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NATIONAL SENIOR CERTIFICATE

GRADE 12

JUNE 2026

ACCOUNTING P1

MARKS: **150**

TIME: **2 hours**

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

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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. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME (minutes)
1	Company Financial Statements	60	55
2	Cash Flow Statement and Financial Indicators	40	30
3	Concepts and Interpretation of Financial Statements	35	25
4	Corporate Governance	15	10
	TOTAL	**150**	**120**

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QUESTION 1: COMPANY FINANCIAL STATEMENTS (60 marks; 55 minutes)

The following information was taken from the accounting records of Talison Ltd. The financial year ended on 28 February 2026. The business trades with luxury travelling bags.

REQUIRED:

1.1 **Refer to Information A and B.**

Calculate the carrying value of fixed assets on 28 February 2026. (11)

1.2 Prepare the Retained Income Note. (7)

1.3 Prepare the Statement of Comprehensive Income for the year ended 28 February 2026. (20)

1.4 Prepare the Statement of Financial Position on 28 February 2026. (22)

NOTE:
- Some amounts have been entered in the ANSWER BOOK.
- Missing figures in the shaded areas must not be filled in.
- Show ALL workings in brackets.

INFORMATION:

A. Tangible Assets:

	Land and Buildings	Vehicles	Equipment
Cost		1 050 000	596 000
Accumulated depreciation			(304 000)
Carrying value (1 March 2025)	26 488 000	628 750	**?**
Movements			
Additions	0	0	114 000
Disposals	(398 000)	(270 625)	0
Depreciation		**?**	(104 000)
Carrying value (28 February 2026)	**?**	**?**	**?**
Cost		600 000	710 000
Accumulated depreciation			

- Depreciation is calculated as follows:
  - on vehicles at 15% p.a. on cost
  - on equipment at 20% p.a. on diminishing balance method

- A vehicle was sold on 30 November 2025 for R295 625. Accumulated depreciation on this vehicle was R128 750 on 1 March 2025.

- An unused portion of land was sold on 30 June 2025.

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B. Extract from the accounting records on 28 February:

	2026 R	2025 R
Balance Sheet Accounts		
Fixed deposit: Tshongolene Bank	?	
Ordinary share capital	18 400 000	16 800 000
Retained Income	?	4 018 500
Fixed assets (carrying value)	?	
Loan: Twist Bank	?	?
SARS: Income Tax (provisional tax payments)	2 850 750	
Creditors' Control	1 351 000	
Shareholders for dividends	?	260 000
Debtors control	5 674 300	
Trading Stock	2 152 800	
Provision for bad debts		19 475
Bank (unfavourable)	?	
Nominal Accounts		
Sales	?	
Cost of Sales	?	
Directors' fees	1 065 000	
Rent Income	115 175	
Audit fees	66 725	
Ordinary share dividends	300 000	
Bad debts	10 160	

C. Adjustments and additional information:

(i) The mark-up achieved is 140% on cost. The correct gross profit on 28 February 2026 is R12 188 750.

(ii) Talison Ltd uses FIFO method to value a set of their newly introduced luxury bags. The closing stock of these goods was omitted on the final stock figures in the extract in information B. Its records are as follows:

	Quantity (units)	Unit Price	Total Cost
Stock on hand on 1 March 2025	400	R450	R180 000
Purchases during the year	**4 420**		**2 168 600**
10 March 2025	1 020	R480	489 600
18 July 2025	1 400	R485	679 000
05 November 2025	2 000	R500	1 000 000
Returns	120	R500	
Stock on hand on 28 Feb. 2026	620		

(iii) Rent was increased by 10% on 1 September 2025. The tenant was unhappy about the increase and threatened to vacate the building a few months after the increase because he felt that the increase was above the inflation rate. Talison agreed to reduce the increase to 5% with effect from 1 January 2026. Rent for March was also received and recorded.

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(iv) Received and recorded R4 510 from the insolvent estate of a debtor which paid out 55 cents in rand. The rest must be written off as bad debts.

(v) Talison Ltd has paid 85% of audit fees. Provide for the outstanding fees.

(vi) Talison Ltd had three directors earning the same fee at the beginning of the financial year. Two more directors were appointed on 1 October 2025, each earning a monthly fee of R6 000 less than the existing directors. Two of the three directors were paid in advance from the beginning of the year their fees for March and April 2026.

(vii) Provision for bad debts must be increased to R21 710.

