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NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2026

ACCOUNTING P1

MARKS: **150**

TIME: **2 hours**

This question paper consists of 12 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 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	Fixed Assets and Company Financial Statements	55	50
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	40	30
4	Corporate Governance	15	10
	TOTAL	**150**	**120**

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QUESTION 1: FIXED ASSETS AND COMPANY FINANCIAL STATEMENTS

(55 marks; 50 minutes)

ASHAY LTD

The following information was taken from the accounting records of Ashay Ltd. The company trades with shoes. Their financial year ends on 30 June 2026.

REQUIRED:

1.1 **Refer to information B.**

Calculate the figures denoted by (a)–(c). (10)

1.2 Complete the Statement of Comprehensive Income for the year ended 30 June 2026. (28)

1.3 Complete the Equity and Liabilities section of the Statement of Financial Position. (17)

NOTE:

- Show ALL workings in brackets.
- Certain figures are provided in the ANSWER BOOK
- Missing amounts in shaded areas must NOT be filled in.

INFORMATION:

A. The following amounts were extracted from the accounting records on:

	30 June 2026	30 June 2025
	R	R
Ordinary share capital	3 300 000	2 650 000
Retained income	?	?
Buildings	2 080 000	1 600 000
Loan	?	?
Trading stock	220 500	
Debtors control	286 100	
Bank	423 400	
Creditors control	364 200	
SARS (provisional tax payments)	320 125	
Provision for bad debts	?	12 850
Sales	?	
Cost of sales	4 120 000	
Rent income	116 150	
Audit fees	199 000	
Salaries and wages	767 000	
Advertising	34 900	
Insurance	?	
Packing material	109 600	
Directors' fees	240 000	
Dividends on ordinary shares	188 000	

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B. Note to the Statement of Financial Position on 30 June 2026:

FIXED/TANGIBLE ASSETS	BUILDINGS	EQUIPMENT	VEHICLES
Carrying value (1 July 2025)			
Cost	1 600 000	366 400	
Accumulated depreciation		(160 300)	
Movements			
Additions		?	0
Disposals		0	**(c)**
Depreciation		**(a)**	(124 400)
Carrying value (30 June 2026)		**(b)**	
Cost	2 080 000	486 400	
Accumulated depreciation			

- Depreciation is calculated as follows:
  - Equipment at 10% p.a. on diminished-balance method
  - Vehicles at 15% p.a. on cost
- New office furniture was purchased on 31 January 2026.
- A vehicle with a cost price of R187 500 was sold for R45 750 cash on 30 November 2025, which resulted in a loss of R18 000. This transaction was not recorded.

C. The company uses a mark-up of 120% on cost. Goods costing R86 000 were sold at a mark-up of 90% to staff members. These goods were included in the cost of sales figure.

D. Physical stock taking on 30 June 2026 revealed the following:
- Packing material used during the financial year, R91 300.
- A trading stock surplus of R15 800 was identified. This was calculated before taking into account the R12 500 credit purchase that was returned to the supplier.

E.
- A credit balance of R3 000 in Mr Wills account in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.
- The provision for bad debts must be adjusted to 4% of the outstanding debtors.

F. Rent for July and August had already been received from a tenant. Note that rent was decreased by R850 per month effective from 1 April 2026.

G. The company pays insurance for its buildings at Just Insure. The insurance premium is calculated at 2,5% p.a. of the cost of the buildings. The business acquired an additional vacant building on 1 January 2026 and was insured under the same terms and conditions on this date.

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H. The company had two directors at the beginning of the financial year. Each director's annual fee was projected to be R240 000. However, one director resigned on 1 October 2025 after receiving a fee increase of R2 500 per month on 1 September 2025. A new director was appointed on 1 November 2025 at a fee that is 10% lower than that of the remaining director. At year-end, the fees for both the resigned director and the newly appointed director had not yet been paid.

I. Loan statement received from Bigger Bank reflected the following on 30 June 2026:

- Loan balance on 30 June 2026, R1 415 654.
- Fixed monthly instalments (including interest), R49 500.
- Interest capitalised for the financial year, R237 600.

NOTE: Interest for the next financial year is expected to increase by 6% p.a. due to changes in the interest rates.

