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SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MAY/JUNE 2025

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 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. 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 Statements	50	40
2	Fixed Assets, Cash Flow Statement and Financial Indicators	45	35
3	Interpretation of Financial Information	40	30
4	Corporate Governance	15	15
TOTAL		150	120



QUESTION 1: COMPANY FINANCIAL STATEMENTS (50 marks; 40 minutes)**EBONY LTD**

The information relates to the financial year ended on 28 February 2025. The company sells various car accessories and also services customers' vehicles.

REQUIRED:

- 1.1 Prepare the Statement of Comprehensive Income for the financial year ended 28 February 2025. (34)
- 1.2 Prepare the EQUITY AND LIABILITIES section of the Statement of Financial Position as at 28 February 2025. Show workings in brackets. (16)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:**A. Balances and/or totals, among others, that appeared in the books on:**

	28 Feb. 2025 (R)	29 Feb. 2024 (R)
Ordinary share capital	2 480 000	2 480 000
Retained income	?	
Loan: Oracle Bank	?	
Trading stock		
Fixed deposit: Rainbow Bank	620 000	620 000
Provision for bad debts	?	19 230
SARS: Income tax (provisional tax payments)	363 100	
Creditors' control	420 358	
Prepaid expenses	8 520	
Bank overdraft	?	
Sales	12 171 200	
Cost of sales	?	
Salaries and wages	763 000	
Depreciation	285 860	
Service fee income	174 580	
Audit fees	75 168	
Rent income	72 960	
Directors' fees	1 595 385	
Trading stock deficit	22 150	
Interest income	?	
Interest expenses	?	
Sundry expenses	710 000	
Ordinary share dividends (interim dividends)	372 000	



B. The following adjustments must still be taken into account:

- Stocktaking on 28 February 2025 reflected a trading stock deficit of R22 150. This deficit was calculated without considering the following:

Merchandise of R31 200, returned by M Vrede, a debtor, on 28 February 2025, was not recorded. The goods returned were placed back into stock. Ebony Ltd maintains a consistent mark-up of 60% on all goods.

- Audit fees still owing, R18 792.
- Provision for bad debts must be decreased to R17 200.
- The company rented out part of its premises on 1 July 2024. Rent has been received up to 30 June 2025.
- Ebony Ltd had two directors, each earning the same fee at the beginning of the financial year. A third director was appointed on 1 September 2024, earning a monthly fee of R5 445 less than the existing directors. All the directors were paid their fees for March 2025.

C. A supplier, Midrand Tyres, was paid R22 750. This amount was incorrectly debited to the Debtors' Control Account. This must be corrected.

D. Loan: Oracle Bank

- Extract from the annual loan statement for the year ended 28 February 2025:

Monthly payments, including interest: R27 500

- The capital repayment on the loan for the past financial year was R126 600. This will remain the same until the loan is fully repaid.

E. Income tax

- Income tax is calculated at 30% of the net profit.
- The correct income tax for the year was R397 800.

F. Share capital and dividends

- The company had 1 550 000 shares in issue on 1 March 2024.
- On 31 July 2024, interim dividends were paid.
- A final dividend of 19 cents per share was declared on 28 February 2025. It must be brought into account.

NOTE: No shares were issued or repurchased during the year.

G. Information calculated at the end of the financial year after all adjustments had been taken into account:

Total assets	R5 214 000
Solvency ratio	2,4 : 1



QUESTION 2: FIXED ASSETS, CASH FLOW STATEMENT AND FINANCIAL INDICATORS
(45 marks; 35 minutes)

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

REQUIRED:

2.1 Refer to information D.

Calculate the missing figures indicated by (i) to (iii) on the Fixed Asset Note. (12)

2.2 Calculate the following figures for the Cash Flow Statement:

- Taxation paid (4)
- Dividends paid (4)

2.3 Complete the 'Cash effects from financing activities' in the Cash Flow Statement. (8)

2.4 Calculate the following financial indicators on 28 February 2025:

- % operating expenses on sales (3)
- % return on average shareholders' equity (4)
- Dividends per share (4)