D. A fixed deposit of R468 750 will mature on 1 July 2029. This is 75% of the current fixed deposit. The rest will mature on 31 July 2026.

E. The loan from Twist Bank will be reduced by a capital portion of R572 000 in the 2027 financial year.

F. The following indicator was calculated on 28 February 2026 after all adjustments were processed:

- Debt-equity ratio 0,2 **:** 1

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

H. Share capital and dividends:

Date	Details
1 March 2025	70% of the authorised share capital of 1 600 000 ordinary shares were in issue.
31 July 2025	120 000 ordinary shares were repurchased from a disgruntled shareholder for R2 250 000 and would no longer qualify for dividends.
31 August 2025	An interim dividend was paid.
31 October 2025	200 000 ordinary shares were issued.
28 February 2026	A final dividend of 46 cents per share was declared.

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QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

The information relates to Abukwe Ltd for the financial year ending 28 February 2026.

REQUIRED:

2.1 Complete the Reconciliation of Profit before taxation and Cash generated from operations note on 28 February 2026. (11)

2.2 Prepare the following sections of the Cash Flow Statement for the year ended 28 February 2026.

- Cash flow from operating activities (6)
- Cash flow from financing activities (4)
- Net change in cash and cash equivalents (4)

2.3 Calculate the following financial indicators on 28 February 2026:

- % return on average shareholders' equity (ROSHE) (4)
- Earnings per share (EPS) (3)
- Acid-test ratio (4)
- % operating expenses on sales (2)

2.4 **Refer to information B and C**.

The business is considering building its own premises for R2,5 million instead of renting one from Primadle Properties' buildings in Durban.

What funding options can the company consider, without taking out an additional loan? Provide TWO sources with figures. (2)

INFORMATION:

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

Sales	5 035 800
Depreciation	R401 000
Operating expenses	1 107 876
Interest on loan	R77 300
Net profit after tax	1 405 600
Income tax	30%

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B. Extract from the Statement of Financial Position as at:

	28 February 2026	29 February 2025
	R	R
Shareholders' Equity	5 683 000	4 940 300
Ordinary share capital	4 650 000	
Retained Income	1 033 000	
Fixed assets (at carrying value)	5 244 000	3 936 000
Financial assets (Fixed Deposit)	1 400 000	1 650 000
Loan: East Bank (9% per annum)	850 000	545 000
Current Assets	1 014 230	1 067 600
Cash and cash equivalents	8 200	124 500
Inventories	558 230	436 000
Trade and other receivables	450 720	507 100
SARS (Income Tax)	24 080	0
Current Liabilities	1 125 230	1 168 300
Creditors control	542 000	650 000
Income received in advance (Rent)	-	19 000
Accrued expenses (Audit fees)	40 020	-
SARS (Income Tax)	0	28 400
Bank overdraft	51 710	0
Shareholders for dividends	466 500	437 000

C. Additional information:

(i) **Fixed assets:**

- During the year, the company purchased new equipment.
- The company sold an old vehicle at its book value of R150 000.

(ii) **Shares and Dividends:**

- The average price of shares on 1 March 2025 was R3,00 per share.
- No shares were repurchased during the year.
- 450 000 shares were issued on 1 July 2025. The issue price was 25% above the current average price of shares.
- Interim dividends of R385 000 were declared and paid to shareholders on 31 October 2025.
- A final dividend was declared at the end of the year.
- 1 700 000 shares were in issue on 28 February 2026.

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QUESTION 3: CONCEPTS AND INTERPRETATION OF FINANCIAL INFORMATION
(35 marks; 25 minutes)

DODO LTD and POKOLINA LTD

NOTE: Where **comments or explanations** are required, you should:
- Quote financial indicators and trends with figures
- Give a reason or explanation for the financial indicators quoted

REQUIRED:

3.1 Choose the category of indicators from the list given that matches the following descriptions. Write only the name of the category next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

Solvency; Liquidity; Return to Shareholders; Operating Efficiency; Risk and Gearing

3.1.1 Is the business managing its expenses effectively to increase profitability?

3.1.2 Will the company be able to pay off its current debts?

3.1.3 Is the investment in the company better than investing in a fixed deposit? (3)

3.2 **Operating efficiency:**

Comment on the operating efficiency of ONE company that showed an improvement in managing its expenses. Quote TWO financial indicators. (4)

3.3 **Liquidity:**

Explain how the credit policy has improved the liquidity of Dodo Ltd. Quote TWO financial indicators. (4)

