KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTINGP1

JUNE EXAMINATION

2025

MARKS: 150

TIME: 2 Hours

This question paper consists of 10 pages including 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. Show workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the 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 and table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Statement of Financial Position	45	35
2	Cash Flow Statement and Financial Indicators	55	45
3	Interpretation of financial statement	30	25
4	Interpretation and Corporate Governance	20	15
TOTAL		**150**	**120**

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QUESTION 1: STATEMENT OF FINANCIAL POSITION (45 Marks; 35 Minutes)

The information relates to KwaMashu Ltd for the financial year ended on 28 February 2025.

REQUIRED:

1.1 Calculate the missing amounts denoted by **(i)** to **(iv)** on the incomplete Fixed Asset note provided. (15)

1.2 Calculate the value of the closing stock using the first-in-first out (FIFO) method of omitted stock sheets on 28 February 2025. (4)

1.3 Statement of Financial Position on 28 February 2025. (26)

Note: Some information and figures are provided in the ANSWER BOOK.

INFORMATION:

A. List of balances extracted from the accounting records of KwaMashu Ltd on 28 February 2025, the end of the financial year, unless otherwise stated.

	2025	2024
Ordinary share capital	2 140 200	1 900 000
Retained income	1 500 000	754 500
Loan : Spar Bank	1 386 000	1 556 000
Fixed assets	?	1 907 500
Fixed deposit	340 000	200 000
Provision for bad debts	?	4 000
Debtors control	127 000	
Creditors control	160 000	
Bank (Unfavourable)	CR 55 000	
Petty cash	4 229	
Prepaid expenses	8 000	
SARS: Income tax (provisional tax payments)	DR 230 000	
Nominal Account Section		
Audit fees	25 000	
Rent income	112 800	

B. Fixed/Tangible assets

	Land and buildings	Vehicles	Equipment
Carrying value at beginning	1 516 400	330 000	61 100
Cost price	**1 516 400**	**900 000**	**615 000**
Accumulated depreciation		(570 000)	(553 900)
Movements			
Additions	**(i)**	411 000	**(iv)**
Disposal at carrying value		**(ii)**	
Depreciation		**(iii)**	66 099
Carrying value at the end	2 946 400		
Cost price			
Accumulated depreciation			

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- A vehicle costing R180 000 was sold on 31 December 2024 for R70 000 cash. Transaction was properly recorded.
- Accumulated depreciation on the vehicle sold was R62 400 on 1 March 2024
- The new vehicle was purchased on 1 January 2025.
- Vehicles are depreciated at 20% p.a. on diminishing balance method.
- New equipment was bought on 31 December 2024.
- Equipment is depreciated at 10% p.a. on cost.

C. A physical stock count on 28 February 2025, revealed stock of R1 192 600 on hand. However, this figure excluded the closing stock figure for national Earphone.

Note: The First-in-first out method is used to value the stock.

Details of the national Earphones are as follows:

	Units	Unit price (R)	Total (R)
Stock on 1 March 2024	1 500	20	30 000
Purchases:			
10 May 2024	8 000	25	200 000
20 August 2024	1 300	27	35 100
15 December 2024	1 700	28	47 600
Stock on 28 February 2025	1 900	?	?
Returns 200 units from December 2024 purchases			

D. A debit balance of R17 000 from the debtors' ledger must be transferred to the creditors' ledger.

E. The following adjustments are relevant to complete the statement of Financial Position:

- The provision for bad debts must be adjusted to 4% of trade debtors.
- Only half the audit fees were paid. The balance will be paid in April 2025.
- Rent income for March 2025 has already been received. The monthly rent was increased by 10% on 1 May 2024.

F. A fixed monthly instalment of R35 000 (to cover loan repayment and interest) has to be paid over the full period of the loan. Interest will decline over the life of the loan. The interest on the loan budgeted for the next financial year is R234 000.

All transactions for current year have been correctly recorded.

G. Shares:

- 1 200 000 shares were in-issue on 1 March 2024
- 200 000 shares were bought back from a shareholder on 1 September 2024.
- 250 000 shares were issued on 1 November 2024. This was properly recorded.

H. Dividends:

- Interim dividends of 14 cents per share were declared and paid on 31 July 2024.
- Final dividends of 10 cents per share were declared on 28 February 2025.

I. Net profit and tax:

- After taking all adjustment into account, the correct net profit after tax is R588 000.
- The income tax rate is 30% of net profit before tax

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QUESTION 2

CASH FLOW STATEMENT AND FINANCIAL INDICATORS (55 marks; 45 minutes)

The information below was extracted from the books of Embizeni LTD on 28 February 2025.

