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**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

# **PREPARATORY EXAMINATION**

## **2025**

**10711**

**ACCOUNTING**

**(PAPER 1)**

**ACCOUNTING P1**

**TIME: 2 hours**

**MARKS: 150**



**10711E**

**11 pages + a formula sheet and an 11-page answer book**

**X05**



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**P.T.O.**

**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer 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.
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	Company Financial Statement	50	40
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	45	40
4	Corporate Governance	15	10
<b>TOTAL</b>		<b>150</b>	<b>120</b>



**QUESTION 1: CONCEPTS AND STATEMENT OF FINANCIAL POSITION****(50 marks; 40 minutes)**

- 1.1 Choose the correct term from the list below which relates to each of the following statements. Write only the term next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

Statement of Comprehensive Income; Non-current liabilities;  
Financial assets; Current liabilities; Current assets; Statement of Financial Position

1.1.1 The short-term debts of the business

1.1.2 A financial statement that outlines the company's profitability during a specific period

1.1.3 A fixed deposit maturing in four years' time

(3 x 1) (3)

1.2 **Tok Zen Ltd**

The following information relates to Tok Zen Ltd. The financial year ended 30 June 2025.

**REQUIRED:**

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

Calculate the correct net profit after tax for the year ended 30 June 2025. Indicate a (+) for increase and a (-) for decrease. (12)

1.2.2 **Refer to information A – G.**

Prepare the following on 30 June 2025:

- Retained Income Note (7)
- Statement of Financial Position (28)

**NOTE:** Show workings, some amounts are provided in the ANSWER BOOK.



**INFORMATION:**

- A. List of balances on 30 June before taking into account all adjustments below**

<b>BALANCE SHEET ACCOUNTS SECTION</b>	<b>2025 R</b>	<b>2024 R</b>
Ordinary share capital	9 600 000	10 000 000
Retained income	?	670 100
Loan: Jen Gem Bank	?	1 800 000
Fixed assets at carrying value	?	8 647 000
Fixed deposit: Jen Gem Bank	?	1 500 000
Trading stock	?	
Net trade debtors	424 000	
Cash and cash equivalents	192 300	
SARS (Income tax)	235 000 Dr	
Creditors' control	116 860	
<b>NOMINAL ACCOUNTS SECTION</b>		
Directors' fees	1 126 250	
Rent income	105 100	

- B. Net profit before taxation of R1 153 150 was calculated before correcting the following:**

- Provision for bad debts must be increased by R7 350.
- R12 000 of the insurance contract was for the period 1 July 2025 to 31 December 2025.
- Rent has been received for the period 1 July 2024 to 31 August 2025. Due to additional storage, the rent was increased by R500 per month for three months only, from 1 May 2025 to 31 July 2025.
- The company had two directors at the beginning of the financial year. Both directors were not paid their fees for June 2025. A third director was appointed on 1 February 2025, at a fee of 10% lower than the existing directors and he received his fees for the current year.
- A further R55 000 is owed for income tax on 30 June 2025.

**C. Fixed Assets**

After considering all the changes affecting fixed assets during the year until the end of the financial period, the total movement of fixed assets amounted to R1 352 000.

**D. Financial Assets**

A third of the fixed deposit will mature on 31 December 2025.





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- E. A debtors' debit balance of R9 560 in the Debtors' Ledger must still be transferred to her account in the Creditors' Ledger.

**F. Loan Statement: Jen Gem Bank**

	R
Repayments for the year inclusive of interest	?
Interest capitalised for the year. This accounts for 30% of the total repayment for the year	234 000

- R270 000 of the loan will be repaid within the next financial year.

**G. Ordinary shares and dividends**

Date	Details
1 July 2024	2 500 000 ordinary shares in issue
31 October 2024	4% of the issued shares were repurchased at R6,10. This transaction was recorded.
30 June 2025	? ordinary shares in issue

**NOTE:** Additional shares were not issued during the financial year.

- Interim dividends were not declared during the year.
- Final dividends of 21 cents per share were declared at the end of the financial year.

50



**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS****(40 marks; 30 minutes)**

2.1 Choose the correct word from those in brackets. Write only the answer next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 (Shareholders' equity/Dividends) are earnings by shareholders as a return for their investments.