J. Tax is calculated at 28% of the net profit before tax. The net profit after tax was accurately calculated to be R872 550.

K. A final dividend of 18 cents per share was declared on 1 200 000 shares in issue on 30 June 2026.

L. The following appeared in the accounting records on 30 June 2026:

- Non-current assets R3 775 300
- Current assets R2 264 800

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QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

You are provided with information from Zurie Ltd for the financial year ended 28 February 2026.

REQUIRED:

2.1 Prepare the Ordinary Share Capital Note. (7)

2.2 Calculate the following amounts for the Cash Flow statement:

- Taxation paid (4)
- Dividends paid (4)
- Net change in cash and cash equivalents (4)

2.3 Complete the Cash flows from the financing activities section of the Cash Flow Statement. (10)

2.4 Calculate the following financial indicators for the year ended 28 February 2026:

- Mark-up % (2)
- Acid-test ratio (5)
- Stock turnover rate (4)

INFORMATION:

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

Sales	10 795 800
Cost of sales	7 650 000
Gross profit	3 145 800
Operating expenses	2 119 550
Depreciation	84 000
Interest expense	156 000
Net profit before tax	2 640 000
Net profit after tax	1 848 000

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B. Extract from the Statement of Financial Position:

	28 Feb. 2026	28 Feb. 2025
Tangible assets at carrying value	7 165 900	6 148 000
Financial assets (Fixed deposit)	1 825 000	1 510 000
Inventories	885 660	764 450
Trade and other receivables (see C)	568 490	493 360
Cash and cash equivalents	16 000	389 600
Ordinary share capital (see E)	7 180 000	6 860 000
Retained Income	640 500	770 400
Non-current liabilities	?	1 200 000
Trade and other Payables (see D)	940 550	1 025 800
Current portion of loan	180 000	
Bank overdraft	68 000	0

C.

Trade and other receivables include:	**28 Feb. 2026**	**28 Feb. 2025**
Net Trade debtors	453 690	260 510
Accrued Income	31 800	23 000
Prepaid expenses	83 000	23 450
SARS (Income Tax)	0	186 400

D.

Trade and other payables include:	**28 Feb. 2026**	**28 Feb. 2025**
Trade creditors	488 870	860 800
Income received in advance	54 780	0
SARS: Income tax	209 900	0
Shareholders for dividends	187 000	165 000

E. Share capital:

- The company had an authorised share capital of 1 225 000 shares.
- Four fifths of the authorised shares were in issue on 1 March 2025.
- 160 000 shares were repurchased from a shareholder on 1 April 2025. The shareholder was offered R2,80 more than the original issue price of shares and was paid via EFT.
- Additional shares were issued only to existing shareholders on 1 December 2025.
- There were 920 000 shares in issue on 28 February 2026.

F. Dividends:

- An interim dividend of 21 cents per share was paid on 30 June 2025.
- A final dividend was declared on 28 February 2026.

G. Financial Indicator:

	28 February 2026
Debt-Equity ratio	0,28 : 1

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QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(40 marks; 30 minutes)

ADEL LTD and LYFO LTD

The information relates to the TWO companies, Adel Ltd and Lyfo Ltd. Both companies operate in the retail industry. The financial year ends on the last day of February each year.

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 **Profitability:**

Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently. (4)

3.2 **Liquidity:**

- One of the shareholders at **Lyfo Ltd** is of the opinion that trading stock is not well managed. Quote TWO financial indicators to explain why he feels this way. (4)
- With reference to the above, provide a recommendation to the directors on how they can more effectively manage their trading stock. State TWO points. (2)

3.3 **Dividends, earnings and returns:**

- Comment on each company's dividend payout policy and explain the reasons for any changes made to the policy. (4)
- Should the shareholders of **Adel Ltd** be satisfied with the return on their investment? Explain by quoting a relevant financial indicator. (4)

3.4 **Shareholding of Mr Long at Lyfo Ltd:**

Refer to information A–C:

- Calculate Mr Long's % shareholding after the repurchase of shares. (4)
- An internal auditor expressed concerns over the decision taken by the CEO to persuade the board of directors to repurchase shares. State TWO reasons for this concern. (4)
- Explain TWO reasons why certain shareholders were pleased with the board of directors' decision to buy back the company's shares. (4)

