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SUBJECT: ACCOUNTING

GRADE 12

2026 LAST PSUH

QUESTION PAPER BANK

PAPER 1

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PAPER 2

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PAPER 1: CONTENT

MAY/JUNE 2026 QUESTION PAPER

QUESTION 1: COMPANY FINANCIAL STATEMENTS (50 marks; 45 minutes)

You are provided with the information of Menzi Ltd for the financial year ended 28 February 2026. The company sells two types of bluetooth speakers, namely Hidance and Ketwood.

REQUIRED:

1.1 **Refer to information B(i).**

Calculate the value of closing stock using the specific identification method on 28 February 2026. (7)

1.2 **Refer to information C.**

Calculate the total amount of the fixed deposit on 28 February 2026. (5)

1.3 Complete the Statement of Financial Position for the year ended 28 February 2026. (38)

NOTE:
- Show ALL workings in brackets.
- Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Balances/Totals on 28 February:

	2026 R	2025 R
Fixed assets at carrying value	?	6 680 600
Fixed deposit	?	?
Debtors' control	376 700	
Provision for bad debts	?	9 780
Prepaid expenses	?	
Bank (favourable)	610 300	
Petty cash	4 700	
Ordinary share capital	?	
Retained income	820 000	
Loan: DBN Bank	?	1 459 200
Creditors' control	392 050	
Accrued expenses	?	
Income received in advance	?	
SARS: Income tax (provisional payments)	493 710	
IT support services	40 320	
Advertising	36 300	

B. Adjustments and additional information:

(i) The following information was obtained after the physical stock count:

- Packing material on hand of R8 330
- The stock record of the bluetooth speakers revealed the following:

NOTE: The specific identification method is used to value the stock of bluetooth speakers.

	MODEL	UNITS	TOTAL R
Stock on hand on 1 Mar. 2025	Hidance	400	
	Ketwood		2 690 000
Purchases	Hidance	575	
	Ketwood		3 819 800
Returns	Hidance	66	
Stock on hand on 28 Feb. 2026	Hidance	89	**?**
	Ketwood	**?**	**?**

Sales and cost of sales

- **Hidance:** units were sold at R7 105 each
- **Ketwood:** cost of sales was calculated as R5 519 880

Mark-up percentage:

- **Hidance:** goods are marked at 45% on cost

(ii) 80% of the annual amount for IT support services has been paid.

(iii) Advertising consists of a half-yearly contract with the local newspaper starting on 1 August 2025. A renewed six-month contract was paid on 1 February 2026, with a monthly increase of R450.

(iv) A supplier to whom Menzi Ltd. owed R5 200 requested that this balance be transferred to their Debtors' Account, as they also buy from Menzi Ltd.

(v) **Shares and dividends:**

- 1 260 000 shares were in issue on 28 February 2026.
- Final dividends of 23 cents per share were declared on 28 February 2026. This must be brought into account.

C. Extract from the Statement of Comprehensive Income for the year ended 28 February 2026:

	R
Operating income	
Provision for bad debts adjusted	2 680
Rent income	196 620
Operating expenses	
Depreciation	395 600
Operating profit	
Interest on fixed deposit	36 000
Net profit before interest expense	
Interest on loan	(207 000)
Net profit before tax	
Income tax	(516 150)
Net profit after tax	1 204 350

NOTE: The information below was taken into consideration in the statement above.

(i) Provision for bad debts decreased.

(ii) **Fixed deposit: Umlazi Bank**

- On 1 June 2025, Menzi Ltd made an additional fixed deposit at an interest rate of 7,5% per annum, which is the same rate as the existing investment.
- The interest earned on the new investment for this financial year was R6 750.
- Interest on fixed deposit is not capitalised.

(iii) **Rent income**

A tenant, AYA Electronics, has been renting a building. A second contract to rent another building at the same rate commenced on 1 September 2025. Menzi Ltd agreed to decrease the monthly rent for both buildings by 5% immediately on AYA Electronics resuming the second contract. Rent for March 2026 has already been received.

(iv) **Loan: DBN Bank**

- The yearly repayment for the next financial year will amount to R291 840. The repayments are fixed throughout the term, inclusive of interest.
- Capitalised monthly interest for the next financial year is expected to be R15 100.

D. Capital employed:

The total capital employed for the financial year was R8 383 720.

50

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

2.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 Depreciation is regarded as an outflow of cash as it is an expense.

2.1.2 A decrease in inventory will result in an inflow of cash.

2.1.3 An increase in payables will result in an outflow of cash. (3 x 1) (3)

2.2 **METRO LTD**

The information relates to the financial year ended on 31 March 2026.

REQUIRED:

2.2.1 Complete the Retained Income Note on 31 March 2026. (8)

2.2.2 Complete the Cash Flow Statement on 31 March 2026. (18

NOTE:
- Show ALL workings in brackets.
- Some amounts are provided in the ANSWER BOOK.