2.5 According to the Fixed Asset Note (see **Information D), the company completed extensions to the building for R7 909 600 during the financial year.**

- Name TWO major sources of funding for the extensions, with figures (over R2 000 000 each). (4)
- For each source, state how the cash flow will be affected negatively in the future. State ONE different point for each source. (2)

INFORMATION:**A. Extract: Statement of Comprehensive Income for the year ended 28 February 2025:**

Sales	26 480 000
Operating expenses	4 667 600
Interest expenses	222 400
Net profit before tax	6 200 000
Income tax	1 736 000
Net profit after tax	4 464 000

B. Extract: Statement of Financial Position on:

Assets	28 Feb. 2025	29 Feb. 2024
Non-current assets	19 157 500	12 293 000
Fixed assets	17 877 500	10 493 000
Fixed deposit	1 280 000	1 800 000
Current assets	12 842 000	9 020 000
Inventories		
Debtors' control	1 580 000	1 740 000
SARS: Income tax	220 000	0
Cash and cash equivalents		
Total assets	31 999 500	21 313 000
Equity and liabilities		
Ordinary shareholders' equity	22 556 000	14 913 000
Ordinary share capital		13 950 000
Retained income		963 000
Non-current liabilities	6 513 500	2 780 000
Current liabilities	2 930 000	3 620 000
Trade and other payables	1 530 000	2 632 000
SARS: Income tax	0	148 000
Shareholders for dividends	1 400 000	840 000
Total equity and liabilities	31 999 500	21 313 000

C. Shares and dividends:

- The company had 3 000 000 shares in issue on 1 March 2024.
- 1 050 000 new shares were issued on 30 June 2024, R6 300 000.
- An interim dividend of 32 cents per share was paid on 31 August 2024.
- 50 000 shares were repurchased for R3,50 more than the average share price on 31 October 2024.
- Final dividend was declared on 28 February 2025.

D. Fixed Asset Note to the Statement of Financial Position:

FIXED ASSETS	BUILDINGS (R)	VEHICLES (R)	EQUIPMENT (R)
Carrying value (1 Mar. 2024)	(i)	1 473 000	1 450 000
Cost		3 223 000	2 630 000
Accumulated depreciation	0	(1 750 000)	(1 180 000)
Movements			
Additions	7 909 600	0	320 000
Disposals	0	(ii)	0
Depreciation	0		(iii)
Carrying value (28 Feb. 2025)	15 479 600		
Cost			
Accumulated depreciation	0		

Additional information in respect of fixed assets:

- Extensions to the buildings were completed during the financial year.
- An old vehicle was sold at carrying value on 30 September 2024. The cost price of this vehicle was R510 000 and its accumulated depreciation on 1 March 2024 was R330 000.
- Vehicles are depreciated at 20% p.a. on carrying value.
- Additional equipment was purchased on 1 December 2024.
- Equipment is depreciated at 15% p.a. on cost.



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

VENUS LTD

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

BACKGROUND INFORMATION:

Denzel Crous was appointed as the chief financial officer (CFO) on a 2-year contract which will be reviewed on 31 August 2025. He is also a shareholder in Venus Ltd.

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 indicators quoted

INFORMATION:

3.1 Choose the correct word from those given in brackets. Write only the word next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

3.1.1 Effective control of expenses in the business is a reflection of (risk/profitability).

3.1.2 When a company is liquidated, the shareholders' liability will be (limited/unlimited), as they will not be held responsible for company debts.

3.1.3 (Solvency/Liquidity) is the ability of the business to pay off all its debts using existing assets. (3 x 1) (3)

3.2 **Liquidity:**

The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement. (4)

3.3 **Dividend pay-out policy:**

- Calculate the dividend pay-out rate for the year ended 28 February 2025. (2)
- Explain why the directors decided to change the policy. Give ONE reason. (2)

3.4 % shareholding and repurchase decision-making:

- Calculate the number of new shares that Denzel purchased on 31 July 2024. (4)
- Calculate Denzel's % shareholding on 28 February 2025. (3)
- The independent auditor discovered that Denzel had made the decision to repurchase the shares from the estate of a deceased relative on 1 December 2024 without informing the board of directors.