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3.5 **Financing strategies and gearing: Adel Ltd**

- To what extent does the company rely on debt financing? Explain by referring to a relevant financial indicator. (3)
- Comment on whether borrowed funds were effectively utilised by the directors of the company. Quote ONE financial indicator. (3)

3.6 **Share price**

- Based on the current performance of share prices, which company would be the better investment? Comment and quote TWO financial indicators. (4)

INFORMATION:

A. Background information for Lyfo Ltd:

- Mr Long, the CEO of the company persuaded the board of directors to repurchase shares from a dissatisfied shareholder on 1 February 2026 at R14,50 each.
- This transaction was approved and the payment was made accordingly.

NOTE: These were the only shares repurchased in the current financial year.

B. Extracts from the accounting records at the end of each year:

	ADEL LTD		LYFO LTD	
	Feb. 2026	**Feb. 2025**	**Feb. 2026**	**Feb. 2025**
Number of share in issue	1 000 000	800 000	**?**	1 100 000
Funds used for share repurchase			R2 900 000	
Repurchase price			R14,50	

C. Shareholding of Mr Long, the CEO:

	LYFO LTD	
	2026	**2025**
Number of shares	460 000	460 000
% shareholding in the company	**?**	41,8%

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D. Financial indicators, market prices and interest rates:

	ADEL LTD		LYFO LTD	
	Feb. 2026	**Feb. 2025**	**Feb. 2026**	**Feb. 2025**
% operating expenses on sales	16,8%	19,5%	21,1%	19,6%
% operating profit on sales	28,7%	26,2%	22,0%	24,8%
% net profit on sales	23,4%	19,6%	17,9%	18,3%
Current ratio	2,6 : 1	2,5 : 1	3,0 : 1	2,8 : 1
Acid-test ratio	1,8 : 1	1,7 : 1	0,9 : 1	1,1 : 1
Stock-turnover rate	6 times	4,7 times	3,2 times	5 times
Debt-equity ratio	1,1 : 1	0,4 : 1	0,3 : 1	0,8 : 1
% return on capital employed	18,9%	18,0%	15,6%	15,3%
% return on shareholders' equity	16,4%	12,7%	12,0%	11,8%
Net asset value per share	890 cents	810 cents	1 150 cents	1 205 cents
Market price of shares	955 cents	950 cents	1 080 cents	1 255 cents
Earnings per share	112 cents	110 cents	78 cents	87 cents
Dividends per share	65 cents	98 cents	82 cents	66 cents
Dividend pay-out rate	58%	89%	105%	76%
Interest on alternative investment	13%	13%	13%	13%
Interest on loans	16%	15%	16%	15%

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

4.1 Match the concepts in COLUMN A with the correct descriptions in COLUMN B. Write only the letter (A–C) next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
4.1.1 Risk management committee	A makes recommendations on directors' fees and other types of payment
4.1.2 Remuneration committee	B monitors the impact of the company's activities on the environment and public health
4.1.3 Social and Ethics committee	C identify physical, operational and human resources risks ensuring continuity of the company

(3)

4.2 You are provided with an article on business ethics. Use the article and what you learnt on corporate governance to answer the questions that follow.

THE SUPPLIER GIFT

Sarah works as a procurement officer at Siza Ltd. Her job is to choose suppliers that provide the best value and quality for the company.
One of the suppliers, BettyTech Ltd, is competing for a large contract worth millions. A week before the final decision, the sales manager from BettyTech invites Sarah to a luxury weekend, with all expenses paid for by them, saying it is just a 'thank you for considering them'.

4.2.1 Explain the difference between *unethical conduct* and *criminal acts* within a company. (4)

4.2.2 Discuss why it is essential for a company to establish an ethical code of conduct for its employees. State TWO points. (4)

4.3 Below is a summary of an audit report received by Enzo Ltd for the financial year ending on 28 February 2026.

You are required to answer the question based on this report.

Enzo Ltd' auditors issued a qualified audit report because management accounted for a major contract as revenue upfront, whereas it should be recognized over the 2-year contract term. This resulted in a material difference in reported revenue and profits.

Discuss the impact of this audit report on the company and its directors with regards to the following aspects:

- Existing investors' confidence
- Credit ratings (4)

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