LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1
JUNE 2026

MARKS: 150

TIME: 2 hours

MYEACCNP1

This question paper consists of 12 pages, a formula sheet and 11-page answer book.

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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL 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 questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a **guide** when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Company Financial Statements	60	50
2	Cash Flow Statement, and Financial Indicators	40	30
3	Interpretation of Company Financial Information	35	30
4	Audit Report and Corporate Governance	15	10
TOTAL		**150**	**120**

QUESTION 1: COMPANY FINANCIAL STATEMENTS (60 marks; 50 minutes)

BOUTIQUE LTD

The information relates to Boutique Ltd, which sells clothes and materials and provides sewing services for the year ended 28 February 2026.

REQUIRED:

1.1 Finalise the following notes to the Financial Statements for the year ended 28 February 2026:

1.1.1 Ordinary Share Capital (10)

1.1.2 Retained Income (8)

1.1.3 Trade and other Receivables (10)

1.2 Complete the Statement of Financial Position. (32)

INFORMATION:

NOTE: SOME AMOUNTS ARE PROVIDED IN THE ANSWER BOOK

A Extract: Balances from the Financial Statements on 28 February 2025

Balance Sheet Section	**R**
Ordinary share capital (at R6,25 per share)	?
Retained income	6 410 000
Shareholders for dividends (25c per share)	1 875 000
Accrued expenses for February 2025: Water and Electricity	12 400

B Extract: Balances/ Totals from the Pre-Adjustment Trial Balance on 28 February 2026

Balance Sheet Section	**R**
Trading stock	8 602 400
Debtors' control	3 260 000
SARS: Income tax (provisional payment)	645 000 Dr.
Loan: Derby Bank (9% per annum)	750 000
Creditors control (Including Accrued expense; Water and Electricity for February 2025)	7 252 400
Nominal Accounts Section	
Sales	37 900 500
Cost of sales	12 571 000
Debtors' allowances	187 500
Discount allowed	32 500
Fee income (from sewing services)	1 256 000
Rent income	251 250
Packing material	48 600
Water and electricity	176 500
Advertising	213 500
Interest expense	72 000
Directors' fees	312 000
Ordinary share interim dividends	1 612 500
Net profit after tax	2 226 000

C Shares and dividends:

DATE	**DETAILS OF SHARES AND DIVIDENDS**
	10 000 000 shares authorised
1 March 2025	? Ordinary shares at the beginning of the year.
1 May 2025	1 500 000 ordinary shares issued for R11 175 000.
31 December 2025	500 000 Shares repurchased at R8,00 each.
28 February 2026	Final dividend of R2 635 000 declared but not yet paid.

D

- Mark-up of 200% on the cost of all goods is added.
- Current ratio is 1,3 : 1

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E Additional information and adjustments that still need to be considered:

(a) An amount of R14 000 is still owed by a customer for several outfits that were sewn for her in February 2026.

(b) The bookkeeper had forgotten to reverse the accrued water and electricity expenses at the beginning of the year. The water and electricity account for February 2026 has been received, but has not been paid. It was 25% more than the account of February 2025.

(c) The business had forgotten to pay the 3-month advertising contract of R64 500 for the period January to March 2026. The payment was made on 27 February 2026 but has not yet been recorded.

(d) The bank statement on 28 February 2026 revealed the following, which still needs to be recorded:
- Bank charges R890
- A debtor had made a direct deposit of R7 500 to settle his account of R8 000.

(e) Goods that would have been sold for R18 000 were returned to a credit supplier as they were damaged. The supplier charged Boutique Limited R150 for collecting the goods.

(f) While reconciling the annual physical stocktaking figures, it was discovered that;
- Packing material worth R4 000 has been ordered and paid for but has not yet been delivered by the supplier.
- Packing material used during the year amounted to R41 200.

(g) Provision for bad debts must be decreased to R95 200.

(h) Rent income:
- A new tenant started renting a premise from Boutique Ltd on 1 March 2025. The tenant paid a refundable deposit for breakages of R24 000. The deposit was received but not recorded.
- Since 1 November 2025, the tenant downsized their shop space, and as such, the rent was decreased by R1 750 per month. The rent is received one month in advance.
- An amount of R2 000 was refunded from the original deposit due to the decrease in rent. The payment has been made but not recorded.

