



Province of the
EASTERN CAPE
EDUCATION

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NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2025

ACCOUNTING P1

MARKS: 150

TIME: 2 hours

This question paper consists of 11 pages including a formula sheet and a 9-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the 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 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	Calculation of correct net profit and Statement of Financial Position	60	45
2	Notes to Financial Statements, Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Statements	35	30
4	Corporate Governance	15	15
TOTAL		150	120

QUESTION 1: CALCULATION OF NET PROFIT AND STATEMENT OF FINANCIAL POSITION
(60 marks; 45 minutes)

- 1.1 Choose the correct word or term from the list given which best suits each statement below. Write only the word or term next to the question numbers (1.1.1 to 1.1.4) in the ANSWER BOOK.

Independent auditor; Capital employed; Current liabilities; Financial assets

- 1.1.1 Investments such as fixed deposit over a three-year period.
- 1.1.2 Expresses an unbiased opinion on the reliability of financial statements.
- 1.1.3 Total of ordinary Shareholders' Equity and non-current liabilities.
- 1.1.4 Debts to be settled within 12 months. (4 x 1) (4)

1.2 **LIZZY LTD.**

The information relates to the financial year ended on 28 February 2025. The business sells luxurious electrical items.

REQUIRED:

- 1.2.1 **Refer to Information B (i)**
Calculate profit/loss on sale of vehicle. (4)
- 1.2.2 **Refer to information B (vi)**
Calculate the value of closing stock of electrical plugs using the weighted-average method. (5)
- 1.2.3 **Refer to Information A to C**
Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2025.
Indicate '+' for increase and '-' for decrease at each adjusted amount. (17)
- 1.2.4 Complete the Statement of Financial Position on 28 February 2025. (30)

NOTE:

- Some amounts have been entered in the ANSWER BOOK.
- Figures are NOT required in the shaded areas.
- Show workings.

INFORMATION:**A. Extract: Balances and totals from the records on 28 February 2025:**

	R
Ordinary share capital	5 800 000
Retained income (1 March 2024)	384 000
Fixed assets at carrying value	3 022 400
Trading stock	1 620 000
Debtors' control	688 200
SARS: Income Tax (provisional tax payments)	870 000
Bank (favourable)	?
Creditors' Control	896 150
Loan: Lubbe Bank	640 500
Provision for bad debts (1 March 2024)	30 450
Sales	13 680 250
Consumable stores used	60 800
Advertising	87 200
Bad debts	38 550
Rent income	216 000
Directors fees	665 000
Ordinary share dividends	404 000

B. The net profit before tax, R3 825 850, was calculated before taking the following into account:

- (i) • On 1 December 2024, an old vehicle was traded-in for a new vehicle valued at R180 000. The trade-in value received was R125 500. The amount received was recorded but no further entries were made regarding the sale and depreciation.

- Details of the vehicle sold on 1 March 2024:

Carrying value	R148 000
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- Depreciation on vehicles is written off at 15% on the diminished-balance method.
- (ii) Creditors with debit balances of R10 550 on 28 February 2025 must be transferred to the Debtors Ledger.
Provision for bad debts should be adjusted to 4% of debtors.
- (iii) The company donated goods to a local orphanage. A gross profit of R12 000 was going to be made had these goods been sold. The company uses a mark-up of 80% on cost.
- (iv) Advertising includes a six months premium of R18 600 paid on 1 November 2024.
- (v) A debtor who had previously been written off transferred R4 500 via an EFT.

- (vi) The following stock-sheet relates to electric plugs. It was omitted when the final stock figures were calculated.

	Units	Unit price	Total value (incl. carriage)
Opening stock: 1 March 2024	800		174 400
Purchases during the year:			
May:	2 300	R218	501 400
September:	2 000	R220	440 000
Closing stock	1 250	?	?
Stock sent back to the supplier from May purchases (refund includes transportation)	100		?

