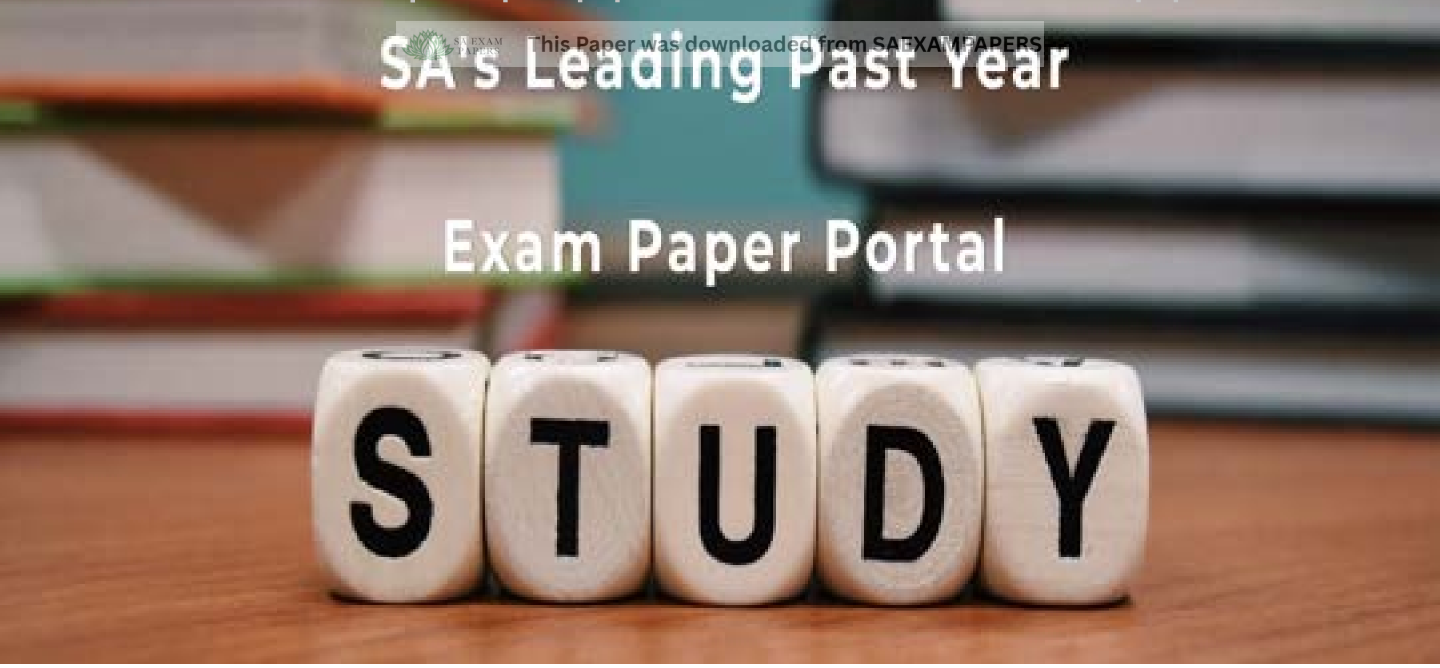
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GRADE 12

ACCOUNTING P1
JUNE 2025
QUESTION PAPER

MARKS: 150

TIME: 2 hours

This question paper consists of 14 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 questions.
2. A special ANSWER BOOK is provided in which to answer ALL 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. The use of this formula sheet is NOT compulsory.
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	Financial Statements	60	50
2	Cash Flow Statement, and Financial Indicators	40	30
3	Interpretation of Company Financial Information	35	30
4	GAAP, Audit Report, and Corporate Governance	15	10
TOTAL		**150**	**120**

QUESTION 1: FINANCIAL STATEMENTS **(60 marks; 50 minutes)**

HE-LECTRIX LTD

You are given the financial details of He-Lectrix Ltd for the year ending 28 February 2025.
The company trades in Solar power system installation and maintenance.
He-Lectrix Ltd adds a standard markup of 200% on the cost of goods sold.

REQUIRED:

Complete the following for the year ended 28 February 2025:

1.1 Statement of Comprehensive Income (35)

1.2. Retained Income note (8)

1.3 Statement of Financial Position; Equity and Liabilities Section (17)

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INFORMATION:

NOTE: SOME AMOUNTS ARE PROVIDED IN THE ANSWER BOOK

A Extract: Balances from the Financial Statements on 29 February 2024

Balance Sheet Section	R
Ordinary share capital	37 440 000
Retained income	16 420 000
Equipment	1 160 000
Accumulated depreciation on Equipment	935 000
Provision for bad debts	23 500
Consumable stores on hand (consumable stores)	1 250

B Extract: Balances/ totals from Pre-Adjustment Trial Balances for the year ended 28 February 2025

Balance Sheet Section	R
Trading stock	695 000
Debtors' control	578 000
SARS: Income tax (provisional payment)	546 100
Loan: Scrooge Bank (8% p.a.)	312 000
Creditors control	714 000
Nominal Accounts Section	
Sales	15 900 000
Cost of sales	5 300 000
Debtors' allowances	420 000
Discount allowed	23 850
Fee income	?
Discount received	45 500
Consumable stores	45 700
Ordinary share dividends	928 000

C Shares and dividends:

DATE	DETAILS OF SHARES AND DIVIDENDS
1 March 2024	4 800 000 ordinary shares in issue.
31 May 2024	1 000 000 Additional Ordinary shares issued at R8,96
30 September 2024	Interim dividends of R928 000 were paid. It was recorded.
1 February 2025	250 000 Shares repurchased at R9,95 each.
28 February 2025	A final dividend of 18 cents per share was declared. Repurchased shares qualify for the final dividends.