(i) The company has four directors, each of whom earns R100 000 in directors' fees each year. Not all directors have been paid in full, as the bookkeeper was unsure of how to record the following, and thus no entries have been made:
- A director took stock with a cost price of R8 000 for her own use.
- An old vehicle with a book value of R30 000 was sold to a director for R35 000.

(j) The loan is repaid annually in quarterly instalments of R25 000 each, excluding interest. Interest is not capitalised.

(k) After the annual income tax was calculated, an amount of R309 000 was still owed to SARS.

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QUESTION 2: CASH FLOW STATEMENT, AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

2.1 ELLIS LTD

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

REQUIRED:

2.1.1 Complete the note for: "Reconciliation between net profit before tax and cash generated from operations" to the Cash Flow Statement. (7)

2.1.2 Conclude the Cash Flow Statement on 28 February 2026. (25)

2.1.3 Calculate the following on 28 February 2026:

NOTE: Where applicable, show ALL calculations to ONE decimal point.

- % Mark-up (4)
- % Return on average Shareholders' Equity (ROSHE) (4)

INFORMATION:

A Extract from the Statement of Comprehensive Income on 28 February 2026:

Sales	7 650 000
Cost of sales	3 220 000
Depreciation	615 000
Interest on loans	?
Income tax (30%)	?
Net profit after tax	1 631 000

B Extract from the Statement of Financial Position on 28 February:

	2026	2025
Fixed assets (carrying value)	12 600 000	10 800 000
Fixed deposit	300 000	[redacted]
Loan: Mogwase Bank	6 500 000	?
Inventories	5 430 000	?
Trade debtors	?	2 240 000
Trade creditors	4 105 000	3 640 000
Accrued expenses (Insurance)	12 000	9 000
Bank	0	126 000
Petty Cash	10 000	7 000
Shareholders' equity	12 124 000	10 249 600
SARS: Income tax	18 000 **Cr**	11 000 **Dr**
Shareholders for dividends	510 000	265 000
Bank Overdraft	84 000	0

C Fixed assets:

- A new warehouse and equipment for the **warehouse were** purchased during the year.
- An old vehicle was sold at carrying value; **R420 0**00.

D Share capital and dividends:

DATE	DETAILS OF SHARES AND DIVIDENDS
	3 000 000 authorised ordinary shares
1 March 2025	2 400 000 shares in issue at R16 800 000
30 September 2025	Total dividends paid: R800 000; as it appears in the Cash Flow Statement.
31 January 2026	Additional shares were issued for R2 053 000
1 February 2026	30 700 shares were repurchased at R10 per share

E Loan and interest:

- Total interest capitalised: R 740 000
- Repayments for the year, including interest: R1 400 000

F Working capital:

- The change in trade and other receivables resulted in the cash inflow of R154 000.
- Inventories increased by R675 000.

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QUESTION 3: INTERPRETATION OF COMPANY FINANCIAL INFORMATION

(35 marks; 30 minutes)

3.1 **CONCEPTS:**

Match the financial indicator in COLUMN A with the most appropriate interpretation in COLUMN B. Write only the letter (A–D) next to the question number (3.1.1–3.1.5) in your ANSWER BOOK. (5)

COLUMN A		COLUMN B	
3.1.1	Current Ratio	**A**	Measures how effectively the company generates profit from shareholders' funds.
3.1.2	Debt-equity ratio	**B**	Indicates the company's ability to pay short-term debts.
3.1.3	Return on shareholders' equity	**C**	Shows the proportion of borrowed funds compared to owners' equity.
3.1.4	Dividend payout rate	**D**	Indicates the percentage of earnings distributed to shareholders.
3.1.5	Solvency	**E**	To reflect the performance of a company in terms of its gross, operating and net profit.
		F	Indicates the company's ability to pay all its debts.

3.2 **ORBIT LTD AND NOVA LTD**

Thabo Mokoena inherited R5,6 million five **years** ago and invested R2,8 million in each of the following companies:

COMPANY DETAILS	INVESTMENT AMOUNT
ORBIT LTD	
400 000 shares at R7 per share	R2,8 million
NOVA LTD	
100 000 shares at R28 per share	R2,8 million

Thabo has approached you for **advice** regarding his investments.