2.1.2 A decrease in debtors indicates a cash (inflow/outflow).

2.1.3 Interest expense is classified as (operating/financing) expense.

(3 x 1) (3)

**2.2 MYAN TECH LTD**

The information below relates to the financial year ending 31 May 2025. The business buys and sells technology products.

**REQUIRED:**

2.2.1 Prepare the Ordinary Share Capital Note on 31 May 2025. (7)

2.2.2 Calculate the following amounts for the Cash Flow Statement:

- Tax paid (4)
- Dividends paid (5)

2.2.3 Prepare the following sections of the Cash Flow Statement:

- Cash flow from financing activities (6)
- Net change in cash and cash equivalents (4)

2.2.4 The directors have identified options to fund R1,5 million needed to import new products and expand the business, without increasing the business's risk in the next financial year.

What funding options can the company consider, without taking out additional loans? Quote TWO sources with figures. (2)

2.2.5 Calculate the following indicators for the year ended 31 May 2025:

- % Net profit after tax on sales (2)
- Net asset value per share (3)
- Dividends pay-out rate (4)



**INFORMATION:****A. Extract: Statement of Comprehensive Income on 31 May 2025**

Sales	R20 250 000
Cost of sales	12 656 250
Depreciation	855 000
Interest on loan	608 000
Income tax	553 000
Net profit after tax	1 633 100

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

	31 May 2025 R	31 May 2024 R
Trading stock	2 348 000	1 762 000
Debtors' control	182 400	209 100
SARS (Income tax)	37 600 Dr	111 000 Dr
Cash and cash equivalents	936 000	233 000
<b>Ordinary shareholders' equity</b>	<b>8 950 000</b>	
Ordinary share capital	7 191 000	5 160 000
Retained income	1 759 000	
Loan: Zed Bank	?	5 821 600
Creditors' control	89 200	104 300
Bank overdraft	0	360 800
Shareholders for dividends	224 000	?

**C. Share capital and dividends:**

- Additional shares were issued during the year.
- On 1 September 2024, there were 800 000 shares in issue.
- Interim dividends were paid on 30 November 2024.
- On 30 April 2025, the company repurchased shares. The average price amounted to 85% of the repurchase price. These shares qualify for final dividends.
- On 31 May 2025 there were 705 000 shares in issue.
- A final dividend per share was declared on 31 May 2025.

**NOTE:** Financial records on 31 May 2024 revealed the following:

- Only 500 000 shares were in issue.
- A final dividend of 22 cents per share was declared.

**D. After taking into account all adjustments, the following financial indicators were calculated:**

- Debt-equity ratio – 0,6 : 1
- Dividends per share – 48 cents



**QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION****(45 marks; 40 minutes)****DODO LTD AND NASHA LTD**

You are provided with information relating to two companies.

Ben Komani holds shares in both Dodo Ltd and Nasha Ltd.

**REQUIRED:**

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

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

**3.1 Profitability:**

Quote TWO financial indicators with figures and trends of the company that showed an improvement in their operating efficiency. (4)

**3.2 Liquidity:**

- The directors of Dodo Ltd are concerned about stock control. Quote ONE financial indicator and other relevant financial data to support this concern. (4)
- Identify the company that holds more stock. Show calculations and explain using financial indicators. (3)

**3.3 Dividends pay-out policy:**

Explain to Ben which company has accumulated sufficient money to finance expansion in the upcoming financial year. Quote relevant figures and provide a comparison to support your answer. (5)

**3.4 Share price on stock exchange:**

- Comment on the change of share price on the Johannesburg Security Exchange (JSE) of each company at the end of the financial year. Quote figures and trends. (4)
- Provide ONE factor for each company that could have influenced changes in their share price. (2)

**3.5 Financing strategy:**

The Chief Operating Officer (COO) of Nasha Ltd persuaded the senior management team to take out a loan. Quote ONE financial indicator with figures and trends to confirm this statement. (3)





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### 3.6 Shareholding:

Refer to information A and B.

