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**PROVINSIALE VOORBEREIDENDE EKSAMEN/
PROVINCIAL PREPARATORY EXAMINATION**

GRAAD/GRADE 12

REKENINGKUNDE/ACCOUNTING

VRAESTEL/PAPER 1

SEPTEMBER 2025

PUNTE/MARKS: 150

TYD/TIME: 2 uur/hours

**Hierdie vraestel bestaan uit 11 bladsye,
'n formuleblad en 'n 11 bladsy-antwoordeboek.
This question paper consists of 11 pages,
a formula sheet and a 11-page answer book.**



SA EXAM PAPERS



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 ink to answer the 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	55	45
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	35	25
4	Corporate Governance	20	20
TOTAL		150	120



**QUESTION 1: COMPANY FINANCIAL STATEMENTS (55 marks; 45 minutes)**

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

REQUIRED:

- 1.1 Calculate the correct net profit before tax. (10)
- 1.2 Prepare the following notes to the Statement of Financial Position.
- Ordinary share capital (7)
 - Retained income (7)
- 1.3 Complete the Statement of Financial Position for the year ended 28 February 2025. (31)

INFORMATION:**A. Extract: Pre-adjustment Trial Balance on 28 February 2025.**

	R
Ordinary share capital (01/03/2024)	836 000
Retained income	383 200
Land and buildings	1 700 000
Vehicles	1 940 000
Accumulated depreciation on vehicles (01/03/2024)	294 600
Fixed deposit: Easy Bank	820 000
Inventory	?
Debtors' control	44 000
Provision for bad debts	2 640
Bank	30 000
Petty cash	1 960
Loan: Best Bank	?
Creditors' control	64 000
SARS: Income tax (provisional tax payments)	130 000
Stationery on hand	2 000
Audit fees	88 000
Salaries and wages	820 000
Rent income	400 000

B. Adjustments and additional information:

- (i) The net profit before tax before taking the adjustments below into consideration amounted to R440 000.
- (ii) Depreciation on vehicles, R146 080, has been recorded. Upon further investigation it was found that the amount should have been R164 080





- (iii) The accountant erroneously adjusted the provision for bad debts (R2 640) at 6% of outstanding debtors. The provision for bad debts must be adjusted to 4% of the outstanding debtors.
- (iv) The bookkeeper neglected to bring trading stock deficit of R10 000 into account.
- (v) One-fifth of the fixed deposit at Easy Bank will mature on 1 April 2025.
- (vi) An EFT for R4 000 scheduled for payment to a creditor on 12 May 2025, has been loaded but not yet released by the bank. The bookkeeper already recorded it in the CPJ. Note that online banking allows future-dated payments to be scheduled without immediately affecting the bank balance.
- (vii) A debtor requested that his credit balance of R3 600 in the debtors' ledger be carried over to his account in the creditors' ledger.
- (vii) Rent income **does not include** the rent for February 2025. An increase of R4 000 **per month** came into effect on 1 January 2025.
- (ix) An additional fee of **R12 000** is still owed to the auditors.
- (x) Loan repayment amounts to R9 000 per month **excluding interest**.
- (xi) Income tax is calculated at 28% of the net profit before tax.
- (xii) Share capital and dividends:
 - The company has an authorised share capital of 400 000 ordinary shares.
 - On 1 March 2024, 38% of the authorised shares had already been issued.
 - On 1 April 2024, the directors bought back 32 000 shares at a total repurchase price of R201 600.
 - On 31 May 2024, an interim dividend of R6 000 was paid.
 - On 1 December 2024, a further 130 000 shares were issued.
 - On 28 February 2025, a final dividend of 12 cents per share was declared on all issued shares.
- (xiii) The current ratio is 2,5 : 1.
- (xiv) **NOTE:**

Inventory and the loan amount are balancing figures.