D Additional information and adjustments that still need to be considered:

(a) The R7 200 water bill for February 2025 has not yet been paid to the Municipality.

(b) A R32 000 payment for an advertisement campaign placed with News27 in February is still outstanding. News27 bought an extra solar panel for R7 500 from He-Lectrix Ltd, but the sale hasn't been recorded. It was agreed that He-Lectrix Ltd could subtract this amount from the unpaid advertisement payment.

(c) The company donated a solar system to a local daycare, resulting in a missed gross profit of R12 400 since the goods were not sold.

(d) Consumable Stores:
The bookkeeper forgot to reverse the transaction for the consumable stores on hand on the 1st of March 2024.
Consumable stores worth R2 250 were ordered and recorded, but they have not been delivered yet as the supplier is still waiting for certain items from Germany.
The annual stock take indicated the following was on hand on 28 February 2025:

- Consumable stores R 1 960
- Trading Stock R 672 000

(e) Depreciation on equipment is calculated at 20% per annum using the cost price method.

(f) When the tenant began renting on 1 March 2024, it was agreed that the rent would increase by only 5% on 1 November 2024, provided the tenant paid the R9 000 deposit for rent. The deposit was received but not recorded. The tenant still owes rent for February.

(g) The bank statement for February 2025 was received, highlighting the following items:

- He-Lectrix Ltd has not yet recorded bank charges R390 and interest on the credit bank balance of R450.
- An EFT payment of R7 200 was recorded in the books of He-Lectrix Ltd to settle an R8 000 account with a creditor. However, the bank could not process the payment due to an incorrect account number being entered by He-Lectrix Ltd.

(h) A debtor who owed R9 600 was declared insolvent. The estate has paid 45 cents on the rand, and the remaining balance must be written off as bad debt. No entries have been made for either of these transactions.

(i) The provision for bad debts must be adjusted to R22 736.

(j) A loan repayment of R24 000 is due on 31 May 2025.

(k) After all adjustments, an amount of R14 900 is still owed to SARS for the company tax.

(l) The earnings per share (EPS) was calculated at 26c on 28 February 2025.

60

QUESTION 2: CASH FLOW STATEMENT, AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

2.1 DISKOM LTD

The information relates to Diskom Ltd for the financial year ended 30 April 2025.

REQUIRED:

2.1.1 Complete the Ordinary Share Capital note. (9)

2.1.2 Complete the following sections of the Cash Flow Statement:

- Cash effects from operating activities (10)
- Cash effects from investing activities (7)

2.1.3 Calculate the following financial indicators on 30 April 2025:

- Current ratio (4)
- % Return on average total capital employed (ROTCE) (6)
- Interim dividends per share (4)

INFORMATION:

A Extract from the Statement of Comprehensive Income on 30 April 2025:

Sales	3 188 150
Depreciation	413 000
Interest expense	78 000
Net profit after tax	637 630

Note: The income tax rate is 30%.

B Extract from the Statement of Financial Position on 30 April:

	2025	**2024**
Fixed assets (carrying value)	4 094 900	3 830 000
Financial assets	190 000	
Inventories	720 800	520 000
Trade and other receivables	240 000	356 000
Cash and cash equivalents	56 600	6 500
Shareholders' equity	6 062 000	5 124 800
Ordinary share capital	5 852 000	?
Retained income	210 000	420 800
Trade and other payables		90 440
SARS: Income tax	21 270 **Dr**	36 600 **Cr**
Shareholders for dividends	?	265 000
Bank Overdraft	0	38 400
Current liabilities	360 700	430 440
Capital Employed	7 100 000	6 000 800

C Fixed assets:

- Extensions to land and buildings were completed during the year at a cost of R830 400.
- A vehicle was sold during the year at carrying value.

