education

Department of Education
FREE STATE PROVINCE

GRADE 12 - EXAMINATION

ACCOUNTING - JUNE 2026

PAPER 1

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of the answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 10 pages.

QUESTION 1

1.1

Calculate: Value of closing stock		
WORKINGS	**ANSWER**	
78 + 631 – 602 107 ✓✓ x 10 500 x 100/125 8 400 ✓✓ OR 5 955 600 – 5 056 800 two marks two marks	898 800 ☑ one part correct	5

1.2

(a) Calculate: Accumulated depreciation on vehicles		
WORKINGS	**ANSWER**	
814 000 – 519 200	294 800 ✓✓ no part marks ignore brackets	2

(b) Calculate: Depreciation on equipment for the year		
WORKINGS	**ANSWER**	
Old 561 000 × 10% = 56 100 CV is only 50 000 50 000 – 1 = 49 999 ✓☑* *If R50 000 or R1 is shown **New** 55 000 × [10% × 6/12] = 2 750 ✓☑* one part correct	52 749 ☑ **one part correct** ignore brackets	5

(c) Calculate: Disposal at carrying value on vehicles		
WORKINGS	**ANSWER**	
165 000 ✓ – (66 000 ✓ + 14 850 ✓☑*) 99 000 two marks 99 000 x [20% x 9/12] one part correct	84 150 ☑ **one part correct**	5

1.3 **RETAINED INCOME NOTE ON 31 May 2026**

Balance at beginning of the year balancing figure **one part correct**	794 000	☑	
Net profit after tax	721 000	✓✓	
Shares repurchased 200 000 ✓☑ x 15/100 ✓ (1 500 000 – 1 300 000) (2 025 000 – 1 755 000) R270 000 two marks x 15/135 one mark	(30 000) Do not accept R300 000	☑	
Ordinary share dividends	**(440 000)**		
Interim dividends 1 500 000 x 12 cents	180 000	✓✓	
Final dividends	260 000	✓	
Balance at the end of the year	**1 045 000**		10

1.4 Statement of Financial Position on 31 May 2026

* one part correct

ASSETS			
NON-CURRENT ASSETS	TA – CA	3 119 800	☑
Fixed assets	NCA – FD	2 537 800	☑
Fixed deposit	**2**	**582 000**	
CURRENT ASSETS	CL x 1,2	1 407 600	☑☑
Inventory	see 1,1	898 800	☑
Trade and other receivables Dep. W&E Transfer Dir. Fees SARS I/T 209 100✓ + 11 000 ✓– 1 500 ✓ + 96 000 ✓✓+ 50 000 ✓✓		364 600	☑*
Cash and cash equivalents	balancing figure	144 200	☑
TOTAL ASSETS	TA must be the same as TE&L **13**	4 527 400	☑
EQUITY AND LIABILITIES			
ORDINARY SHAREHOLDERS' EQUITY		**2 800 000**	
Ordinary share capital		**1 755 000**	
Retained income		**1 045 000**	
NON-CURRENT LIABILITIES		554 400	
Mortgage loan (609 840 + 83 160) (693 000 x 20%) 693 000 ✓☑ – 138 600 ✓☑	**4**	554 400 four marks	
CURRENT LIABILITIES		1 173 000	☑*
Trade and other payables Transfer see above Rent 763 860 ✓ – 1 500 ✓ + 12 040 ✓✓		774 400	☑*
Shareholder for dividends	see 1.3	260 000	☑&
Current portion of loan		138 600	☑&
TOTAL EQUITY AND LIABILITIES	**9**	4 527 400	☑*

28

& inspect if included with T&OP
-1 foreign items max -2; -1 presentation max -2

TOTAL MARKS
55

QUESTION 2

2.1 RECONCILIATION OF PROFIT BEFORE TAXATION AND CASH GENERATED FROM OPERATIONS NOTE.

Net profit before tax (393 000✓ x 100/30 ✓)	1 310 000 ☑*
Adjustments for:	
Depreciation	**453 000**
Interest expense	**252 000**
Operating profit before changes in working capital	2 015 000 ☑*
Changes in working capital	(1 017 000) ☑
Decrease in inventory (272 000 – 254 000)	18 000 ✓✓#
Increase in debtors (1 592 000 – 770 000)	(822 000) ✓✓#
Decrease in Creditors (692 500 – 479 500)	(213 000)✓✓#
Cash generated from operations	998 000 ☑*