Why should the independent auditor be concerned about this? Give ONE reason. (2)

3.5 Gearing and risk:

- The directors of Venus Ltd want to expand the business by opening more branches in other provinces. Explain why you would recommend that they should not borrow more money. Quote TWO financial indicators, with figures. (6)
- The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points. (4)

3.6 Share value:

Explain why the shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators and other related data. (4)

3.7 Renewal of the CFO's contract:

- Explain ONE reason why any company should appoint a suitably qualified person as their chief financial officer (CFO). (2)
- Apart from the factors and financial indicators covered in QUESTIONS 3.2 to 3.6, quote and explain TWO financial indicators why you feel that Denzel's contract should not be renewed. (4)

INFORMATION:**A. Financial indicators calculated:**

	28 Feb. 2025	29 Feb. 2024
% operating expenses on sales	18,3%	22,7%
Current ratio	1,6 : 1	0,3 : 1
Acid-test ratio	0,8 : 1	0,1 : 1
Debtors' collection period	36 days	43 days
Creditors' payment period	63 days	63 days
Solvency ratio	2,2 : 1	2,6 : 1
Debt-equity ratio	0,8 : 1	0,5 : 1
Return on average capital employed	8,2%	9,5%
Return on average shareholders' equity	4,5%	6,2%
Earnings per share	51 cents	58 cents
Dividends per share	55 cents	35 cents
Dividend pay-out rate	?	60,3%
Net asset value per share	1 025 cents	1 060 cents

B. Additional information:

	28 Feb. 2025	29 Feb. 2024
Market price per share	1 000 cents	1 030 cents
Interest rate on loans	12% p.a.	12% p.a.
Interest rate on investments	7% p.a.	7% p.a.

C. Shares of Venus Ltd:

	Number of shares
In issue:	
on 29 February 2024	900 000
on 28 February 2025	950 000
New shares issued on 31 July 2024 at R10,50 each	125 000
Repurchased on 1 December 2024 at R12,00 each	75 000

D. Shareholding of Denzel Crous in Venus Ltd:

% shareholding on 29 February 2024	45%
Number of shares owned on 28 February 2025	494 000



QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 15 minutes)****4.1 Refer to Information A.**

- 4.1.1 Identify the type of audit report that Yungs Ltd received. (1)
- 4.1.2 Name TWO reliable types of audit evidence that VC Auditors used as the basis for their opinion. (2)
- 4.1.3 Explain how this audit report could have a positive influence on the company in the future. Provide TWO points. (4)

4.2 Refer to Information B.

- 4.2.1 What action would Vintage Ltd have taken against the two directors who appeared in court? Provide TWO points. (4)
- 4.2.2 Explain TWO consequences that Josh, the external auditor, may face for his illegal conduct. (4)

INFORMATION:**A. Extract from an audit report issued by VC Auditors to Yungs Ltd, one of their clients:****Opinion**

In our opinion the financial statements fairly present, in all material respects, the financial position and cash flows of Yungs Ltd as at 28 February 2025. It was set in accordance with International Financial Reporting Standards (IFRS) and complied with the requirements of the Companies Act, 2008 (Act 71 of 2008) of South Africa.

Basis for Opinion

The audit evidence obtained is sufficient, reliable and appropriate to provide a basis for our opinion.

B. Extract from a newspaper article about Vintage Ltd, another client of VC Auditors:

An external independent auditor from VC Auditors, Josh Peters, was implicated in a corruption court case against two directors of Vintage Ltd. These directors allegedly paid bribe money to Josh to ensure that favourable reports were issued by VC Auditors, on the performance of Vintage Ltd, although the company is close to bankruptcy.

15**TOTAL: 150**

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