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

- 2.1 Choose an explanation from COLUMN B that matches the individual or term in COLUMN A. Write only the letter (A–E) next to the question numbers (2.1.1 to 2.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.1.1	Issued share capital	A	a document compiled before a company is registered, which sets out the rights, responsibilities and duties of the directors, shareholders and other stakeholders relating to the company
2.1.2	Directors		
2.1.3	Shareholders		
2.1.4	Authorised share capital		
2.1.5	Memorandum of incorporation	B	they appoint independent auditors
		C	the number of authorised shares that are sold
		D	the total number of shares that a company may issue
		E	individuals who are appointed to manage the company

(5 x 1)

(5)

VALUE LTD

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

REQUIRED:

- 2.2 Prepare the **Note for the Reconciliation** of net profit before tax and cash generated from operating activities on 28 February 20. (11)
- 2.3 **Complete** the Cash Flow Statement for the year ended 28 February 2025. (16)
- 2.4 **Calculate** the following financial indicators for the year ended 28 February 2025:
- Net asset value per share (3)
 - Return on average capital employed (5)

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

	R
Depreciation	526 000
Sales	3 200 000
Interest expense	204 000
Income tax (28% of profit)	?
Net profit after tax	1 728 000

B. Extract from the Statement of Financial Position:

	2025 R	2024 R
Non-current assets at carrying value	4 804 400	4 670 400
Current assets		
Inventory	900 000	1 260 000
Trade and other receivables	156 600	69 600
Cash and cash equivalents	1 715 200	50 000
Shareholders' equity	5 483 200	3 732 000
Ordinary share capital	4 015 200	3 220 000
Retained income	1 468 000	512 000
Non-current liabilities	1 826 900	1 700 000
Current liabilities		
Trade and other payables	266 100	268 000
Bank overdraft		350 000

C. Shares and dividends:

- 700 000 shares were issued at the beginning of the financial year.
- An additional 320 000 shares were issued during the financial year at R2,60.
- During the year 180 000 shares were repurchased.
- At the end of the year a total of 840 000 shares had been issued.
- The dividends that were owed on 28 February 2025 were paid on 15 March 2025.
- The interim dividends declared and paid during the year amounts to R88 000.

D. Trade and other receivables:

	2025 R	2024 R
Trade debtors	68 000	39 000
Accrued income	46 600	30 600
SARS (Income tax)	42 000	—

E. A new vehicle was purchased during the year for R1 060 000 and old equipment was sold during the year at carrying value.

F. **Trade and other payables:**

	2025 R	2024 R
Trade creditors	136 020	40 000
Income received in advance	46 080	68 000
Shareholders for dividends	84 000	134 000
SARS (Income tax)	–	26 000

40



**QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION****(35 marks; 25 minutes)****BLUE LTD**

You are provided with extracts from the financial records of Blue Ltd for the financial year ended 30 June 2025.

REQUIRED:**3.1 Share price:**

Shares are being offered to the existing shareholders at 130 cents each. Would you consider buying additional shares in this company? Briefly explain by quoting TWO financial indicators, with figures. (4)

3.2 Liquidity:

Although the company is not experiencing any liquidity problems, the directors are very concerned about the liquidity of the company. Explain why they are concerned. Quote TWO financial indicators with figures to support their concerns. (6)

3.3 Risk and gearing:

Blue Ltd is considering taking out an additional loan of R240 000 at an interest rate of 17% p.a. What advice would you give the directors? Quote TWO financial indicators with figures to support your answer. (6)

3.4 Dividend payout policy:

Comment on the dividend payout policy by quoting figures and explain why the directors decided to change the dividend payout policy. (3)

3.5 Shareholding:

Mark is one of the shareholders in the company. He owned 200 000 shares at the start of the year. He then purchased another 50 000 shares when the new shares were issued on 1 January 2025.