2.2.3 Calculate the following financial indicators on 31 March 2026:

- Debt-equity ratio (4)
- Net asset value per share (3)
- Acid-test ratio (4)

INFORMATION:

A. Extract from the Statement of Comprehensive Income on 31 March 2026:

	R
Sales	8 500 000
Interest expenses	126 800
Income tax (28% of net profit)	952 000

B. Extract from the Statement of Financial Position on 31 March:

	2026 R	2025 R
Fixed assets (carrying value)		
Fixed deposit	540 000	760 000
Current Assets	**1 712 650**	**1 583 000**
Inventories	405 430	884 000
Trade and other receivables	**?**	605 200
SARS: Income tax	0	81 000
Cash and cash equivalents	**?**	12 800
Shareholders' equity	**?**	**8 006 000**
Ordinary share capital	10 416 000	7 020 000
Retained income	**?**	986 000
Non-current liabilities	**2 252 800**	**3 027 300**
Current liabilities	**2 178 700**	**2 462 850**
Trade and other payables	856 500	1 599 000
Shareholders for dividends	1 302 000	741 000
SARS: Income tax	20 200	0
Bank overdraft	0	122 850

C. Shares and dividends

- The authorised share capital consisted of 3 000 000 ordinary shares.
- 65% of the authorised shares were in issue on 1 April 2025.
- 450 000 additional shares were issued at R10 per share on 30 June 2025.
- An interim dividend of 42 cents per share was paid on 30 September 2025.
- 230 000 shares were repurchased on 31 January 2026, at 25% above the average price per share, on this date.
- A final dividend of R1 302 000 was declared on 31 March 2026.

40

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(45 marks; 35 minutes)

The information relates to Refined Interiors Ltd, a public company that specialises in selling a variety of floor and wall tiles as well as other kitchen accessories. The financial year ended on 31 March 2026.

REQUIRED:

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

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

3.1 **Profitability/Operating efficiency:**

- Explain how the change in the mark-up percentage has benefitted the company. State ONE point with figures. (2)
- The directors are of the opinion that the company's operating expenses are being well controlled. Quote and explain TWO financial indicators to support their opinion. (4)

3.2 **Liquidity:**

- The directors are satisfied with the credit policy of the company. Quote and explain TWO relevant financial indicators to justify this statement. (4)
- The directors are not concerned with the decline of the acid-test ratio as they feel that the company is still in a favourable liquidity position. Quote and explain ONE other relevant financial indicator to support their opinion. (3)

3.3 **Returns, earnings and dividends:**

- Comment on why the shareholders should be satisfied with the return on their investment. Quote and explain ONE financial indicator. (3)
- The earnings per share (EPS) is higher than the dividends per share (DPS). Explain why the shareholders would have been pleased with the DPS. State TWO points with figures. (4)

3.4 **Share value:**

- Explain what the 'net asset value' per share represents. State ONE point. (2)
- Give TWO reasons why the share price on the stock exchange is much higher than the net asset value per share. (4)

3.5 **Risk and gearing:**

Explain why it will be wise for Refined Interiors Ltd to use loans more often in the future. Quote and explain TWO financial indicators. (4)

3.6 **Shareholding:**

Refer to information C, D and E.

The directors issued 750 000 new shares during the financial year.

- Calculate the issue price per share for the new shares issued. (3)
- Calculate the number of new shares purchased by Nabeel. (4)
- Give ONE possible reason (with figures) why Nabeel decided to buy the new shares. (2)

3.7 **Cash flow:**

Refer to information B.

The directors are pleased with the company's net change in cash flow on 31 March 2026. Explain why they consider this a good way of handling cash in the operating, investing and financing activities. Give ONE reason for each with figures. (6)

INFORMATION:

A. Extract from the Statement of Comprehensive Income for the year ended 31 March:

	2026 R	**2025 R**
Sales	78 255 000	70 720 000
Cost of sales	(43 475 000)	(44 200 000)
Gross profit	34 780 000	26 520 000

B. Extract from the Cash Flow Statement for the year ended 31 March:

	2026 R	**2025 R**
Cash flow from operating activities	5 200 000	1 255 000
Cash flow from investing activities	(2 947 000)	(594 000)
Cash flow from financing activities	10 000 000	6 860 000
Net change in cash and cash equivalents	12 253 000	7 521 000

C. Shares in issue of Refined Interiors Ltd on 31 March:

	2026	**2025**
Number of shares in issue	3 000 000	2 250 000
Average share price	R7,75	R5,00
Ordinary share capital	23 250 000	11 250 000

D. Shareholding of Nabeel Sammie, a shareholder, in Refined Interiors Ltd on 31 March:

	2026	**2025**
Number of shares	**?**	787 500
% shareholding	40%	35%

E. Financial data, financial indicators, market prices of shares, interest rates and inflation rates as at 31 March:

	2026	2025
Mark-up %	80%	65%
% operating expenses on sales	16,1%	15,6%
% operating profit on sales	28%	22,5%
% return on average shareholders' equity	29,8%	17,6%
% return on average capital employed	35,3%	23,7%
Earnings per share (EPS)	141 cents	78 cents
Dividends per share (DPS)	106 cents	56 cents
Dividend pay-out rate	75%	72%
Net asset value per share (NAV)	522 cents	433 cents
Debt-equity ratio	0,1 : 1	0,2 : 1
Acid-test ratio	0,8 : 1	1,2 : 1
Stock turnover rate	6,2 times p.a.	3,9 times p.a.
Average debtors' collection period	29 days	34 days
Average creditors' payment period	75 days	68 days
Interest rate on loans	11,5%	12,5%
Interest rate on fixed deposits	8%	8,5%
Market price per share on stock exchange	1 667 cents	1 150 cents
Rate of inflation	5,2%	5%

QUESTION 4: CORPORATE GOVERNANCE (15 marks; 10 minutes)

An extract from a local newspaper has been adapted and presented. Use the information presented and your knowledge on companies to answer the questions.

