GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2026

ACCOUNTING

(PAPER 1)

TIME: 2 hours

MARKS: 150

ACCOUNTING P1

C2711E

X05

10 pages + a formula sheet and a 9-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 or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Figures are NOT required in grey shaded areas.
9. Write neatly and legibly.
10. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Company Financial Statements	50	40
2	Cash Flow Statement and Financial Indicators	46	37
3	Interpretation of Financial Statements	34	27
4	Corporate Governance and Audit Report	20	16
TOTAL		**150**	**120**

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

SEKWATI LIMITED

The information relates to the financial year ended on 28 February 2026.

REQUIRED:

1.1 Prepare the Statement of Comprehensive Income for the financial year ended 28 February 2026. (34)

1.2 Prepare the EQUITY AND LIABILITIES section of the Statement of Financial Position as at 28 February 2026. Show workings in brackets. (16)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

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

	28 Feb. 2026 (R)	28 Feb. 2025 (R)
Equipment	270 000	?
Accumulated depreciation on equipment	?	162 000
Ordinary share capital	2 100 000	
Retained income	797 000	
Loan: Link Bank (10% p.a.)	423 200	?
Trading stock	189 450	
Provision for bad debts	?	5 820
SARS: Income tax (provisional tax)	277 785	
Creditors' control	234 500	
Accrued expense (Directors' fees)	160 000	
Bank overdraft	?	
Shareholders for dividends	211 600	235 200
Sales	?	4 800 000
Cost of sales	3 750 000	
Salaries and wages	202 706	
Commission income	420 000	
Audit fees	121 700	
Depreciation (on vehicles)	19 150	
Rent income	154 950	
Discount received	32 700	
Directors' fees	?	
Insurance	31 400	
Interest income	?	
Ordinary share dividends	187 000	

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

- The business appointed two marketing officers on 1 March 2025 who will earn a commission of 7% on sales.
- The physical stock count on 28 February 2026 revealed stock on hand to be R160 050.
- The bank statement received from Link Bank on 28 February 2026 revealed the following:

  Credit card levies of R550
  EFT payment to creditor, R7 200 (This was 90% of the amount to settle the outstanding amount.)
- On 31 October 2025 new equipment with a cost price of R90 000 was purchased. This has been properly recorded. Depreciation on equipment is calculated at 15% p.a. on the cost-price method.
- An additional insurance policy was taken out on 1 November 2025 to cover new equipment purchased. The premiums of the new policy were paid until 31 March 2026, R8 250. The bookkeeper has recorded all the payments to date.
- Rent has been fixed for the past two years. On 1 June 2025, a deposit of R4 950 was received upon the occupation of a second office at the same rate. Rent for March and April 2026 has been received for both offices.

  NOTE: The deposit is included in the rent income.
- The company had one director at the beginning of the year. He was paid until 31 December 2025. A new director who was appointed on 1 November 2025 was paid his total directors' fees of R260 000.

  NOTE: The two directors do not earn the same monthly directors' fees.

C. The provision for bad debts must be increased by R860.

D. Loan: Link Bank

- Capitalised interest amounts to R5 400 per month. Interest has not yet been recorded.
- The capital repayment on the loan for the financial year amounted to R104 400. This will remain the same until the loan is fully repaid.

E. After the final taxation for the year was calculated, there was a refund of R36 600 due to the company from SARS.

F. The dividend pay-out rate for the year ended 28 February 2026 was 40% after all transactions were correctly recorded.

G. After the above have been taken into account, the current assets amounted to R1 305 000. The current ratio was calculated as 1,6 : 1.

50

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(46 marks; 37 minutes)

You are provided with information related to Big Show Limited, a public company, for the financial year ended 31 March 2026.

