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JUNE EXAMINATION GRADE 12

2025

ACCOUNTING

(PAPER 1)

ACCOUNTING P1



C2711E

TIME: 2 hours

MARKS: 150

11 pages + a formula sheet and a 10-page answer book

X05




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. Figures are NOT required in grey shaded areas.
9. Write neatly and legibly.
10. 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 and Statement of Financial Position	55	44
2	Cash Flow Statement and Financial Indicators	40	32
3	Analysis and Interpretation of Financial Indicators	40	32
4	Corporate Governance	15	12
TOTAL		150	120





QUESTION 1: STATEMENT OF COMPREHENSIVE INCOME AND STATEMENTS OF FINANCIAL POSITION
(55 marks; 44 minutes)

- 1.1 Complete each of the following statements by choosing a term from the list below. Write only the term next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

IFRS; external auditors; directors; Memorandum of Incorporation;
 internal auditors

- 1.1.1 ... is/are appointed to give an unbiased opinion on the financial statements.
- 1.1.2 ... is/are guidelines for the preparation of financial statements to ensure consistency.
- 1.1.3 ... set(s) out the rights, duties and responsibilities of shareholders and directors. (3 x 1) (3)

1.2 WINSTON LIMITED

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

REQUIRED:

- 1.2.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2025. (26)
- 1.2.2 Complete the Statement of Financial Position (Balance Sheet) on 28 February 2025. (26)

NOTE: Some amounts are provided in the ANSWER BOOK.




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INFORMATION:
A. Balances and Totals on 28 February 2025:

	2025 (R)	2024 (R)
Ordinary share capital	1 189 000	
Retained income	880 000	
Loan: King Bank	?	
SARS: Income tax	(Cr) 33 200	(Cr) 34 460
Creditors' control	198 400	
Shareholders for dividends	?	142 000
Debtors' control	382 700	
Provision for bad debts	?	16 260
Trading stock	920 000	
Creditors for salaries	24 750	
Bank (Unfavourable as on 24 February 2025)	*100 900	
Sales	?	
Cost of sales	2 150 000	
Salaries and wages	1 030 000	
Audit fees	45 000	
Bad debts recovered	15 400	
Directors' fees	930 150	
Rent income	107 500	
Stationery	63 250	
Dividends on ordinary shares	112 300	

* **NOTE:** The bank balance is given on 24 February 2025.
There were transactions conducted after 24 February 2025.

B. Extract from the Cash Flow Statement for the year ended 28 February 2025:

Depreciation	R87 600
Income tax paid	R130 300
Interest paid	R22 000
Fixed deposit matured	*R55 100

* **NOTE:** Fixed deposit matured on 28 February 2025.




C. Adjustments and additional information:

- (i) Only half of the audit fees were paid. The balance will be paid in March 2025.
 - (ii) The tenant occupied part of the premises since 1 April 2024. He has not paid the rent for January and February 2025. Rent was reduced by 10% on 1 September 2024.
 - (iii) A stock purchase of R13 000 was made on account from Smit & Sons Suppliers and recorded correctly.
- NOTE:** 20% of the stock received was defective. The supplier acknowledged the error and issued a credit note, but no entry has been made yet.

- (iv) The physical stock count on 28 February 2025 revealed the following:
 - Trading stock R890 400
 - Stationery used for the year R57 500
- (v) A customer who owes R3 700 requested that the balance be transferred to his creditors' account as he also supplies the business with office stationery.
- (vi) Provision for bad debts must be adjusted to 4% of the outstanding trade debtors.
- (vii) The company has two directors who earn the same monthly fees. A third director who was appointed on 1 November 2024, earns R4 200 more per month than the other two directors. He was paid until 31 March 2025.
- (viii) The company repurchased 30 000 shares at a price of R3,10 on 26 February 2025. The repurchased amount in the retained income amounted to R33 000. These shares qualify for final dividends of 30 cents.
- (ix) The following financial indicators were calculated on 28 February 2025, after all adjustments were processed:

Operating profit on sales	15%
Debt-equity ratio	0,5 : 1

- (x) The loan from King Bank will be reduced by a capital portion of R21 500 per month in the 2025 financial year.




QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(40 marks; 32 minutes)
The information relates to Charter Ltd for the financial year ended 31 May 2025.
REQUIRED:

- 2.1 Prepare the Ordinary Share Capital note for the year ended 31 May 2025. (6)
- 2.2 Calculate the following financial indicators for the financial year ended 31 May 2025:
- 2.2.1 % Net profit before tax on sales (2)
- 2.2.2 Net asset value (3)
- 2.2.3 % Return on total capital employed (7)
- 2.3 Complete the Cash Flow Statement for the year ended 31 May 2025. (22)

INFORMATION:

- A. Extract from the Statement of Comprehensive Income for the year ended 31 May 2025:**

	R
Sales	11 420 130
Cost of sales	8 000 000
Gross operating income	5 120 540
Depreciation	160 150
Interest on loan	338 780
Profit before tax	2 501 070
Income tax	792 400

- B. Extract from the Statement of Financial Position on 31 May 2025:**

	2025	2024
Fixed assets (carrying value)	9 300 000	7 112 300
Investments		593 200
Trading stock	720 000	1 300 000
Trade and other receivables	1 677 580	2 191 070
Cash and cash equivalents	0	?
Total assets		11 274 570
Shareholders' equity	8 512 300	?
Ordinary share capital	?	
Retained income	1 072 300	
Non-current liabilities	1 200 000	2 606 000
Trade and other payables	2 888 000	1 906 000
Bank overdraft	575 000	0




C. Notes to the financial statements on 31 May:

	2025	2024
Trade and other receivables:		
Net trade debtors	1 587 380	2 155 340
Prepaid expenses	29 300	35 730
SARS: Income tax	60 900	–
	1 677 580	2 191 070
Trade and other payables:		
Trade creditors	2 580 000	1 448 900
Shareholders for dividends	308 000	415 000
SARS: Income tax	–	42 100
	2 888 000	1 906 000

D. Additional information:

- (i) **Cash generated from operations:**
- Operating profit before changes in working capital, R3 000 000.
 - Changes in working capital, R2 285 490 inflow.
- (ii) **Fixed assets:**
- Fixed assets sold at carrying value, R450 000.
 - Fixed assets were purchased during the year.
- (iii) **Share capital:**
- On 1 June 2024, 556 100 shares were in issue.
 - 120 000 shares were issued at a total value of R2 169 150 on 30 September 2024.
 - On 28 February 2025, a number of shares were repurchased at R2,20 (per share) above the average share price.
 - On 31 May 2025, 620 000 shares were in issue.
- (iv) **Dividends:**
Interim dividends of 35 cents per share were paid on 1 October 2024.
- (v) **Income tax**
Income tax paid during the year, R 895 400





QUESTION 3: ANALYSIS AND INTERPRETATION OF FINANCIAL INDICATORS
(40 marks; 32 minutes)

ZANAD LTD

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

REQUIRED:

NOTE: Where comments or explanations are required, you should:

- Quote financial indicators and trends with figures.
- Provide a reason or an explanation for the financial indicators quoted.

3.1 Choose the correct word(s) in brackets.

3.1.1 (Debtors/SARS) are interested in the profitability of a company.

3.1.2 (Financial Institutions/Auditors) want to know if a company is solvent.

3.1.3 The liquidity of a business is important to (creditors/Internal Affairs). (3)

3.2 **Liquidity:**

Shanice Krates, one of the shareholders and CEO argued that the directors did not deserve the performance bonus because they failed to efficiently manage the company's working capital. Quote TWO financial indicators to support Shanice's argument. (6)

3.3 **Dividends pay-out policy:**

Some shareholders are not satisfied with the change in the dividend pay-out policy. Explain the reason for this change. (4)

3.4 **Returns:**

Reeves, a potential shareholder, is unsure whether to invest in the company or invest his money in long term investments in other financial institutions. Provide ONE point of advice by quoting ONE relevant financial indicator. (4)

3.5 **Financing strategies and gearing:**

The directors decided to allow the issue of more shares on 31 January 2025 instead of taking an additional loan to finance the operations of the company. Quote TWO financial indicators to justify the decision taken by the directors. (6)




3.6 Shanice Krates' % shareholding and share capital:

- 3.6.1 Calculate the amount spent by Shanice on the shares she bought on 31 January 2025.