REQUIRED:

4.1 Explain the roles and responsibilities of the following within a company:

- Board of directors
- Remuneration committee

State ONE point in EACH case. (2)

4.2 Identify the type of unethical and illegal conduct that Jeppy has committed. (1)

4.3 Briefly explain TWO ways in which Jeppy's actions could potentially affect the company. (4)

4.4 Make TWO recommendations that the other directors should present to the board of directors and the remuneration committee in response to Jeppy's conduct. (4)

4.5 Effective corporate governance can reduce the risk of directors acting unethically.

State TWO problems identified in relation to Top D Ltd and give a solution for EACH. (4)

INFORMATION:

TOP D LIMITED

Jeppy Kash was an executive director of Top D Ltd, a public company listed on the stock exchange. He became aware of confidential, price-sensitive information regarding a major contract that was awarded to the company. This contract would report some significant higher earnings than expected for the upcoming quarter.

Before this information was publicly disclosed and the positive earnings were announced, Jeppy Kash decided to purchase a large number of the company's shares.

Upon learning of his actions, the other directors raised serious concerns and requested an urgent board meeting, that included the remuneration committee, to address the matter.

15

TOTAL: 150

MAY/JUNE 2026 ANSWER BOOK

QUESTION 1

1.1 **Calculate the value of closing stock using the specific identification method on 28 February 2026.**

WORKINGS	ANSWER
Hidance **Ketwood**	

7

1.2 **Calculate the total amount of the fixed deposit on 28 February 2026.**

WORKINGS	ANSWER

5

1.3 STATEMENT OF FINANCIAL POSITION OF MENZI LTD ENDED 28 FEBRUARY 2026

ASSETS		
NON-CURRENT ASSETS		
Fixed assets		
CURRENT ASSETS		
Inventory		
Trade and other receivables (376 700		
Cash and cash equivalents		
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Ordinary share capital		
Retained income	**820 000**	
NON-CURRENT LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (392 050		
Current portion of loan		
		38
TOTAL EQUITY AND LIABILITIES		

TOTAL MARKS
50

QUESTION 2

2.1

2.1.1		
2.1.2		
2.1.3		3

2.2 METRO LTD

2.2.1 RETAINED INCOME NOTE

Balance on 1 April 2025	986 000	
Ordinary share dividends		
Final	1 302 000	
Balance on 31 March 2026		8

2.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

CASH FLOW FROM OPERATING ACTIVITIES	**(1 557 140)**
Cash generated from operations	
Interest paid	**(126 800)**
CASH FLOW FROM INVESTING ACTIVITIES	**(598 660)**
Purchase of fixed assets	
Proceeds from sale of fixed assets	
CASH FLOW FROM FINANCING ACTIVITIES	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents at the beginning	
Cash and cash equivalents at the end	

2.2.3 Calculate the following financial indicators on 31 March 2026:

Debt-equity ratio	
WORKINGS	**ANSWER**

4

Net asset value per share	
WORKINGS	**ANSWER**

3

Acid-test ratio	
WORKINGS	**ANSWER**

4

TOTAL MARKS
40

QUESTION 3

3.1 Profitability/Operating efficiency:

Explain how the change in the mark-up percentage has benefitted the company. State ONE point with figures.	**2**
The directors are of the opinion that the company's operating expenses are being well controlled. Quote and explain TWO financial indicators to support their opinion.	**4**

3.2 Liquidity:

The directors are satisfied with the credit policy of the company. Quote and explain TWO relevant financial indicators to justify this statement.	**4**
The directors are not concerned with the decline of the acid-test ratio as they feel that the company is still in a favourable liquidity position. Quote and explain ONE other relevant financial indicator to support their opinion.	**3**

3.3 Returns, earnings and dividends:

Comment on why the shareholders should be satisfied with the return on their investment. Quote and explain ONE financial indicator.	**3**

The earnings per share (EPS) is higher than the dividends per share (DPS). Explain why the shareholders would have been pleased with the DPS. State TWO points with figures.	**4**

3.4 Share value:

Explain what the 'net asset value' per share represents. State ONE point.	**2**
Give TWO reasons why the share price on the stock exchange is much higher than the net asset value per share.	**4**

3.5 Risk and gearing:

Explain why it will be wise for Refined Interiors Ltd to use loans more often in the future. Quote and explain TWO financial indicators.	**4**

3.6 Shareholding:

Calculate the issue price per share for the new shares issued.	
WORKINGS	**ANSWER**

3

Calculate the number of new shares purchased by Nabeel.	
WORKINGS	**ANSWER**

4

Give ONE possible reason (with figures) why Nabeel decided to buy the new shares.

2

Cash flow:

The directors are pleased with the company's net change in cash flow on 31 March 2026. Explain why they consider this a good way of handling the cash in the operating, investing and financing activities. Give ONE reason for each with figures.	
ACTIVITY	**REASON (with figures)**
Operating activity	
Investing activity	
Financing activity	

6

TOTAL MARKS
45

QUESTION 4

4.1 **Explain the roles and responsibilities of the following within a company:**

- **Board of directors**
- **Remuneration committee**

State ONE point in each case.

Board of directors	
Remuneration committee	

2

4.2 **Identify the type of unethical and illegal conduct that Jeppy has committed.**

1

4.3 **Briefly explain TWO ways in which Jeppy's actions could potentially affect the company.**

4

4.4 **Make TWO recommendations that the other directors should present to the board of directors and the remuneration committee in response to Jeppy's conduct.**

4

4.5 **Effective corporate governance can reduce the risk of directors acting unethically.**

State TWO problems identified in relation to Top D Ltd and give a solution for EACH.