* one part correct
# #must indicate amount as an inflow or outflow

12

2.2 CASH FLOW STATEMENT

A. Dividends paid

WORKINGS	ANSWER
Workings of Interim Dividends: 683 800 +13 200 - 917 000-273 500 = 493 500* 336 000 three marks 22 500✓ + 493 500✓☑* – 157 500✓ – 22 500✓ – 493 500✓✓ + 157 500✓ Accept alternative methods such as signs reversed or ledger format	(358 500) ☑ Ignore brackets one part correct

5

B. Taxation paid

WORKINGS	ANSWER
46 000✓ + 393 000✓ + 95 000 ✓ – 46 000✓ – 393 000✓ –95 000 ✓ Accept alternative methods such as signs reversed or ledger format	(534 000) ☑ Ignore brackets one part correct

4

C. Change in investment

WORKINGS	ANSWER
(133 300 – 100 000)	(33 300)✓ Ignore brackets

1

D. Proceeds from shares issued

WORKINGS	ANSWER	
2 191 700 + 86 800 – 1 378 500	900 000 ✓✓ Ignore brackets no part marks	2

E. Repurchase of shares

WORKINGS	ANSWER	
2,50 two marks 40 000 x (2,17✓ + 0,33✓) 40 000 x 0,33 one mark = 13 200 + 86 800 one mark	(100 000)☑ Ignore brackets one part correct	3

F. Net change in cash and cash equivalents

WORKINGS	ANSWER	
656 000 – 46 000	610 000 ✓✓	2

2.3.1 Calculate the following financial indicators:

Net asset value per share

WORKINGS	ANSWER	
$\frac{2\ 875\ 500✓}{1\ 010\ 000✓} \times \frac{100}{1}$	284,7 cents ☑ one part correct	3

Debt / Equity ratio

WORKINGS	ANSWER	
1 800 000 ✓ : 2 875 500 ✓	0,6 : 1 ☑ one part correct Must be x:1	3

% return on average capital employed

WORKINGS	ANSWER	
1 562 000 two marks $\frac{1\ 310\ 000 ✓ + 252\ 000 ✓}{½[(2\ 875\ 500 + 1\ 800\ 000) ✓ + (1\ 652\ 000 + 1\ 000\ 000)]✓} \times \frac{100}{1}$ 4 675 500 one mark; 2 652 000 one mark 3 663 750 two marks	42,6% ☑ one part correct	5

TOTAL MARKS
40

QUESTION 3

3.1.

3.1.1	C ✓
3.1.2	A ✓
3.1.3	B ✓

3

3.2.1 **One director is concerned about the operating efficiency of the business. Provide TWO financial indicators with reasons to justify his concerns.**

Any TWO valid indicators ✓✓ trend/figures ✓ ✓

- % operating profit on sales decreased (from 25%) to 23%/by 2% points.
- % operating expenses on sales increased (from 19%) to 22%/by 3% points
- % net profit before tax on sales decreased (from24%) to 19%/by 5% points

4

3.2.2. **As a shareholder, you are concerned about the liquidity of the company. Quote TWO financial indicators with figures to support the concern of the shareholder.**

Any TWO valid indicators ✓✓ trend/figures ✓ ✓

- Current ratio increased (from 2,2 : 1) to 5,2 :1 which is not good/too high
- Acid test ratio increased (from 1,2 : 1) to 1,8 :1
- This indicates that the business is keeping too much stock instead of converting it into cash.

4

3.2.3 **Briefly explain why you as an existing shareholder would be satisfied with the dividend pay-out policy in 2026 compared to 2025. Provide a calculation to confirm your satisfaction.**

2026	**2025**
$\frac{24}{29} \times \frac{100}{1}$	$\frac{18}{33} \times \frac{100}{1}$
= 82,8 %✓	= 54,5%✓

Comment: Comment based on workings above ✓✓

The company retained less reserves in 2026 (17,2%)/ higher dividend payout rate shown (82.8%) as compared to 2025 only 54.2% (45,5% was retained)/by28,3% points.

