education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

PREPARATORY 2025

MARKS: 150

TIME: 2 Hours

**This question paper consists of 9-pages,
a formula sheet and a 10-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 the questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to achieve part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/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	TOPIC	MARKS	MINUTES
1	FIXED ASSETS AND STATEMENT OF FINANCIAL POSITION	55	40
2	CASH FLOW STATEMENT AND FINANCIAL INDICATORS	40	35
3	INTERPRETATION OF FINANCIAL INFORMATION FOR TWO COMPAMIES	40	35
4	CORPORATE GOVERNANCE	15	10
TOTAL		150	120

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QUESTION 1: FIXED ASSETS AND STATEMENT OF FINANCIAL POSITION.

(55 marks; 40 minutes)

The following information relates to Mbeu Ltd. The financial year ended on 28 February 2025.

REQUIRED:

1.1 **Refer to information B.**

Calculate the missing amounts denoted by **(a)** to **(e).** (16)

1.2 Prepare the Ordinary Share Capital Note for the year ended 28 February 2025. (8)

1.3 Complete the statement of Financial Position for the year ended 28 February 2025. (31)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. **Amount extracted from the records on 28 February 2025.**

Balance Sheet account section	**R**
Fixed/Tangible assets (carrying value)	?
Fixed deposit: Mopi Bank	915 000
Ordinary share capital	?
Loan from DBSA Bank	?
Trading stock (balancing figure)	?
Net trade debtors	1 808 149
Bank (favourable)	2 490 000
SARS: Income tax (provisional payments)	415 000
Creditors' Control	418 000
Nominal accounts section (pre-adjustment amounts)	
Advertising	113 000
Directors' fees	340 400
Rent income	177 600

B. **Fixed Assets:**

	Land & Buildings	**Vehicles**	**Equipment**
Carrying value at the beginning	**1 450 000**	**120 000**	**270 000**
Cost	1 450 000	880 000	450 000
Accumulated depreciation	-	**(b)**	(180 000)
Movements			
Additions		360 000	50 000
Disposals	(a)	-	(46 080)
Depreciation		**(c)**	**(d)**
Carrying value at the end			
Cost	1 200 000		**(e)**
Accumulated depreciation	-		(160 080)

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- During the financial year land and buildings were sold. This has been properly recorded.
- A new vehicle was bought on credit for R350 000 on 1 November 2024. The owner also paid to have a tracking device installed costing R10 000.
- Vehicles are depreciated at 15% p.a. on cost.
- On 28 February 2025 equipment which was bought for R120 000 was traded-in against new equipment which cost R50 000 at a profit of R3 920.This transaction was recorded.
- Equipment is depreciated by 20% p.a. on the diminishing balance method.

C. **Share capital and dividends**

1 March 2024	The issued share capital consisted of 800 000 ordinary shares.
1 September 2024	200 000 Ordinary shares were issued at R8,00 per share.
1 January 2025	….. ordinary shares were repurchased from a retired shareholder at R8.00 per share. This transaction was not recorded.
28 February 2025	There were ? shares in issue.
28 February 2025	Final dividends of 25 cents per share was declared

D. **The following figures were obtained from the Retained income note to the financial statement on 28 February 2025.**

Net profit after tax	895 300
Repurchase of 75 000 shares	(60 000)
Retained income at the end of the year	506 850

E A debtor with a credit balance of R16 300 is to be transferred to the creditors' ledger.

F. Advertising includes an amount of 27 000 paid for six advertisements in the daily news, by 28 February 2025 only three of those advertisement had appeared in the newspaper.

G. The company has two directors. Each director receives the same monthly remuneration. One of the directors did not receive his directors' fee for February 2025.

H. Rent income for March and April was already received. The rent was increased on 1 September 2024 by 10%.

I. The Income Tax for the year is calculated at 30% of the net profit before tax.

J. Total assets amounted to R9 437 250

K. The debt/equity ratio is 0,2 : 1 on 28 February 2025.

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QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS.

(40 marks; 35 minutes)

HOPE LIMITED

The information was taken from the accounting records of Hope Traders Limited. The financial year ends annually on 30 April. The company is registered with a share capital of 600 000 ordinary shares.

REQUIRED:

2.1 Complete the Reconciliation of Net Profit before Tax and Cash Generated from Operations on 30 April 2025. (10)

2.2 Complete the Cash Flow Statement on 30 April 2025. (16)

2.3. Calculate the following on 30 April 2025:

2.3.1 Acid test ratio (4)
2.3.2 % Return on Shareholders' Equity. (4)

2.4 What major decisions by the directors are reflected in the Cash Flow Statement? State TWO decisions and quote the relevant figures. Also explain how EACH of these decisions would benefit the company in future. (6)

INFORMATION:

A.

Extract from the Income Statement for the year ended 30 April 2025.	
Net profit before tax	1 283 100
Net profit after tax	987 000
Depreciation on tangible assets	65 000
Interest paid	42 600

B.