3.4 **Dividends, earnings and returns:**

- Comment on the dividend pay-out policy of Dodo Ltd and Pokolina Ltd. Which company's change in policy is irresponsible and why? (8)
- Should the percentage return earned by Pokolina Ltd satisfy the shareholders? Explain by quoting a relevant financial indicator. (4)

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3.5 **Share price:**

Comment on the reasons for the current performance of the share price for each company on the Johannesburg Securities Exchange (JSE). Provide TWO financial indicators. (6)

3.6 **Shareholding of Tobile Lester in both companies:**

Provide a calculation to show the effect which the purchase of shares in Pokolina had on Tobile's percentage shareholding. (4)

3.7 **Financing strategy:**

Dodo Ltd has decided not to increase the loan any further but to repay a large part of the loan during the 2026 financial year.

Comment to confirm this statement. Provide ONE financial indicator. (2)

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INFORMATION:

A. Background information:

The information relates to Dodo Ltd and Pokolina Ltd, operating in the same industry, for the year ended 28 February 2026.

BACKGROUND INFORMATION:

- Both companies operate in the forestry industry. The financial year ends on the last day of February each year.
- Tobile Lester, the head of Human Resources, is a shareholder in both companies. On 1 September 2025, she convinced the board of directors of Dodo Ltd to repurchase 150 000 of her shares. She used the money received to purchase additional shares in Pokolina Ltd.

NOTE: These transactions took place at the beginning of the financial year.

B. Share capital:

	Dodo Ltd		Pokolina Ltd	
	2026	**2025**	**2026**	**2025**
Total number of shares in issue	650 000	800 000	1 000 000	850 000
Shares owned by Tobile	**?**	401 000	**?**	400 000
% Shareholding in each company	**?**	50,1%	**?**	47,06%

C. Financial indicators, market prices and interest rates of shares:

	DODO LTD		POKOLINA LTD	
	Feb. 2026	**Feb. 2025**	**Feb. 2026**	**Feb. 2025**
Shareholders Equity	R12 500 000	R15 500 000		
% operating expenses on sales	16,1%	22,3%	21,9%	14,4%
% net profit after tax on sales	15,8%	11,2%	10%	12,5%
Debtors collection period	30 days	38 days		
Creditors payment period	60 days	50 days		
Current ratio	2,1 : 1	2,0 : 1		
Stock turnover rate	4 times	4 times		
Debt-equity ratio	0,3 : 1	0,5 : 1	0,8 : 1	0,5 : 1
% return on capital employed	20,6%	17,0%	19,8%	15,2%
% return on shareholders' equity	15,3%	12,7%	16,9%	13,1%
Net asset value per share	169 cents	156 cents	509 cents	537 cents
Earnings per share	112 cents	96 cents	216 cents	195 cents
Dividends per share	134 cents	78 cents	138 cents	92 cents
Dividend pay-out rate	119,6%	81,3%	63,9%	47,2%
Interest on alternative investment	14%		14%	
Market price of shares	153 cents		550 cents	
Interest rate on loans	9%	9%	9%	9%

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

You are provided with an extract from an article about fraudulent corporate accounting activities.

Answer the following questions using the information given and corporate governance knowledge acquired through your accounting studies.

4.1
- Explain TWO consequences of corporate accounting fraud other than those mentioned in the extract. (2)
- Explain why it is important for external auditors to report fraudulent entries identified in the financial statements during their audit. Give THREE points. (3)
- Explain the meaning of the term *bankruptcy*. (2)

4.2 External auditors should be appointed for public companies.

Explain why public companies should be audited by external auditors. Mention TWO points. (4)

4.3 The board of directors wants to buy building materials from a certain hardware company for R3 million. You discover that the CEO's son is a majority shareholder of the hardware company.

- Express your opinion on the above-mentioned scenario. Provide ONE point.
- How should this scenario be handled by a board of directors or by shareholders? Provide ONE point. (4)

Article: Accounting fraud and Audit Risk of Pulenik Ltd:

> Two massive US corporations, Thorrio and Bumico collapsed in the late 1900s because they hid their debt using Special Purpose Entities and capitalised billions in operating expenses (with no supporting documents) to inflate profits and to deceive investors. This led to huge bankruptcy, criminal charges for executives and scrutiny of corporate ethics. Solly Fegurson, the chief auditor of the two companies, exposed the fraud.
>
> [Adapted]

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TOTAL: 150

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GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (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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