integrated reporting (financial and non-financial information).
- The company must act as a corporate citizen.
- Environmental performance affects long-term sustainability and profitability.
- Stakeholders (investors, public, government) want to know how the company manages the environment.
- To disclose compliance with environmental legislation and risks.
- Transparency about environmental impact builds trust

2

4.2

Identify TWO corporate governance issues that arise from this case.

Any TWO valid reasons (one mark each) ✓ ✓

- Unethical behaviour
- Violation of the Competition Act
- Violation of the Companies Act
- Lack of oversight by the board
- Poor internal control
- Lack of transparency
- Conflict of interest
- Mismanagement by director

2

4.3

Explain TWO ways in which this case may affect Schemel G & P Mining Ltd's future profitability or shareholder confidence.

Any TWO valid reasons ✓✓ ✓✓ (two marks each)

- Fines and legal fees can reduce profits.
- Damage to reputation can cause investors to sell, so the stock price will fall.
- Loss of customers and contracts.
- Less investor confidence; therefore, harder to raise capital.
- Creditors may see higher risk and impose stricter conditions.
- Negative media exposure can reduce market share.

4

4.4

Explain TWO roles of corporate governance mechanisms (such as directors, audit committee, etc.) in preventing and detecting unethical behaviour.

Any TWO valid reasons ✓✓ ✓✓ (two marks each)

- The board oversees management's conduct.
- Audit Committee monitors financial reporting and internal control.
- Ethics Committee promotes ethical culture.
- The ethics line makes it possible to safely report unethical behaviour.
- Independent investigations ensure objectivity.
- Internal audit detects irregularities.
- Accept any relevant answer.

4

4.5

Evaluate whether this response is sufficient to protect investor confidence.

Candidates must take a stand (YES or NO) and prove it.

Identify YES/NO ✓

A **valid reason** based on the information given that corresponds to point of view ✓✓

Acceptable answers include:

YES

- The company has shown transparency by making the matter public.
- They established an independent ethics line and investigation.
- This shows that they take unethical behaviour seriously.

NO

- No evidence of disciplinary action against culprits was given.
- Mere statements are not enough to restore trust.
- The case could still have legal ramifications that will deter investors.

3

TOTAL MARKS

15

TOTAL: 150