REQUIRED:

2.1 Prepare the Retained Income Note on 31 March 2026. (10)

2.2 Calculate the following amounts for the Cash Flow Statement:

2.2.1 Taxation paid (4)

2.2.2 Operating profit before changes in working capital (5)

2.3 Complete the following sections of the Cash Flow Statement:

2.3.1 Investing activities (9)

2.3.2 Financing activities (4)

2.4 Calculate the following financial indicators for the year ended 31 March 2026:

2.4.1 % operating profit on sales (2)

2.4.2 Acid-test ratio (4)

2.4.3 Solvency ratio (4)

2.5 The directors decided to make a large repayment on the mortgage bond. Mention TWO sources of funding for this repayment. Quote figures. (4)

INFORMATION:

A. Shares and dividends:

DATE	SHARES AND DIVIDENDS
• 1 April 2025	1 600 000 shares were in issue.
• 30 June 2025	12% of the ordinary shares in issue were repurchased from a disgruntled shareholder. Total amount spent, R1 584 000.
• 30 September 2025	Interim dividends paid, R563 200.
• 31 March 2026	Final dividends were declared to all shareholders in the share register.

B. Extract from the Statement of Comprehensive Income for the year ended 31 March 2026:

	R
Sales	8 100 000
Cost of sales	5 000 000
Depreciation	85 000
Operating profit	2 824 000
Interest on fixed deposit	78 000
Interest on loan	102 000
Income tax	840 000
Net profit after tax	1 960 000

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

(i)

	2026	2025
Ordinary share capital		12 640 000
Retained income	2 809 800	1 691 400
Current assets	3 400 000	5 522 400
Current liabilities	1 188 950	
Fixed deposit: Ezzy Equity	0	**?**
Fixed assets at carrying value	12 946 950	12 116 950
Total liabilities	2 413 950	4 282 950
Mortgage bond	1 225 000	2 300 000

(ii)

	2026	2025
Inventories	1 100 000	1 400 000
Trade and other receivables	1 750 000	2 282 400
Trade and other payables	1 188 950	1 912 950
SARS (Income tax)	50 000 **Dr**	70 000 **Cr**
Bank		

D. Financial indicators

	2026	2025
Earnings per share	80 cents	61 cents
Dividends per share	55 cents	67 cents

E. Fixed assets

The building was sold at carrying value during the financial year, R995 000.
Equipment was purchased during the financial year.

F. Financial assets

Fixed deposit matured on 31 March 2026. Interest rate on fixed deposit is 8% p.a.
The company had only one fixed deposit.

QUESTION 3: INTERPRETATION OF FINANCIAL STATEMENTS

(34 marks; 27 minutes)

3.1 Choose the appropriate term from the list provided below that describes the following phrases. Write only the term next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

Return on shareholders' equity; liquidity; solvency; Return on capital employed; profitability; net asset value

3.1.1 It indicates whether long-term loans benefit the company.

3.1.2 The business's ability to pay off short-term debts in the next financial year

3.1.3 The benefits that shareholders receive from the money invested in a company

(3 x 1) (3)

3.2 **COCOMEL LTD**

You are provided with information relating to Cocomel Ltd, a public company, for the financial year ended 30 April 2026.

REQUIRED:

NOTE: Provide figures, trends, financial indicators or calculations in EACH case to support your comments and explanations.

3.2.1 **Profitability:**

Quote and explain TWO financial indicators to show that the company is NOT managing its expenses efficiently. (4)

3.2.2 **Liquidity:**

Some shareholders are satisfied with the control of working capital of the company. Quote THREE financial indicators, with figures, to support this. (6)

3.2.3 **Dividends, Returns and Earnings:**

- Comment on the dividend pay-out policy. Provide ONE point with figures. (3)

- A shareholder wants to sell his shares to invest in a 5-year fixed deposit account at his bank. Explain whether this is a wise decision. (3)

3.2.4 **Risk and gearing:**

Provide advice to the board of directors on whether they should issue more shares or take an additional long-term loan to fund the company's operations. Quote TWO financial indicators with figures. (6)

3.2.5 **Share capital and % shareholding: Refer to Information B and C.**

The CEO, Judy Cranek, currently owns 46% of the shares issued after the repurchase of shares on 30 September 2025. The board of directors has decided to issue all the unissued shares in March 2026.