D Share capital and dividends:

DATES	**DETAILS OF SHARES AND DIVIDENDS**
	2 100 000 authorised ordinary shares
1 May 2024	70% of the authorised shares were issued.
30 June 2024	300 000 additional shares were issued
30 September 2024	An interim dividend was paid, R318 600
31 January 2025	230 000 shares were repurchased

40

QUESTION 3: INTERPRETATION OF COMPANY FINANCIAL INFORMATION

(35 marks; 30 minutes)

REQUIRED:

3.1 CONCEPTS

Match the concepts listed in COLUMN A with an explanation provided in COLUMN B. Write only the letter (A–G) next to each number (3.1.1–3.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Liquidity	A	Operating efficiency of the business.
3.1.2	Profitability	B	Provides credibility in the global economy to financial statements.
3.1.3	Solvency	C	Should be compared to the interest rates on investments offered by banks.
3.1.4	IFRS	D	Current asset : Current Liabilities
3.1.5	ROSHE	E	Interested in the profitability of the company.
		G	Total assets : Total liabilities

(5 x 1 = 5)

NOTE: Provide figures, financial indicators, or calculations in EACH case to support your comments and explanations.

3.2 ELSA LTD. AND ANNA LTD.

You are presented with the financial information of two similar-sized companies operating in the frozen food sector. The financial year ended on 28 February 2025 for both companies.

3.2.1 The CEO of Anna Ltd believes that the company has shown a positive improvement in their liquidity situation because the current ratio has increased significantly to 3,6 : 1. Explain whether he is correct or not by quoting ONE other financial indicator, with figures, to support your answer. (4)

3.2.2 Calculate and compare the dividend pay-out policy of each company. (4)
Give a possible reason why one company opted to adjust their policy. (2)

3.2.3 Elsa Ltd decided to increase their loans during the current financial year, whilst Anna Ltd chose to maintain their existing loans.
Quote ONE financial indicator and comment on the degree of gearing of each company. (8)

3.2.4 A shareholder of Anna Ltd is worried because the value of the company's shares has gone down. Describe the reason for his concern. Quote and explain TWO financial indicators to support your answer. (4)

3.2.5 Olaf Snow owns 528 000 shares in Anna Ltd. He inherited R350 000 from his wealthy Uncle Kristoff, who sadly passed away.
When Anna Ltd issued new shares on 1 December 2024, Olaf had the chance to purchase an additional 84 000 shares at 410 cents each.
However, he chose to spend the R350 000 on a luxurious Christmas holiday in New York with his girlfriend instead of buying the extra shares.

Clarify why Olaf's decision was a mistake. Discuss his % shareholding and provide TWO additional reasons, supported by figures or calculations, to support your explanation. (8)

INFORMATION:

	ELSA LTD		ANNA LTD	
	2025	**2024**	**2025**	**2024**
Current ratio	1,9 : 1	2,1 : 1	3,6 : 1	2,8 : 1
Acid test ratio	1,3 : 1	1,4 : 1	1,5 : 1	1,5 : 1
Dividends per share	45 cents	65 cents	60 cents	62 cents
Earnings per share	86 cents	80 cents	70 cents	72 cents
% return on average shareholders' equity	13%	11%	11,6%	12%
% return on average capital employed	15%	12%	11,7%	13%
Debt/equity ratio	0,6 : 1	0,3 : 1	0,4 : 1	0,4 : 1
Net asset value per share	642 cents	630 cents	610 cents	618 cents
Market price per share	645 cents	622 cents	582 cents	615 cents
Total number of shares issued			1 200 000	1 100 000
Interest rate on loans	13%		13%	

35

QUESTION 4: GAAP, AUDIT REPORT AND CORPORATE GOVERNANCE

(15 marks; 10 minutes)

4.1 **GAAP PRINCIPLES**

Match the GAAP principles listed in COLUMN A with an explanation provided in COLUMN B. Write only the letter (A–E) next to each number (4.1.1–4.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	Matching	**A**	The owner's personal matters should be kept separate from the business records.
4.1.2	Historical cost	**B**	Major expenses, such as audit fees, should be presented separately in the financial statements.
4.1.3	Materiality	**C**	Losses should be recorded as soon as they are identified, even if they might be recovered later.
4.1.4	Business Entity	**D**	Income and expenses must be recorded in the period they are earned or incurred.
		E	Assets are recorded at the purchase price, regardless of whether the market price is higher.

(4)

4.2 **AUDIT REPORT AND CORPORATE GOVERNANCE**

BARBI LTD.

An extract from the audit report of Barbi Ltd. is provided below.

REQUIRED:

4.2.1 Explain the role of the independent auditor. (2)

4.2.2 Did Barbi Ltd receive a qualified, unqualified, or a disclaimer audit report? Explain your choice. (2)

4.2.3 To whom is the audit report addressed? (1)

4.2.4 The marketing expense on the Statement of Comprehensive Income relates to a spa and beauty treatment day arranged by the CEO for her friends. The CEO recommended to the external auditor that this transaction be excluded.

- The external auditor was not willing to do this. Briefly explain why he feels this way. (2)
- Provide TWO consequences for the auditor if he agrees to the recommendation of the CEO. (4)

INFORMATION:

EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

Audit opinion:

In our opinion, the financial statements fairly represent the financial position of Barbi Limited on 28 February 2025, except for the marketing expense in the Statement of Comprehensive Income which could not be verified, as no documentation existed for this expenditure.

Marley & Kazuza
Chartered Accountants (SA) **10 April 2025**

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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.