PROBLEM	SOLUTION

4

TOTAL MARKS
15

TOTAL: 150

MAY/JUNE 2025 QUESTION PAPER 1

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

50

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.

45

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

MAY/JUNE 2025 ANSWER BOOK

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	
Cost of sales	
Gross profit	
Other income	
Service fee income	**174 580**
Gross operating income	
Operating expenses	
Salaries and wages	**763 000**
Depreciation	**285 860**
Operating profit	
Interest income	
Profit before interest expense	
Interest expenses	
Net profit before tax	
Income tax	**(397 800)**
Net profit after tax	

2025

1.2 Statement of Financial Position as at 28 February 2025

EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	
Ordinary share capital	2 480 000
NON-CURRENT LIABILITIES	
Loan: Oracle Bank	
CURRENT LIABILITIES	972 000
Trade and other payables (420 358	
Bank overdraft	
Current portion of loan	126 600
TOTAL EQUITY AND LIABILITIES	

16

TOTAL MARKS
50

QUESTION 2

2.1

(i)

Calculate: Carrying value of buildings on 1 March 2024	
WORKINGS	**ANSWER**

(ii)

Calculate: Disposal of vehicle at carrying value	
WORKINGS	**ANSWER**

(iii)

Calculate: Total depreciation on equipment	
WORKINGS	**ANSWER**

12

2.2

Calculate: Taxation paid	
WORKINGS	**ANSWER**

4

Calculate: Dividends paid	
WORKINGS	**ANSWER**

4

2.3 Cash effects from financing activities in the Cash Flow Statement for the year ended 28 February 2025

Cash effects from financing activities	

8

2.4

Calculate: % operating expenses on sales	
WORKINGS	ANSWER

3

Calculate: % return on average shareholders' equity	
WORKINGS	ANSWER

4

Calculate: Dividends per share	
WORKINGS	ANSWER

4

2.5

	SOURCE OF FUNDING (with figures)	NEGATIVE EFFECT ON CASH FLOW
SOURCE 1		
SOURCE 2		

6

TOTAL MARKS
45

QUESTION 3

3.1

3.1.1		
3.1.2		3
3.1.3		

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.		
WORKINGS	ANSWER	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.		
WORKINGS	ANSWER	4

Calculate Denzel's % shareholding on 28 February 2025.		
WORKINGS	ANSWER	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**

TOTAL MARKS
40

QUESTION 4

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**

4.2.1 **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

TOTAL MARKS
15

TOTAL: 150

NOVEMBER 2025 QUESTION PAPER

QUESTION 1: COMPANY FINANCIAL STATEMENTS (50 marks; 45 minutes)

The following information was taken from the accounting records of Violet Limited. The financial year ended on 28 February 2025. The company trades with women's and men's clothing.

REQUIRED:

1.1 **Refer to Information B.**

Calculate the correct value of the closing stock of men's informal shirts. (6)

1.2 Prepare the Ordinary Share Capital Note. (8)

1.3 Prepare the Statement of Financial Position on 28 February 2025. (36)

NOTE:

- Show ALL workings in brackets.
- Certain figures are provided in the ANSWER BOOK.
- Missing amounts in shaded areas must NOT be filled in.

INFORMATION:

A. The following amounts were extracted from the accounting records on:

	28 Feb. 2025 R	29 Feb. 2024 R
Fixed deposit: Time Bank	**?**	
Trading stock	4 598 000	
Debtors' control	735 000	
Provision for bad debts	**?**	
Ordinary shareholders' equity	**?**	**16 200 000**
Ordinary share capital	17 875 000	11 395 000
Retained income	**?**	4 805 000
Mortgage loan: Delta Bank	3 200 000	
Creditors' control	878 500	
Bank (unfavourable)	**?**	

B. Trading stock:

It was discovered that the closing stock of one specific brand of men's informal shirts was valued according to the first-in-first-out stock valuation method instead of the weighted-average stock valuation method. This must be corrected.

The following records are applicable to this brand of informal shirts:

	Quantity	Cost	
		Per unit R	Total R
Stock (1 March 2024)	300		97 500
Purchases	4 800		1 605 000
Returns	100		42 500
Closing stock (28 Feb. 2025)	820		285 500

C. Fixed deposit: Time Bank

- A fixed deposit of R320 000 matured on 31 July 2025.
- The remaining 60% of the fixed deposit will mature on 31 December 2028.

D. Transfer of balance and provision for bad debts:

- A debtor, who had overpaid his account by R5 000 in the Debtors' Ledger, requested that this overpayment be transferred to his account in the Creditors' Ledger. This transfer has not yet been recorded.
- The provision for bad debts must be adjusted to 4% of the outstanding debtors.

E. Extract from the Statement of Comprehensive Income for the year ended 28 February 2025:

	R
Operating income	
Commission income	169 400
Rent income	430 500
Operating expenses	
Directors' fees	1 998 750

NOTE: The following year-end adjustments were taken into consideration in the statement above:

- Commission income for February 2025, R6 400, was still outstanding.
- Rent for March and April 2025 was received and recorded. The rent was increased by 10% on 1 December 2024.
- The company had two directors on 1 March 2024, the beginning of the financial year. They both earned the same monthly directors' fees and were paid in full. A third director, Jack Jele, was employed on 1 June 2024, earning a monthly fee of 25% lower than the other directors. Jack was paid up to 31 March 2025.