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

- Quote financial indicators and trends with figures
- Give a reason or an explanation for the financial indicators quoted
- Where applicable, show ALL calculations to ONE decimal point.

REQUIRED:

3.2.1 Assess the liquidity position of BOTH companies. State which company has the stronger liquidity and quote TWO relevant financial indicators. (4)

3.2.2 Comment on the level of risk and gearing of BOTH companies. Quote TWO relevant financial indicators in your answer. (6)

3.2.3 Compare the dividend payout rates of the TWO companies and explain why the directors of EACH company may have decided on their payout rate. (4)

3.2.4 Evaluate the performance of ORBIT LTD in terms of its Return on Shareholders' Equity. Give ONE reason why shareholders are likely to be satisfied. (4)

3.2.5 Analyse the market value of NOVA LTD.'S shares. Explain TWO observations based on the information provided. (4)

3.2.6 Thabo wants to increase his investment in ORBIT LTD to become the majority shareholder. Calculate the amount he will need to pay for the additional shares required, at the current market price. (4)

3.2.7 Thabo wants to convince the directors of ORBIT LTD to let him buy the shares he needs to become the majority shareholder, at the current net asset value, without advertising them to the public. As an existing shareholder, why would you not be satisfied with this arrangement? Explain. Provide TWO points. (4)

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INFORMATION:

Financial Indicators and other data of Orbit Ltd and Nova Ltd:

	ORBIT LTD		NOVA LTD	
	2026	**2025**	**2026**	**2025**
Total number of issued shares	1 100 000 shares		700 000 shares	
Shares originally bought by Thabo	400 000 shares		100 000 shares	
Price per share (originally invested)	R7 per share		R28 per share	
Thabo's % shareholding	36%		14%	
Current market value per share	R12,50		R18,80	
Ordinary share capital	R9 900 000		R11 900 000	
Retained income	R1 890 000		R600 000	
Long-term loan	R9 432 000		R2 500 000	
Current ratio	1,7 : 1		4,2 : 1	
Acid-test ratio	0,9 : 1		3,6 : 1	
% Operating profit on sales	16%	16%	14%	18%
Debt: Equity ratio	0,8 : 1		0,2 : 1	
Net asset value per share	R10,72		R17,86	
Earnings per share (EPS)	273 cents	233 cents	171 cents	266 cents
Dividends per share (DPS)	110 cents		200 cents	
% Return on shareholders' equity	25%	14%	9%	15%
% Return on capital employed	20%	12%	10%	14%
Interest rate on loans	13%	13%	13%	13%
Interest rate on fixed deposits	6%	6%	6%	6%

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QUESTION 4: AUDIT REPORT AND CORPORATE GOVERNANCE (15 marks; 10 minutes)

BRIGHT FUTURE LTD

Bright Future Ltd is a public company listed on the JSE. The company received the independent auditor's report below for the financial year ended 28 February 2026.

REQUIRED:

4.1 Identify the type of audit opinion expressed in the audit report. (1)

4.2 Explain TWO possible consequences of this audit report for the shareholders of Bright Future Ltd. (4)

4.3 Explain the TWO main differences between internal auditors and external auditors. Mention TWO points in each case. (4)

4.4 Suggest TWO internal control measures the company could implement to improve control over cash receipts. (4)

4.5 Explain how the board of directors should apply the King Code principles of ethical leadership and effective control to address the weaknesses identified. Mention any TWO points. (2)

INFORMATION:

Independent auditor's report for the financial year ended 28 February 2026:

"In our opinion, except for the effects of the matter described in the "Basis for Opinion" paragraph, the financial statements present fairly, in all material respects, the financial position of Bright Future Ltd in accordance with IFRS."

The "Basis for Opinion" paragraph stated that there were material weaknesses in internal control over cash receipts. Supporting documentation for certain cash transactions could not be verified.

During the year, the internal audit department reported concerns about poor division of duties in the finance department. The audit committee met only twice during the financial year.

A shareholder raised concerns at the AGM that the board may not be fully applying the principles of ethical leadership and effective control as recommended by the King Code of Corporate Governance.

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TOTAL 150 MARKS

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)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

NOTE:

1. Trading stock at the end of a financial year may be used if required in a question. 365 days is applicable only if relevant to the whole year.
2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).
3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.

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