education

Department of Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2025

MARKS: 150

TIME: 2 HOURS

This question paper consists of 10 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 to answer ALL questions.
3. Show ALL workings to earn part marks.
4. You may use a non-programmable calculator.
5. You may answer the questions, using a dark pencil or blue/black ink.
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 the 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	Statement of Comprehensive Income	70	55
2	Cash Flow Statement and Financial Indicators	30	25
3	Interpretation of Financial Information	35	30
4	Audit Reports and Corporate Governance	15	10
TOTAL		150	120

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QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME

(70 MARKS; 55 MINUTES)

ROBBY LIMITED

The information relates to Robby Limited for the financial year ended 28 February 2025.

REQUIRED:

1.1 Refer to Information B(a):

1.1.1 Do a calculation to prove that the value of the closing stock on 28 February 2025 is R1 067 800. (4)

1.1.2 Calculate the cost of sales for the year ended 28 February 2025. (4)

1.2 Complete the Statement of Comprehensive Income for the financial year ended 28 February 2025. (40)

1.3 Prepare the note for Trade and Other Receivables. (8)

1.4 Prepare the note for Trade and other payables. (14)

INFORMATION:

A. Extract from the Pre-adjustment trial balance on 28 February 2025:

	Debit	Credit
Mortgage loan: BFN Bank		780 000
Trading stock	1 067 800	
Debtors' control	356 000	
Provision for bad debts (1 March 2024)		23 400
Creditors' control		287 652
Pension fund		6 820
SARS: PAYE		12 770
SARS: Income tax	160 000	
Nominal accounts section		
Sales		9 351 958
Cost of sales	?	
Debtors allowance	51 958	
Commission income		123 400
Salaries	1 680 000	
Salaries: Contributions	151 200	
Directors' fees	1 537 500	
Audit fees	135 000	
Insurance	576 000	
Bad debts	12 500	
Rent income		211 825
Interest on fixed deposit		18 330
Interest on loan	100 100	

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B. Adjustments not considered yet:

(a) Trading stock is valued according to the FIFO method. The Ledger Account and records reflect that 1 320 units are on hand. The stock records are as follows:

Date	Details	Units	Unit price*	Total
01/03/2024	Opening stock	1 300	R760	R988 000
	Total purchases	**5 470**		**R4 330 690**
30/06/2024	Purchases	1 640	R780	R1 279 200
30/09/2024	Purchases	2 580	R790	R2 038 990
31/12/2024	Purchases	1 250	R810	R1 012 500

***NOTE:** The unit price includes carriage on purchases.

(b) The rent for February 2025 was outstanding. Take into account that the rent was increased by R2 775 per month from 1 November 2024.

(c) Commission income valued at R1 850 was received for the following financial year.

(d) A new worker was appointed on 1 February 2025. The Human Resources Department forgot to add his name to the register. His details are as follows:

- Net salary, R13 690
- PAYE, R3 440
- Pension fund, R1 032

The company contributes R1,50 for every R1,00 subtracted towards the pension fund.

Note:
His salary will be paid on 3 March 2025.

(e) The company has four directors. They receive equal monthly payments. Two received their fees for the whole year, while one was only paid until the end of December 2024, and the fourth one still has to obtain his fees for the last five months.

(f) 25% of the audit fees are still outstanding.

(g) Insurance includes a payment of R37 800 for the period 1 July 2024 to 30 June 2025. Take into account that the premium increased by 12% from 1 February 2025.

(h) A debtor whose account was written off deposited R3 500 directly into the company's account. It was recorded in the CRJ in the column for Debtors' control.
The provision for bad debts must be adjusted to 6% of the outstanding debtors.

(i) Interest on loans is 14% per year. Make provision for the outstanding interest. Interest is capitalised.

(j) Provide for income tax at 28% of net profit.

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QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(30 MARKS; 25 MINUTES)

SUNRISE LIMITED

You are provided with information related to Sunrise Ltd for the financial year ended 28 February 2025.

REQUIRED:

2.1 Calculate the following indicators for the financial year ended 28 February 2025:

2.1.1	Mark-up %	(4)
2.1.2	Net asset value per share	(3)
2.1.3	Debt-equity ratio	(5)

2.2 Calculate the following figures for the 2025 Cash Flow Statement:

2.2.1	Income tax paid	(5)
2.2.2	Funds used to repurchase the shares	(4)
2.2.3	Proceeds from fixed assets sold	(5)
2.2.4	Loan repaid	(4)

INFORMATION:

A. Extract from Statement of Comprehensive Income for the year ended 28 February 2025:

	R
Sales	9 120 000
Cost of sales	5 700 000
Depreciation	930 000
Income tax (30% of net profit)	?
Net profit after income tax	798 000

B. Information from the Statement of Financial Position on 28 February 2025:

	2025	2024
Fixed assets (carrying value) *	10 815 000	10 765 000
SARS: Income tax	24 500(dt)	36 000(cr)
Shareholders' equity	31 500 000	17 800 000
Ordinary share capital	22 344 000	16 800 000
Loan: Protea Bank	?	9 600 000

***NOTE:** Fixed assets valued at R2 300 000 were purchased during the financial year.

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C. Share capital:

DATE	NUMBER OF SHARES	DETAILS OF SHARES
1 March 2024	4 000 000	Shares in issue
31 July 2024	1 000 000	New shares issued
31 December 2024	100 000	Shares repurchased at R3,44 above the average price per share
28 February 2025	4 900 000	Shares in issue

D. Loan:

Interest on loan capitalised for the financial year amounted to R644 000.