F. Mortgage loan: Delta Bank

- Fixed monthly repayments of R45 000, including capitalised interest, has been made and correctly recorded for the financial year ended 28 February 2025.
- The monthly repayments will remain the same until the loan is fully repaid in approximately four years' time.
- Interest for the next financial year is expected to be R290 000.

G. Shares and dividends:

NOTE: The relevant entries have already been recorded.

- The company had an authorised share capital of 9 000 000 shares.
- 750 000 new shares were issued on 31 March 2024.
- An interim dividend was paid on 1 September 2024.
- 150 000 shares were repurchased on 31 January 2025. EFT payments totalling R1 710 000 were made in favour of shareholders.
- The directors declared a final dividend of 90 cents per share on the 2 750 000 shares in issue on 28 February 2025.

H. Profit and income tax:

- The assessment from SARS for the financial year ended 28 February 2025 indicated that the company qualifies for a tax refund of R70 000.
- The net profit after tax was accurately calculated to be R4 721 700 for the financial year ended 28 February 2025.

I. Financial indicators calculated on 28 February 2025 after the above have been taken into account:

Current ratio	1,3 **:** 1
% return on average shareholders' equity	24%

50

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(45 marks; 35 minutes)

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

REQUIRED:

2.1 Calculate the following amounts in respect of the Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2025:

- Change in receivables (3)
- Change in payables (4)

NOTE: Indicate inflow or outflow of cash for answers calculated.

2.2 Complete the Cash Flow Statement for the year ended 28 February 2025. (23)

NOTE:

- Certain figures are provided in the ANSWER BOOK.
- Missing amounts in shaded areas MUST NOT be filled in.

2.3 Calculate the following financial indicators for the year ended 28 February 2025:

- Net asset value per share (3)
- Acid-test ratio (5)
- Dividend pay-out rate (5)

2.4 The directors should be concerned about the cash resources of the company for the year ended 28 February 2025. Give ONE reason (with figures) for this concern. (2)

INFORMATION:

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

	R
Cost of sales	12 800 000
Interest on loan	316 250
Net profit before tax	720 000
Taxation for the year	201 600
Net profit after tax	518 400

B. Extract from the Statement of Financial Position:

	28 Feb. 2025 R	29 Feb. 2024 R
Ordinary shareholders' equity	7 140 120	5 500 000
Mortgage loan: Merchant Bank	2 880 000	?
Bank overdraft	775 000	0

C. Fixed assets:

	28 Feb. 2025 R	29 Feb. 2024 R
Land and buildings at cost	5 600 000	5 600 000
Equipment at cost	?	745 000
Vehicles at cost	2 900 000	2 520 000
Accumulated depreciation on equipment	?	233 000
Accumulated depreciation on vehicles	?	85 000

Equipment:

- An old fridge was sold for cash at carrying value on 30 June 2024. According to the Fixed Assets Register, the cost of the fridge was R55 000 and its carrying value was R16 000 on 1 March 2024.
- Equipment is depreciated at 15% p.a. at cost.

Vehicles:

A new delivery vehicle was bought for cash on 1 December 2024. No vehicles were sold during the year.

D. Trade and other receivables:

	28 Feb. 2025 R	29 Feb. 2024 R
Debtors' control	3 167 000	1 303 500
SARS: Income tax	0	32 000
	3 167 000	1 335 500

E. Cash and cash equivalents:

	28 Feb. 2025 R	29 Feb. 2024 R
Bank	0	405 000
Petty cash	18 000	10 000
	18 000	415 000

F. Trade and other payables:

	28 Feb. 2025 R	29 Feb. 2024 R
Creditors' control	1 450 000	1 323 500
Accrued expenses	14 600	0
Shareholders for dividends	129 480	162 000
SARS: Income tax	15 300	0
	1 609 380	1 485 500

G. Shares and dividends:

- The directors paid an interim dividend on 31 July 2024.
- 50 000 new shares were issued on 1 November 2024 at a price of R20 per share.
- 2 000 shares were repurchased at 40% more than the average share price of R11 per share.
- The directors declared a final dividend on 28 February 2025.
- There were 498 000 ordinary shares in issue on 28 February 2025.
- Dividends paid as per the Cash Flow Statement for the year ended 28 February 2025 was R252 000.

H. Financial indicator:

	28 Feb. 2025	29 Feb. 2024
Debt-equity ratio	**?**	0,6 **:** 1

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

SHORTS LTD AND LYNN LTD

The information relates to Shorts Ltd and Lynn Ltd, operating in the same industry, for the year ended 28 February 2025.

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

Use this key for abbreviations:

CEO: Chief executive officer
CFO: Chief financial officer
JSE: Johannesburg Securities Exchange

REQUIRED:

3.1 Choose the correct word(s) to complete each of the following descriptions. Write only the word(s) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

Companies and Intellectual Properties Commission (CIPC); director;
International Financial Reporting Standards (IFRS); internal auditor

3.1.1 Guidelines for the preparation of financial statements to ensure consistency

3.1.2 An elected board member responsible for the running of the company and implementing policy

3.1.3 Responsible for maintaining records and control of new and existing companies (3 x 1) (3)

3.2 **Shorts Ltd**

3.2.1 **Operating efficiency:**

The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/financial data with trends to support his statement. (4)

3.2.2 **Liquidity:**

Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends. (4)

3.2.3 **Shareholding of Lewis Clark in Shorts Ltd**

Refer to Information A, B and C.

- Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding. (4)
- Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares. (4)
- Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE. (2)

3.3 **Shorts Ltd and Lynn Ltd**

3.3.1 **Returns and dividends pay-out policy:**

- The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures. (4)
- A potential investor believes that **Lynn Ltd** has a better dividend pay-out policy when compared to **Shorts Ltd**. Explain why you would agree with her. Provide TWO points with figures. (4)

3.3.2 **Share price:**

Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response. (4)

3.4 **Lynn Ltd**

The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion. (3)

3.5 **Audit report of Lynn Ltd**

- Explain why the shareholders should be concerned about this audit report. Provide TWO points. (2)
- State TWO possible decisions that the shareholders could make based on this audit report. (2)

INFORMATION:

A. Background information for Shorts Ltd:

- Lewis Clark, the CFO, is a shareholder of Shorts Ltd.
- He has convinced the board of directors to repurchase 400 000 shares from a dissatisfied shareholder at R3 each. These shares will not qualify for final dividends.
- The transaction above occurred before the final dividends were declared. All parties involved agreed to the offer and the EFT payment was made accordingly.

B. Share capital of Shorts Ltd:

Number of shares	28 Feb. 2025	29 Feb. 2024
Authorised shares	3 000 000	3 000 000
Repurchase of shares	(400 000)	0
Number of shares in issue	1 383 250	1 783 250

Shareholding of Lewis Clark, the CFO:

	28 Feb. 2025	29 Feb. 2024
% shareholding	**?**	40%

C. Financial data, financial indicators, market prices of shares and interest rates:

	Shorts Ltd		Lynn Ltd	
	28 Feb. 2025	29 Feb. 2024	28 Feb. 2025	29 Feb. 2024
Sales	R77 m	R48 m	R85 m	R90 m
Mark-up %	50%	65%	60%	45%
% operating expenses on sales	17,8%	18,2%		
% net profit after tax on sales	26,4%	22%		
Current ratio	2,4 : 1	2,2 : 1		
Acid-test ratio	1,8 : 1	1,4 : 1		
Debtors' collection period	31 days	42 days		
Creditors' payment period	90 days	71 days		
Debt-equity ratio			0,6 : 1	0,4 : 1
% return on total capital employed			21,8%	19,2%
% return on shareholders' equity	6%	14,7%	16,1%	14,5%
Earnings per share	130 cents	165 cents	510 cents	528 cents
Dividends per share	162 cents	81 cents	275 cents	260 cents
Dividend pay-out rate	124,6%	49,1%	53,9%	49,2%
Net asset value per share	270 cents	258 cents	958 cents	930 cents
Market price on last day for year	256 cents		976 cents	
Interest on loans	14,2%		12,5%	
Interest on fixed deposit	7,1%		6,7%	

D. Extract from the audit report of Lynn Ltd:

> **... Audit Opinion**
>
> In our opinion, the financial statements fairly represent the financial position of the company, except for matters mentioned below.
>
> The audit evidence revealed that supporting documentation of some expenditures were missing and could not be traced.

40

QUESTION 4: CORPORATE GOVERNANCE (15 marks; 10 minutes)

You are provided with an extract of a social and ethics committee report, as well as two unrelated articles. Use the information given and your knowledge on companies to answer the questions.

Refer to Information A.

4.1 Some shareholders are concerned about the donations made for environmental initiatives, believing that it is not their responsibility.

Advise the shareholders on why corporate donations are important for the company. Provide TWO points. (2)

Refer to Information B.

4.2
- Explain TWO points why it is important for employees to report unethical behaviour in a business. (2)
- Suggest TWO actions that the company could take to prevent similar incidents in the future. (2)

Refer to Information C.

4.3 Explain the meaning of the term insolvent. (2)

4.4 Comment on how the 'rights issue' improved the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance was favourable. (3)

4.5 Give TWO reasons why the existing shareholders responded positively to participating in the rights issue. (4)

INFORMATION

A. Extract from the social and ethics committee report of Shiloh Ltd:

The company has made donations to support community initiatives, including environmental seminars on recycling of tins, plastics and paper. The evidence for these donations is sufficient and properly recorded in the financial statements.

B. Article 1: Dismissal of senior financial manager of Tekko Ltd

An investigation by Tekko Ltd revealed that a senior financial manager had mismanaged company funds and had intimidated employees, who raised concerns, in her department. She had also sent threatening messages, creating a toxic work environment. The company responded by terminating her service, ensuring staff safety and launching a financial audit.

C. Article 2: Working its way out of insolvency

Piranna Ltd was declared insolvent in March 2025. Companies that are insolvent need drastic measures to improve their financial situation. Piranna Ltd opted for the implementation of a 'rights issue', where new shares would be issued to existing shareholders only.

After receiving all the approvals to implement the rights issue, Piranna Ltd offered five million shares at a 30% discounted price of R27 per share to its existing shareholders. The shares of the company were trading at approximately R39 per share.

Shareholders responded positively to this rights issue and the company has raised sufficient cash to move out of insolvency.