(She was allowed to buy shares equal to one-fifth of the shares she already owned.)

NOTE: No shares were repurchased during the financial year. (3)

- 3.6.2 Shanice wants to be a majority shareholder. Explain whether she managed to achieve her goal. Show ALL calculations. (6)

- 3.6.3 Explain ONE consequence to the company of allowing Shanice to buy shares equal to one-fifth of the shares she already owns. (2)

- 3.7 At an AGM the directors stated that they were planning to repurchase 15 000 shares of a recently deceased shareholder during the next financial period at a share price of R8 per share.

Some shareholders disagreed with this decision. Explain why they may disagree with this decision by quoting TWO relevant financial indicators. (6)

INFORMATION:

- A. The following financial indicators were calculated for the past two years ended 28 February:**

	2025	2024
Current ratio	4,5 : 1	1,9 : 1
Acid-test ratio	0,5 : 1	1,8 : 1
Debt-equity ratio	1,9 : 1	2,2 : 1
Stock turnover rate	7 times	13 times
% return on average shareholders' equity	25%	17%
% return on total capital employed	10,3%	15,5%
Dividends per share	48 cents	105 cents
Earnings per share	80 cents	96 cents
Net asset value	635 cents	690 cents
Interest rate on long-term loans	11,5%	13%
Interest rate on investments	9%	9%
JSE price (Market price)	600 cents	650 cents



**B. Share capital:**

2 640 000 shares were in issue on 1 March 2024.

BACKGROUND INFORMATION

Shanice Krates (who is also the CEO of the company) owned 1 267 200 shares on 1 March 2024.

Shanice wants to be a majority shareholder; therefore, she arranged an urgent meeting with the board of directors and other shareholders with a significant stake in the company to allow her to buy shares equal to one-fifth of the shares that she already owned. This will enable the company to afford its current debt repayments.

On 31 January 2025, Shanice finally managed to convince the board of directors and other shareholders to allow her to buy shares equal to one-fifth of the shares that she already owned. These shares were issued at a current market price. The remainder of the shares were sold to the public.

A total of R2 100 000 was raised by the company through this issue of shares on 31 January 2025.




QUESTION 4: CORPORATE GOVERNANCE
(15 marks; 12 minutes)

Read the extracts carefully and answer the questions that follow. Use your general knowledge of companies and corporate governance to support your answers, if necessary.

The Power of Giving: A Donor's Impact, Beyond the Gift

Amine Traders, a Johannesburg distribution company, had a surplus of food parcels. It is alleged that in a senior management meeting, the CEO proposed donating the food parcels to a local community centre as commitment to support community well-being. However, some managers opposed the idea, and the majority ultimately decided to sell the parcels instead. The decision by the majority seem to have affected the company's results negatively.

4.1 Refer to the information regarding "The Power of Giving: A Donor's Impact, Beyond the Gift".

- 4.1.1 Provide ONE key factor that should be checked before donating items. (2)
- 4.1.2 Explain why it is important for a business to engage in Corporate Social Responsibility (CSR). Provide TWO points. (4)

TASH FINANCIAL SERVICES LTD (TFS)

Tash Financial Services Ltd is failing to attract potential investors due to the company's poor performance. The shareholders discovered from whistle-blowers that the company's poor performance is the result of a lack of competence on the board of directors. The directors of TFS are denying this allegation. According to the King Code principles, businesses are expected to conduct their operations in an ethical and professional manner.

4.2 Refer to information regarding Tash Financial Services Ltd (TFS).

- 4.2.1 Give TWO benefits of good corporate governance for companies. (4)
- 4.2.2 How can businesses apply the King Code principles of transparency and accountability? Provide TWO points. (4)
- 4.2.3 What should directors do if they have a conflict of interest? Provide ONE point. (1)

15
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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
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.	