- Calculate the minimum number of shares that Judy must buy in March 2026 to gain control of the company. (5)

- Judy wants to purchase the additional shares at R8,50. Give TWO reasons why you would NOT support her. (4)

INFORMATION:

A. Financial indicators calculated on 30 April:

	2026	2025
% operating expenses on sales	22,8%	20,5%
% operating profit on sales	17,2%	19,8%
% mark-up	60%	60%
% net profit on sales	20,9%	20,8%
Current ratio	2,3 : 1	1,6 : 1
Debtors' collection period	35 days	30 days
Creditors' payment period	55 days	60 days
Stockholding period	60 days	102 days
Stock turnover rate	8 times	5 times
Earnings per share	158 cents	130 cents
Dividends per share	169 cents	90 cents
Dividend payout rate	107%	69%
Net asset value per share	1 050 cents	950 cents
Debt-equity ratio	2,5 : 1	0,8 : 1
% return on capital employed	10,2%	12,7%
% return on average shareholders' equity	20,9%	18%

B. Additional information on 30 April:

	2026	2025
Market price of shares on stock exchange	1 590 cents	1 340 cents
Interest on loan	13%	13%
Interest on alternative investment	11%	9%

C. Issue and repurchase of shares:

	NO. OF SHARES
Authorised shares	**?**
Number of shares in issue on 1 May 2025 (70% of authorised shares)	2 100 000
Number of shares repurchased on 30 September 2025	310 000
Number of shares in issue on 30 April 2026	**?**

QUESTION 4: CORPORATE GOVERNANCE AND AUDIT REPORT

(20 marks; 16 minutes)

4.1 Choose a description from COLUMN B that matches the concept in COLUMN A. Write only the correct letter (A – D) next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
4.1.1 Nominations committee	A Experts who provide guidance and recommendations to an organisation or governing body
4.1.2 Audit committee	B Responsible for identifying and recommending suitable candidates for the board of directors and key executive positions
4.1.3 Advisory committee	C They serve on the Board of Directors but do not work at the company
	D Oversees the company's financial reporting, internal controls, and external audit process

(3 x 1) (3)

4.2 CORPORATE GOVERNANCE

Read the extract below carefully and answer the questions that follow. Use your general knowledge of companies and corporate governance to support your answers, if necessary.

Jelle Logistics, a medium-sized company specialising in the shipping of containers and the storage of different movable assets, is experiencing issues with its fixed asset management system. There are no standardised procedures for recording fixed assets (purchased and hired), and staff are not consistently following established protocols. The company is considering issuing additional shares to raise funds to build an additional storage facility.

4.2.1 What document is used by a public company to offer new shares to the public? (1)

4.2.2 How can Jelle Logistics improve its fixed asset management system? Provide TWO points. (4)

4.2.3 What is the role of the board of directors in corporate governance? Provide TWO points. (4)

4.3 AUDIT REPORT

An extract of the audit report of Katty Limited is provided below.

REQUIRED:

4.3.1 Why does the Companies Act make it a requirement for public companies to be audited by an independent auditor? Provide TWO points. (4)

4.3.2 What is the significance of the reference to CA (SA)? (2)

4.3.3 What action would Dossy & Vuyi Associates have to perform to verify the donations and advertising figures in the financial statements? Provide ONE point. (2)

Basis for our opinion

A donation of R900 000 and advertising expenses of R288 000 could not be verified since the relevant documentation was missing.

Audit opinion

Because of the significance of this matter, we have not been able to obtain sufficient audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial statements of Katty Limited.

Dossy & Vuyi Associates, CA (SA)

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TOTAL: 150

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

NOTE:

* In this case, 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.