- (vii) It was agreed to increase rent by 5% on 1 December 2024. According to the agreement, a deposit of R8 000 is paid before the tenant occupies the building. The deposit was received but not recorded. Rent for March 2025 was received and recorded. The lease agreement starts from 1 May 2024.

C. R130 000 was still owed to SARS for income tax on 28 February 2025.

D. Only 80% of consumable stores were used during the year.

E. The following financial indicator was calculated on 28 February 2025:

- Current ratio: 2 : 1

F. Share Capital and dividends:

- The company is registered with an authorised share capital of 2 000 000 ordinary shares.
- On 31 August 2024, the directors decided to buy back 20 000 shares at R1,80 more than the average price.
- On 28 February 2025, only 80% of the authorised shares were in issue.
- A final dividend was declared on 28 February 2025.
- Total dividends for the year amounted to R1 044 000.

G. Loan: Lubbe Bank

The loan statement received from Lubbe Bank on 28 February 2025 reflected the following:

	R
Balance at the beginning of the financial year	?
Repayments during the year (including interest)	289 500
Interest capitalised	79 500
Balance at the end of the year	720 000

The loan repayment schedule is expected to remain the same for the remaining term, however a notification was received from Lubbe Bank that interest rate on the loan will increase by 6% p.a. over the next financial year.

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

- 2.1 You are provided with information relating to Lubanzi Limited. The financial year-end is 30 June 2025.

REQUIRED:

- 2.1.1 Complete the Ordinary share capital note. (7)
- 2.1.2 Complete the Cash Flow Statement for the year ended 30 June 2025. Show all workings in brackets. (22)
- 2.2 Calculate the following financial indicators on 30 June 2025:
- 2.2.1 Current ratio (3)
- 2.2.2 Dividends per share (in cents) (3)
- 2.2.3 Stock turn-over rate (5)

INFORMATION:

- A. The following information was extracted from the Statement of Comprehensive Income for the year ended 30 June 2025:

Sales	5 950 000
Gross profit	2 700 000
Interest expense	120 100
Depreciation	196 700
Net profit after tax	1 160 600

NOTE: The income tax rate is 30%.

B. Extract from the Statement of Financial Position on 30 June:

	2025	2024
Fixed/tangible assets @ carrying value	5 445 900	5 040 600
Investments: Ugie's Bank	?	540 000
Current assets	4 180 200	2 892 800
Inventories (all stock)	1 120 900	970 100
Trade and other receivables	490 700	520 600
Cash and cash equivalents	944 000	119 500
Ordinary shareholder's equity	?	
Ordinary share capital (see H.)	?	3 800 000
Retained Income	956 000	871 050
Loan: Bayern Bank (12,5% p.a.)	3 840 000	?
Current liabilities	1 678 900	1 544 700
Trade and other Payables	1 223 000	1450 000
Shareholders for dividends	212 500	198 000
Bank overdraft	0	419 800

C. Fixed assets on 30 June:

- A vehicle was sold at carrying value for R60 800 cash during the year. This transaction was correctly recorded.
- Extensions to land and buildings were completed during the year.

D. Fixed deposit: Ugie's Bank

One third of the fixed deposit matured on 1 June 2025.

E. Trade and other receivables on 30 June 2024 include a balance of R49 800 owed by SARS.

F. Trade and other payables on 30 June 2025 include a balance of R52 500 owed to SARS.

G. Loan: Bayern Bank

Transactions during the year:

- Repayments including interest amounted to R890 500.
- Interest capitalised was R475 500.

H. Ordinary share capital and dividends:

- 760 000 shares were in issue on 1 July 2024.
- On 1 September 2024, 150 000 additional shares were issued.
- Interim dividends of R182 000 were paid on 28 February 2025.
- A total amount of R600 000 was paid on 30 June 2025 to repurchase 60 000 shares from a disgruntled shareholder. This was 25% above the average issue price.
- A final dividend was declared on 30 June 2025.