15

TOTAL: 150

NOVEMBER 2025 ANSWER BOOK

QUESTION 1

1.1

Calculate the correct value of the closing stock of men's informal shirts.	
WORKINGS	**ANSWER**

6

1.2 ORDINARY SHARE CAPITAL NOTE

NUMBER	DETAILS	AMOUNT
2 750 000	**Shares in issue at end of year**	

8

1.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025

Assets		
Non-current assets		
Fixed assets at carrying value		
Current assets	**5 798 000**	
Trade and other receivables (735 000		
Cash and cash equivalents		
Total assets		
Equity and liabilities		
Shareholders' equity		
Non-current liabilities		
Current liabilities		
Trade and other payables (878 500		
Bank overdraft		
Total equity and liabilities		**36**

TOTAL MARKS
50

QUESTION 2

2.1 Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2025:

Change in receivables		
WORKINGS	**ANSWER**	**INFLOW/OUTFLOW**

3

Change in payables		
WORKINGS	**ANSWER**	**INFLOW/OUTFLOW**

4

CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	**(316 250)**
Dividends paid	**(252 000)**
CASH FLOW FROM INVESTING ACTIVITIES	
Change in fixed deposit	
CASH FLOW FROM FINANCING ACTIVITIES	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS AT BEGINNING	
CASH AND CASH EQUIVALENTS AT END	

23

2.2 Calculate the following financial indicators for the year ended 28 February 2025:

Net asset value per share	
WORKINGS	**ANSWER**

3

Acid-test ratio	
WORKINGS	**ANSWER**

5

Dividend pay-out rate	
WORKINGS	**ANSWER**

5

2.3 **The directors should be concerned about the cash resources of the company for the year ended 28 February 2025. Give ONE reason (with figures) for this concern.**

2

TOTAL MARKS
45

QUESTION 3

3.1

3.1.1		
3.1.2		
3.1.3		**3**

3.2 Shorts Ltd

3.2.1 Operating efficiency:

The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/ financial data with trends to support his statement.	
	4

3.2.2 Liquidity:

Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends.	
	4

3.2.3 Shareholding of Lewis Clark in Shorts Ltd:

Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding.	
WORKINGS	**ANSWER**

4

Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares.

4

Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE.	
WORKINGS	**ANSWER**

2

3.3 Shorts Ltd and Lynn Ltd

3.3.1 Returns and dividends pay-out policy:

The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures.

4

A potential investor believes that Lynn Ltd has a better dividend pay-out policy when compared to Shorts Ltd. Explain why you would agree with her. Provide TWO points with figures.

4

3.3.2 Share price:

Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response.

4

3.4 Lynn Ltd

The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion.	**3**

3.5 Audit report of Lynn Ltd

Explain why the shareholders should be concerned about this audit report. Provide TWO points.	**2**

State TWO possible decisions that the shareholders could make based on this audit report.	**2**

TOTAL MARKS
40

QUESTION 4

4.1 **Some shareholders are concerned about the donations made for environmental initiatives, believing that it is not their responsibility.**

Advise the shareholders on why corporate donations are important for the company. Provide TWO points.

2

4.2 **Explain TWO points why it is important for employees to report unethical behaviour in a business.**

2

Suggest TWO actions that the company could take to prevent similar incidents in the future.

2

4.3 **Explain the meaning of the term insolvent.**

2

4.4 **Comment on how the 'rights issue' improved the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance was favourable.**

3

4.5 **Give TWO reasons why the existing shareholders responded positively to participating in the rights issue.**

4

TOTAL MARKS
15

TOTAL: 150

MAY/JUNE 2024 QUESTION PAPER

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

The information relates to DBN Ltd. The company sells household products. The financial year ended on 29 February 2024.

REQUIRED:

1.1 **Refer to information A.**

The bookkeeper has recorded all the entries regarding fixed assets in the books. Complete the amounts denoted by **(i)** to **(iii)** on the Fixed Asset Note. (12)

1.2 **Refer to information C and D.**

Calculate the correct net profit **after tax** for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease, next to each amount. (13)

1.3 Complete the Statement of Financial Position on 29 February 2024. (30)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Fixed assets:

	Buildings R	Vehicles R	Equipment R
Carrying value: (01/03/2023)		249 850	
Cost	**(i)**		436 000
Accumulated depreciation			
Movements:			
Additions (at cost)	0	260 000	0
Disposals (at carrying value)	(420 000)	0	**(iii)**
Depreciation		**(ii)**	(32 000)
Carrying value: (29/02/2024)	9 421 300		
Cost		786 000	356 000
Accumulated depreciation			

- Depreciation is calculated as follows:
  - Vehicles: 15% p.a. on cost
  - Equipment: 20% on the diminishing-balance method
- A new vehicle was bought on 1 October 2023.

- Extract from the Fixed Assets Register in respect of equipment sold:

KINOPA MWALIMU 234		
Cost price: R80 000		
Date purchased: 1 September 2021		
Date sold: 31 May 2023	Sold for: R53 000	
		CARRYING VALUE
28 February 2022		R72 000
28 February 2023		R57 600
31 May 2023		**?**

B. Balances on 29 February 2024:

Fixed assets at carrying value	R9 952 480
Ordinary share capital	**?**
Retained income	**?**
Loan: PTA Bank	**?**
Fixed deposit	425 000
Trading stock	1 064 200
Net trade debtors	744 900
Creditors' control	518 950
SARS: Income tax (provisional tax payments)	322 800

C. The bookkeeper has calculated the net profit before tax as **R1 150 000**.
The pre-adjustment balances to be adjusted are:

Audit fees	R144 000
Trading stock	1 064 200
Rent income	287 300
Directors' fees	852 800

Only the adjustments listed below must still be taken into account.

(i) Audit fees of R45 600 were still owing on 29 February 2024.