The monthly loan instalment (including interest) is R106 000.

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QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(35 MARKS; 30 MINUTES)

Maria Stallenberg owns shares in Nipho Limited. She had R1 480 000 to invest and decided to use the money to buy additional shares in Nipho Limited on the JSE on 31 December 2024. The market price of the shares on the same date was R7,40.

REQUIRED:

Where financial indicators are required to support your answer, name the financial indicator, the actual figure/ratio/percentage and trends.

3.1 **Purchase of shares:**

3.1.1 Calculate the number of additional shares Maria could buy in Nipho Limited. (2)

3.1.2 Comment on the price Maria paid for these shares and give ONE reason why she might have been satisfied to pay the price. (3)

3.1.3 Calculate Maria's percentage shareholding at the end of the 2025 financial year. Was it a good decision to buy the additional shares? (5)

3.2 **Dividends and earnings:**

3.2.1 Calculate the dividends per share for the financial year. (5)

3.2.2 The directors decided to change their dividend payout policy. Compare the dividend payout rates of the two financial years and give ONE reason why it would be a positive change for Maria and ONE reason why it would be a negative change for Maria. (7)

3.2.3 Comment on the % return on average shareholders' equity of Nipho Limited. (2)

3.3 **REFER TO THE CASH FLOW STATEMENT**

3.3.1 The Cash Flow Statement consists of three parts: Cash Flows from Operating Activities, Cash Flows from Investing Activities and Cash Flows from Financing Activities. Name the part where you will find the following entries:

(i) Shares repurchased
(ii) Income tax paid
(iii) Sale of fixed assets (3)

3.3.2 Explain ONE decision taken by the directors of Nipho Limited that affects risk and gearing. Quote figures and comment on TWO financial indicators. (8)

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INFORMATION:

A. Shareholding of Maria Stallenberg in Nipho Limited:

Number of shares bought in 2022	640 000
Total shares issued by Nipho Limited	1 300 000
Additional shares bought by Maria	?
Maria's shareholding before buying additional shares	49,2%

B. Share capital and dividends:

Share capital:

Shares in issue on 1 March 2024	1 300 000
Shares issued on 31 December 2024	300 000
Shares repurchased on 28 February 2025	20 000
Shares in issue on 28 February 2025	1580 000

Dividends:

31 August 2024	An interim dividend of 48c per share was paid
28 February 2025	Final dividends of R992 000 were declared. Shares bought back qualified for the dividends

C. Financial indicators and interest rates:

	2025	**2024**
Earnings per share (EPS)	240 cents	220 cents
Dividends per share (DPS)	?	205 cents
Dividend payout rate	?	93,2%
Debt-equity ratio	0,2 : 1	0,5 : 1
% Return on average shareholders' equity	18,4%	12,5%
% Return on average capital employed	17,5%	14,3%
Market price on 28 February	830 cents	720 cents
Net asset value per share (NAV)	790 cents	680 cents
Additional information:		
Interest rate on loans	14%	13%
Interest on investments	7%	6%

D. Extracts from Cash Flow Statements for the year ended 28 February 2025:

Sale of fixed assets	1 450 000
Change in investments	(300 000)
Shares repurchased	(180 000)
Change in long-term loan	(400 000)

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QUESTION 4: AUDIT REPORT AND CORPORATE GOVERNANCE

(15 MARKS; 10 MINUTES)

4.1 Different types of conduct might be considered immoral in a business environment. Choose an option from the list provided for each description below. Write only your answer next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

Fraud; Trading in illegal goods; Price fixing; Insider trading; Money-laundering; Misrepresentation

4.1.1 The buying or selling of a public company's stock or other securities by individuals having access to non-public, material information about the company.

4.1.2 The act of disguising the origins of illegally obtained money to make it appear legitimate.

4.1.3 It involves agreements or arrangements between competitors to set prices for goods or services. (3 x 1) (3)

4.2 **AUDIT REPORT**

An extract of the Independent Auditors' Report is provided.

4.2.1 Identify the report type and explain why the auditor issued this type of report. (2)

4.2.2 Explain TWO points why shareholders would be concerned about the company receiving such a report. (4)

4.2.3 The CEO requested that the auditor classify the expenses for the overseas trip as marketing and adjust the audit opinion accordingly. Provide TWO reasons why the auditor would disagree with the suggestion. (4)

4.2.4 Apart from the issues above, explain why the company would be accused of poor corporate governance. (2)

INFORMATION:

EXTRACT FROM THE INDEPENDENT AUDITORS REPORT

Basis for opinion

The CEO took his family on an overseas trip, and the company covered all expenses for the trip. Proper procedures were not followed.

Audit opinion

In our opinion, except for the expenses for the overseas trip, the financial statements fairly present the financial position of the company on 28 February 2025.

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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 & 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.
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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