- Calculate the total amount that Ben received from selling his shares in Dodo Ltd. (2)
- Calculate the additional amount, apart from the amount earned, from the sale of his shares in Dodo Ltd, that Ben had to contribute to buy the shares in Nasha Ltd. (4)
- Explain TWO benefits that Ben will lose after selling his shares in Dodo Ltd. (4)
- Ben's shareholding % will change after buying additional shares in Nasha Ltd. He is now the majority shareholder. Explain TWO potential challenges or problems of being a majority shareholder. (4)

### 3.7 Success of a director:

Explain THREE essential qualities of a successful director in a profitable company. (6)

### INFORMATION:

#### A. Background information:

- Ben Komani holds shares in both Dodo Ltd and Nasha Ltd.
- He sold 132 000 shares in Dodo Ltd and purchased an equal number of shares in Nasha Ltd.

**NOTE:** These transactions took place at the beginning of the financial year.

#### Share capital:

	Dodo Ltd		Nasha Ltd	
	2025	2024	2025	2024
Total number of shares in issue	600 000	600 000	1 000 000	800 000
Shares owned by Ben	?	301 000	?	389 000
% Shareholding in each company	?	50,2%	?	48,63%

- Both companies did not repurchase shares during the year.





**B. Financial indicators, market prices of shares and other financial data on 30 April**

	Dodo Ltd		Nasha Ltd	
	2025	2024	2025	2024
Mark-up percentage	45%	45%	65%	60%
% Operating expense on sales	25,2%	23,4%	18%	22%
% Net profit after tax on sales	9,4%	10,2%	13,8%	13,1%
Solvency ratio	1,6 : 1	1,4 : 1	2,8 : 1	2,9 : 1
Current ratio	2,3 : 1	2,5 : 1	1,9 : 1	1,8 : 1
Acid-test ratio	0,8 : 1	0,9 : 1	1,1 : 1	1,1 : 1
Stock turnover rate	8,2 times	8,9 times	15 times	14 times
Return on shareholders' equity	10,2%	10,8%	15,9%	14,8%
Earnings per share	89c		143c	
Dividend per share	86c		72c	
Dividend pay-out rate	97%		50%	
Net asset value per share	792c		1 028c	
Debt-equity ratio	0,8 : 1	0,8 : 1	0,5 : 1	0,4 : 1
Market price per share	720c	933c	1 320c	1 123c
Interest rate on loans	13%	12%	13%	12%
Interest rate on fixed deposits	7,5%	7%	7,5%	7%
<b>Balances</b>				
Trading stock deficit	R25 030	R12 470	R0	R1 870



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

You are provided with a summarised version of a media release from Kings Ltd. Read the adapted extract of the media statement and use your knowledge of companies to answer the questions that follow.

**REQUIRED:**

**NOTE:** Do NOT repeat responses in the various questions.

- 4.1 Choose the correct word(s) from those in the brackets. Write only the answer next to the question numbers (4.1.1 to 4.1.2) in the ANSWER BOOK.
- 4.1.1 The (directors/internal auditor/external auditor) review(s) the company's financial records and internal controls to identify any accounting discrepancies.
- 4.1.2 Companies prepare accurate financial statements in accordance with (the audit committee/International Financial Reporting Standards (IFRS)/the shareholders) to ensure transparency and accountability. (2 x 1) (2)
- 4.2 Identify TWO corporate governance issues evident in the Kings Ltd case. (2)
- 4.3 Provide TWO points indicating why transparency is crucial as an element of ethics in corporate governance within a company. (4)
- 4.4 Explain TWO roles of an audit committee in preventing discrepancies in financial reporting. (4)
- 4.5 List THREE consequences of poor corporate governance for a company like Kings Ltd. (3)

**EXTRACT FROM THE MEDIA STATEMENT:**

KINGS LTD: A CORPORATE SCANDAL AND ITS AFTERMATH
<p>Kings Ltd, a multinational retail corporation, was involved in a major corporate scandal. The company recently reported "accounting irregularities" which subsequently uncovered fraudulent activities amounting to billions of rands. This led to a substantial and prolonged drop in its share price, ultimately resulting in the resignation of key executives.</p> <p>The scandal exposed serious flaws in corporate governance, including a lack of transparency, inadequate board oversight, and insufficient financial controls. The company has faced difficulties in regaining stability, leading to shareholder withdrawals.</p>

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	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (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)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Variable costs per unit}} \times \text{Selling price per unit} -$	
<b>NOTE:</b> 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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