3.5.1 Calculate Mark's % shareholding after the issuing of new shares on 1 January 2025. (3)

3.5.2 Calculate Mark's % shareholding after the repurchase of shares on 1 May 2025. (2)

3.5.3 How has Mark's % shareholding in the company been affected by the repurchase of the shares? (2)



3.6 Earnings and returns:

As a shareholder of Blue Ltd, would you be satisfied with the performance of the company for 2025? Quote TWO financial indicators with figures. (5)

3.7 One director has queried the fact that, whilst the operating profit on sales has improved, the percentage net profit before tax on sales has declined. Provide a brief explanation to the director. (4)

INFORMATION:**A. Share capital:**

- 400 000 shares on 1 July 2024, R3 240 000
- 200 000 shares were issued on 1 January 2025 at R6,80.
- On 1 May 2025, 240 000 shares were repurchased from a deceased shareholder at R7,70.

B. The following financial indicators were calculated on 30 June:

	2025	2024
Operating profit on sales	27%	25%
Net profit before tax on sales	19%	24%
Current ratio	5,2 : 1	2,2 : 1
Acid-test ratio	2,8 : 1	1,2 : 1
Stock turnover rate	6,2 times	4,7 times
Solvency ratio	3,3 : 1	6,5 : 1
Debt-equity ratio	0,32 : 1	0,06 : 1
Return on average capital employed (ROTCE)	22%	31%
Return on shareholders' equity (ROSHE)	31%	36%
Earnings per share (EPS)	29 cents	33 cents
Dividends per share (DPS)	24 cents	18 cents
Dividend payout rate	82,7%	54,5%
Net asset value per share (NAV)	132 cents	127 cents
Market price	140 cents	150 cents
Interest on loan	17%	17%
Interest on fixed deposit	8%	8%

**QUESTION 4: CORPORATE GOVERNANCE****(20 marks; 20 minutes)**

You are provided with extracts from the independent auditors' reports of Storm Ltd.

REQUIRED:

- 4.1 Explain why the shareholders would not be satisfied with the report. (2)
- 4.2 The managing director informed the auditors that he plans to purchase the unissued shares during the next year, without advertising the new issuing to the shareholders or the public. What advice should the auditors give to him? Explain. (2)
- 4.3 Explain why it was necessary for the auditors to stipulate pages 11 to 23 in the report. (2)
- 4.4 Explain TWO important consequences for Dan and Brown, should it be found that they were negligent in exercising their duties. (4)
- 4.5 **Corporate governance:**
- 4.5.1 Explain the **difference** between executive directors and non-executive directors. (2)
- 4.5.2 As a shareholder, you are attending the AGM where new directors will be appointed. List and explain TWO characteristics you would be looking for in the new directors. (4)
- 4.5.3 At the AGM, many shareholders complained that the Remunerations Committee had been negligent in their duties and that Mr French (CFO) did not deserve the fees that he was paid. State TWO different points to justify their opinion. Quote figures or financial indicators. (4)

INFORMATION:**A. Extract from the external auditors' report:**

We have audited the financial statements set out on pages 11 to 23. We are unable to express an opinion on the financial position of the company and the results of their operations and cash flow for the year ended on 28 February 2025. It has not been prepared in accordance with International Financial Reporting Standards and in a manner required by the Companies Act of South Africa.

Dan and Brown
Chartered Accountants (CA)
Registered Accountants and Auditors
Menlyn, 31 March 2025



**B. Directors' fees:**

	2025 R	2024 R
Director's fees paid to CFO	5 800 000	4 000 000
Total fees paid to 4 other directors	6 000 000	6 000 000

C. Financial indicators:

	2025	2024
Earnings per share	54 cents	102 cents
Dividends per share	25 cents	90 cents
Net asset value per share	732 cents	711 cents
Return on average shareholders' equity	4,9%	5,3%
Return on average capital employed	6,4%	9,1%

20

TOTAL: 150



GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit} \times 100}{\text{Sales}} \quad 1$
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. 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.	