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION**(35 marks; 30 minutes)****NOBLE LTD**

You are provided with information relating to Noble Ltd. Their financial year ends on the last day of February each year.

REQUIRED:

Refer to information A and B.

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

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

3.1 Dividends, earnings and returns:

In 2025 the directors decided to change the policy on distribution of profits in the form of dividends.

- Do a calculation to illustrate the policy change. (2)
- Comment on the effect of this change of policy on the company. State TWO points. (4)

3.2 The company CEO, Iris Chris, wants to share good news to the shareholders at the AGM. Give advice on what he should say about the following topics:

- % return earned (3)
- Earnings per share (2)
- Share price on the JSE (4)

3.3 Financing strategies and gearing:

- Comment on the degree of risk and gearing of the company. (6)

The directors are planning to acquire new fixed assets to expand company operations in the next financial year.

- Some directors are of the opinion that taking out an additional loan is a better choice than issuing additional shares. Explain why they feel this way. Mention THREE points. (6)

3.4 Share capital and % shareholding: Refer to information B

Lihle and Sono decided that they want to combine their votes in the next annual general meeting (AGM).

- Explain with figures why would they take this decision. (4)
- As an existing shareholder in the company, explain why you would be concerned about their decision. State TWO points. (4)

INFORMATION:

A. Financial indicators, market prices and interest rates on 28 February 2025:

	2025	2024
Mark-up percentage	55%	50%
Current ratio	2,4 : 1	1,5 : 1
Acid-test ratio	1,8 : 1	1,2 : 1
Solvency ratio	3,0 : 1	2,5 : 1
Earnings per share	112 cents	101 cents
Dividends per share	60 cents	89 cents
Debt-equity ratio	0,27 : 1	0,5 : 1
Stock-holding period	41 days	63 days
% return on average shareholders' equity	19,1%	12,9%
% return on average capital employed	20,2%	16%
Net asset value per share	675 cents	550 cents
Additional information on 28 February.		
Interest rate on loan	13,0%	13,0%
Interest rate on investment	7,5%	7%
Market price per share	885 c	425 c

B. Extract from shareholders' register:

Lihle and Sono are shareholders in the company. The following information relates to the shares they own.

	2025	2024
Shares in issue	2 400 000	2 000 000
Shares owned by Lihle	552 000	420 000
Shares owned by Sono	672 000	460 000

QUESTION 4: CORPORATE GOVERNANCE**(15 marks; 15 minutes)****4.1 AUDIT REPORTS**

Choose the audit opinion from COLUMN B that describes the audit report in COLUMN A. Write only the letter (A–C) next to the question numbers (4.1.1 to 4.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	Qualified audit report	A	We were not able to obtain sufficient evidence to provide for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Orion Ltd for the year ended.
4.1.2	Unqualified audit report	B	Except for the effect of the unauthorized CFO trip expenditure to Mauritius, the annual financial statements present fairly, in all material respects, the financial position of Swiss Ltd.
4.1.3	Disclaimer of opinion	C	The annual financial statements fairly present, in all material respects, the financial position of Latino Ltd.

(3)

4.2 Different parties would be interested in the financial statements of a company and its audit opinion.

- Name any TWO of these parties and explain why they would be interested.

(4)**4.3 Extract from an article in the Other News:**

Mr Simon Sizzle, one of the non-executive directors expressed a concern over the news that broke about the involvement of Mr Munster, the company CEO in dodgy deals. An investigation revealed that Mr Munster created large numbers of purchase orders outside of regular work hours, totalling to R4 million. It was also believed that the CEO received kickbacks from various suppliers.

- Explain the difference between the roles performed by the executive and non-executive directors in a company.
- Explain your concern as a shareholder in the company regarding the CEO's actions.
- What implications will this have on the CEO. Mention TWO points.

(4)**(2)****(2)****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 and other receivables + Cash and 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)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	
NOTE: 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.	