REQUIRED:

2.1 Prepare the Ordinary share capital Note to the Statement of Financial Position. (8)

2.2 Prepare the Retained income Note to the Statement of Financial Position. (9)

2.3 Complete the Cash Flow Statement for the year ended 28 February 2025. (27)

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

2.4.1 Acid-test ratio (3)

2.4.2 Debt/equity ratio (3)

2.4.3 Return on shareholders' equity (ROSHE) (5)

INFORMATION:

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

Depreciation	R123 600
Interest expense	R143 000
Income tax (at 30% of the net profit)	R293 100

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

	2025	2024
	R	R
Ordinary shareholders' equity	**?**	**7 341 500**
Ordinary share capital	7 557 600	7 200 000
Retained Income	?	141 500
Non-current liabilities	**1 400 000**	**850 000**
Non-current assets	**8 925 720**	**8 530 720**
Fixed / Tangible assets	8 775 720	8 430 720
Fixed deposit : Sivukile Bank	150 000	100 000
Current assets	**996 480**	**684 300**
Inventories	448 000	281 000
Trade and other receivables (**Note 1**)	288 300	378 300
Cash and cash equivalents	260 180	25 000
Current liabilities	**553 600**	**923 520**

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Trade and other payables (**Note 2)**	553 600	781 000
Bank overdraft	0	142 520

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Note 1: Trade and other receivables:

	2025	2024
Debtors control	288 300	367 000
SARS: Income tax	0	11 300

Note 2: Trade and other payables:

	2025	2024
Creditors control	325 000	421 000
Shareholders for dividends	206 800	360 000
SARS: Income tax	21 800	0

C. Share capital:

1 March 2024 900 000 shares were in issue.
1 May 2024 100 000 additional ordinary shares were issued.
1 October 2024 60 000 shares repurchased by the company at R9,00 per share.

D. Dividends:

- Interim dividends of 25 cents per share were paid on 15 September 2024.
- Final dividends were declared on 28 February 2025

E. Additional property was purchased during the year.

F. Equipment was sold for R111 800 cash on its carrying value during the year.

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QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION (30 marks; 25 minutes)

FINANCIAL INDICATORS OF TWO COMPANIES:

Your friend, Chris, has bought shares in both companies. The companies are of the same size.

REQUIRED:

Explain your answer to the following questions. In each case compare and quote financial indicators of both companies (actual figures, ratios or percentages) to support your answer.

3.1 Chris is of the opinion that Hillcrest Ltd is handling its working capital more effectively and is in a better liquidity situation than Bergville Ltd. Explain and quote THREE financial indicators to support his opinion. (6)

3.2 The operating efficiency of Bergville Ltd are better than that of Hillcrest Ltd. Quote and explain ONE financial indicator to support your opinion. (2)

3.3 Which company uses more loans? Explain whether this is a good idea or not. In each case, quote a financial indicator to support your answer. (6)

3.4 Compare and comment on the dividends pay-out policies of both companies. (6)

3.5 Bergville Ltd has a better percentage return, earnings and dividends than Hillcrest Ltd. Explain by quoting THREE financial indicators to support this opinion. (6)

3.6 The existing shareholders of the TWO companies hold different opinions of the current market value of their shares.

- Explain why the existing shareholders of Bergville Ltd are happy with market price. Quote a financial indicator /figure to support your answer. (2)
- Explain why the existing shareholders of Hillcrest Ltd are very disappointed with market price. Quote a financial indicator/figure to support your answer. (2)

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INFORMATION:

	2025	2025
	BERGVILLE LTD	**HILLCREST LTD**
% Gross profit on cost of sales	62,2%	58,3%
% Operating expenses on sales	37,9%	44,5%
% Operating profit on sales	10,1%	7,3%
Current ratio	6,0 : 1	1,5 : 1
Acid-test ratio	2,8 : 1	0,9 : 1
Period for which stock is on hand	150 days	88 days
Average debtors' collection period	53 days	25 days
Net asset value per share	609 cents	939 cents
Earnings per share	410 cents	176 cents
Dividends per share	240 cents	185 cents
% return on shareholders' equity	21,3%	11,2%
Debt/equity ratio	0,3 : 1	2,0 : 1
% return on total capital employed	32,6%	13,6%
Market price per share on the JSE	750 cents	885 cents
% interest rate on loan	15,0%	15,0%
% Interest rate on fixed deposit	12%	12%

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QUESTION 4: CORPORATE GOVERNANCE AND AUDIT OF THE COMPANY (20 marks; 15 minutes)

You are provided with the following extract for Sethu Ltd from the report of the independent auditors.

REQUIRED:

4.1 Explain what is meant by Corporate Governance. (2)

4.2 Provide TWO examples of good corporate governance that would occur in a company. (4)

4.3 Refer to the underlined words in paragraph 2.

- Give TWO examples of audit evidence. (4)

4.4 Explain why an independent auditor would want to see that the following GAAP principles that are applied:

- Matching (2)
- Going concern (2)

4.5 Refer to paragraph 3. Explain why you would be satisfied with this audit report opinion. (3)

4.6 To whom is an audit report addressed? Give reason for your answer. (3)

INFORMATION:

EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

Paragraph 1	We have audited the annual financial statements of Sethu Ltd set out on Pages 10 to 19 for the year ended 31 May 2025. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
Paragraph 2	**An audit includes:** • Examining, on a test basis, evidence supporting the amounts in the financial statements • Assessing the accounting principles used and significant estimates made by management; • Evaluating the overall financial statement presentation.
Paragraph 3	**Audit opinion:** In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 May 2025 and the results of their operations and cash flow for the year ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act,2008 (Act 71 of 2008) in South Africa. **Lwazi and Skhanyiso**, Chartered Accountants (SA)

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