4

3.2.4 **The directors are considering taking out an additional loan of R130 000. Explain by quoting TWO financial indicators, with figures why this is a good idea.**

Any TWO valid indicators ✓✓ trend/ figures ✓ ✓ comment ✓✓

- Debt-equity ratio increased (from 0,1: 1) to 0.3: 1;
- This is still a low financial risk, and the company should easily qualify for another loan.
- ROTCE decreased (from 31%) to 22 %/ by 9% points, which is still higher than the interest rate on loans of 11%, and the company still enjoys positive gearing.

Comment:
Borrowed funds are optimally utilised to generate returns.

6

3.2.5 **Shares are being offered to the existing shareholders at 130 cents each. Would you consider buying additional shares in this company? Explain briefly by quoting TWO financial indicators/data with figures.**

Compare to NAV and MP ✓ ✓ trends/figures ✓ ✓

- MP of 140 cents is higher than the issue price of 130 cents/by 10 cents.
- NAV of 132 cents is higher than the issue price of 130 cents/by 2 cents
- Shareholders can buy shares at 130 cents and sell at 140 cents in the market.
- MP of 140 cents is higher than NAV of 132 cents and shareholder would consider buying additional shares at 130 cents.

4

3.2.6 **As a major shareholder, comment on whether you would be satisfied with the performance of the company for 2026? Quote THREE financial indicators with figures/data.**

Any TWO valid indicators ✓ ✓ ✓ trend/ figures ✓ ✓ ✓ comment ✓✓

- ROSHE decreased (from 36%) to 31 %/ by 5% points.
- EPS decreased (from 33 cents) to 29 cents/by 18 cents.
- DPS increased (from 18 cents) to 24 cents/by 6 cents.

Comment:
- Even though these returns are higher than the alternative investments, if it continues to decline there could be financial implications.
- Increases in dividends can limit business growth in the long-term.

8

3.2.7

Calculate P. Smit's percentage shareholder at the beginning of the year.	
WORKINGS	**ANSWER**
$\frac{180\ 000}{500\ 000} \times \frac{100}{1}$	36% ✓✓

2

How has the issue and repurchase of shares influenced his percentage shareholding. Provide a calculation to substantiate your answer.	
WORKINGS	**ANSWER**
$\frac{210\ 000}{530\ 000} \times \frac{100}{1}$	39,6%✓✓
Comment: Based on the learner calculation above ✓ His shareholding has increased (from 36%) to 39,6%/by 3,6% points, but he is still not the majority shareholder	

3

How many shares must P Smit buy to become the majority shareholder?	
WORKINGS	**ANSWER**
530 000 x 50% = 265 000 + 1 = 265 001 265 001 – 210 000	55 001✓☑ one part correct
OR 530 000 x 51% = 270 300 270 300 - 210 000	60 300 one mark and one m.mark

2

TOTAL MARKS
40

QUESTION 4

4.1

4.1.1	B ✓
4.1.2	D ✓
4.1.3	A ✓
4.1.4	C ✓

4

4.2.1 **Explain the meaning of corporate governance.**

Any valid point ✓✓

- A system by which businesses are directed and control.
- It ensures accountability, transparency, and ethical behaviour.

2

4.2.2 **Name TWO corporate governance challenges from the given scenario.**

Any 2 valid points ✓ ✓

- Lack of accountability
- Poor transparency
- Ineffective oversight

2

4.2.3 **Give THREE principles of good corporate governance that could address the issues faced by SOEs.**

Any three valid points ✓ ✓ ✓ Accept short answers

- Accountability: Management must be answerable for their decisions.
- Transparency: Businesses must disclose accurate information to stakeholders.
- Responsibility: Resources must be managed responsibly and ethically.
- Fairness: Equal treatment of all stakeholders.
- Ethical leadership: Leaders must act with integrity, honesty, and moral responsibility.

3

4.2.4 Name TWO roles of the board of directors in promoting good corporate governance.

Any ONE valid point ✓ ✓ accept short answers

- Provide strategic direction to the business/long-term vision, mission, and strategic objectives
- Monitor and evaluate management performance/CEO be held accountable
- Ensure compliance with King IV/Companies Act/Public Finance Management Act for SOEs)
- Protect the interests of stakeholders, environment and economy
- Behaviour which reflects fairness and long-term sustainability.

2

4.2.5 Recommend ONE practical way in which SOEs can improve transparency.

Any ONE valid point ✓✓

- Publish regular financial statements.
- Communicate openly with stakeholders.
- Conduct independent audits.

2

TOTAL MARKS
15

TOTAL: 150