Extract from the Balance Sheet on 30 April	**2025**	**2024**
Tangible (Fixed) assets at carrying value	3 002 000	2 330 200
Current Assets	1 347 400	1 289 600
Inventory	850 400	710 800
Trade and other receivables **see Inf C**	489 000	540 200
Cash and cash equivalents	8 000	38 600
Ordinary shareholders' equity	3 534 000	2 880 000
Ordinary share capital	3 111 400	2 551 400
Retained income	422 600	328 600
Loan: Bid Bank (17% p.a.)	340 000	370 000
Current Liabilities	475 400	369 800
Trade and other payables **see Inf D**	429 400	369 800
Bank overdraft	46 000	-

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C.

	2025	2024
Trade and other receivables	489 000	540 200
Trade Debtors	475 000	530 000
Prepaid expenses	14 000	8 000
SARS (Income Tax)	-	2 200

D.

Trade and other payables	429 400	369 800
Trade creditors	89 500	81 700
Accrued expenses	7 300	9 100
SARS (Income Tax)	3 600	-
Shareholders for dividends	329 000	279 000

E. Tangible/fixed assets comprise of Land and buildings, Vehicles and Equipment. Equipment and Land and Buildings were purchased during the year. A vehicle costing R170 000 was sold at book value. The accumulated depreciation on the vehicle sold was R67 000.

F. Interim dividends were not declared during the 2024 financial year.
Interim dividends paid during the 2025 financial year amounted to R564 000.

G. On 1 May 2024 there were 400 000 ordinary shares registered on the JSE.
On 1 May 2024 they issued a further 70 000 shares.

40

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QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION FOR TWO COMPAMIES
(40 marks; 35 minutes)

TOM AND JERRY

The financial indicators and other information given refer to TWO different companies, Tom Ltd and Jerry Ltd. Both companies are listed on the stock exchange.

NOTE: When answering the questions below, quote the relevant financial indicators with actual figures (percentages/ratios and/or amounts).

3.1. Which company is not handling its working capital effectively? Explain what the main problem is in respect of their working capital, by quoting Two financial indicators. (7)

3.2 The directors of Jerry Ltd decided to increase the loan during the current financial year. Explain whether this was a good decision or not. Quote Two financial indicators. (6)

3.3 Comment on the % return to shareholders of each company. Quote financial indicators to support your opinion. (4)

3.4 Comment on the value of shares on the JSE for each company. Explain how this will influence your decision in which shares to buy. (6)

3.5 **Refer to information A and B.**

Number of shares & dividends:

3.5.1 Calculate the maximum number of shares you can afford to purchase in each company today. Note that you will have to buy in lots of 100 (i.e 100 shares, 200 shares, 300 shares, etc) (6)

3.5.2 If dividends per share remain the same next year, what is the amount of dividends you can expect from each company? (4)

3.5.3 Apart from dividends, what other factors would you consider to be important in deciding on the company in which should invest? List Two points. (2)

Refer to information C.

3.6 Jerry Ltd will issue a further 300 000 shares during the new financial year. The Mzanzi family is interested to buy 180 000 of these shares.

3.6.1 Calculate the % Percentage shareholding of the Mzanzi family if they buy these shares. (3)

3.6.2 As a shareholder, why would you be concerned about the interest shown by Mzanzi family? Provide Two points. (2)

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INFORMATION:

A You have R100 000 to invest on the JSE. You have narrowed your choice down to two listed companies. Their financial indicators for the 2025 financial year are as follows.

	TOM LTD	JERRY LTD
Current ratio	1,8 : 1	5,5 : 1
Acid-test ratio	0,9 : 1	3,1 : 1
Average debtors' collection period	22 days	59 days
Debt/Equity ratio	1,8 : 1	0,2 : 1
% return on total capital employed	13,4%	10,2%
% return on shareholders' equity	16,2%	8,9%
Earnings per share	1 300 cents	440 cents
Dividends per share	650 cents	400 cents
Net assets value per share	2 100 cents	720 cents

B. Additional information on 30 June 2025

	TOM LTD	JERRY LTD
JSE market price per share **today**	1 900 cents	960 cents
JSE market price per share **one year** ago	2 200 cents	500 cents
Interest on fixed deposits	10%	10%
Interest on loans	11%	11%

C. Extracts from the accounting records on 30 June 2025

	TOM LTD	JERRY LTD
Number of shares in issue	2 000 000	1 600 000
% shareholders of the Mzanzi family	23,9%	50,5%

40

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QUESTION 4: CORPOARTE GOVERNANCE **(15 marks; 10 minutes)**

You are provided with an extract of the independent external audit report of Bruce Ltd, presented to the shareholders at the Annual General Meeting.

REQUIRED:

4.1 Where, why and when is this audit report expected to be presented. (3)

4.2 Explain TWO points on the impact of this report on the company. (4)

4.3 One of the most important decisions that shareholders have to make at the annual general meeting (AGM) is to appoint directors to serve on the board.

- Explain why the shareholders have been given this responsibility. (2)
- If you were a shareholder, what factors or characteristics would you want to find out about the directors who would get your vote? Explain TWO points and give a reason for each. (6)

INFORMATION:

Extracts from the audit report:

Audit Opinion:
We have not been able to obtain sufficient audit evidence on significant matters identified and described in the paragraph "basis for opinion" ; as such we are unable to express an opinion on the reliability of the financial statements.

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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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*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.	

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