(ii) A donation of 100 blankets was made to a children's hospital, but the donation has not been recorded. The business uses the weighted-average method for valuing blankets. The stock records for blankets reflect the following:

	Quantity cost (units)	Unit price	Total
Purchases during the year:	1 500		R603 000
15 April 2023	600	R330,00	198 000
22 June 2023	900	R450,00	405 000
Sales	1 220		
Stock on hand: 29 Feb. 2024	280		

(iii) Rent was increased by R1 300 per month from 1 January 2024. Only the rent for the period 1 March 2023 to 31 January 2024 was received and recorded.

(iv) The company had one director, Jenny, at the beginning of the financial year. Jenny had been paid in advance for two months. A second director, Frank, was appointed on 1 December 2023. His monthly fee is 20% lower than that of Jenny. Frank received the fees due to him.

D. Income tax:

The assessment from SARS indicated total income tax for the financial year as R351 000, after all adjustments had been made. 2024

E. Share capital and dividends:

DATE	DETAILS
1 March 2023	2 120 000 shares in issue
30 June 2023	230 000 shares repurchased: The average share price was R5,90 at the date of the repurchase
29 February 2024	1 890 000 shares in issue

- Interim dividends were not declared during the financial year.
- Final dividends of 25c per share were declared on 29 February 2024 to all shares in the share register.

F. Transfer of debtor's balance to Creditors' Ledger:

A debtor with a debit balance of R8 400 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.

G. Loan: PTA Bank

Extract from the Loan Statement from PTA Bank:

Balance on 1 March 2023	R1 400 000
Repayments for the financial year (including interest)	**?**
Interest capitalised	168 000
Balance on 29 February 2024	1 004 000

NOTE:
- All entries for the repayments and interest have been made.
- Directors expect to maintain the capital repayments made this year, during the next financial year.

55

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(40 marks; 30 minutes)

CONCEPTS

2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 The current ratio is a financial indicator which is relevant to the (liquidity/solvency) of a company.

2.1.2 An increase in a fixed deposit will lead to an (inflow/outflow) of cash in the Cash Flow Statement.

2.1.3 A decrease in inventories will lead to an (inflow/outflow) of cash in the Cash Flow Statement. (3)

JINGLE LTD

The information relates to the financial year ended 29 February 2024.

REQUIRED:

2.2 Prepare the Retained Income Note for the financial year ended 29 February 2024. (8)

2.3 Refer to the partially completed Cash Flow Statement provided. Calculate and/or provide the figures denoted by **(i)** to **(v)**. (17)

2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

- Acid-test ratio (4)
- Interim dividend per share (in cents) (4)
- % return on average shareholders' equity (ROSHE) (4)

INFORMATION:

A. Share capital:

Number of shares	
1 450 000	Shares in issue on 1 March 2023
30 000	Shares repurchased on 1 June 2023, at R3,70 above the average share price
250 000	Shares issued on 1 November 2023, at R17,20 per share
1 670 000	Shares in issue on 29 February 2024

B. Dividends:

- Interim dividends were paid on 31 August 2023 to all shares in the share register.
- A final dividend was declared on 29 February 2024.

C. Extract from the Statement of Comprehensive Income for year ended 29 February 2024:

Depreciation	R1 620 000
Operating profit	4 826 000
Interest on loans	966 000
Income tax (at a tax rate of 30%)	1 950 000

D. Extract from the Statement of Financial Position on 28/29 February:

	2024	**2023**
Fixed assets at carrying value	R43 095 000	R39 365 000
Current assets (Note 1)	9 623 000	8 029 000
Current liabilities (Note 2)	18 310 000	12 044 000
Shareholders' equity	**28 248 000**	**25 729 000**
Ordinary share capital	**?**	22 910 000

Retained income	**?**	2 819 000

Note 1: Items included under Current assets

	2024	**2023**
Inventories	R4 190 000	R3 883 000
Cash & cash equivalents	55 000	1 030 000

Note 2: Items included under Current liabilities

	2024	**2023**
Shareholders for dividends	R2 338 000	R2 320 000
SARS: Income tax	115 000	86 000
Bank overdraft	3 274 000	0

E. Fixed assets:

- A vehicle was sold at carrying value.
- Fixed assets were also purchased during the financial year.

F. Partially completed Cash Flow Statement on 29 February 2024:

Cash effects of operating activities	
Cash generated from operations	
Interest paid	(966 000)
Dividends paid	(5 728 000)
?	**(i)**
Cash effects of investing activities	
?	**(ii)**
Proceeds from sale of fixed assets	232 000
Change in investments	
Cash effects of financing activities	
?	**(iii)**
?	**(iv)**
Change in loans	
Net change in cash & cash equivalents	
Cash & cash equivalents on 1 March 2023	1 030 000
?	**(v)**

40

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(40 marks; 35 minutes)

The information relates to Britesun Ltd. The company sells high-quality solar panels to businesses and homeowners to generate electricity. The financial year ends on 28/29 February each year.

REQUIRED:

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

- Quote financial indicators and trends, with figures
- Give a reason or an explanation on the relevant financial indicators

3.1 **Mark-up percentage**

Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not. (4)

3.2 **Profitability and operating efficiency:**

Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators. (4)

3.3 **Financial risk and gearing:**

3.3.1 One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide him with an explanation. (2)

3.3.2 The chief financial officer (CFO) is of the opinion that the increase in the loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion, including ONE relevant financial indicator. (4)

3.4 **Returns, earnings and dividends:**

3.4.1 Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE financial indicator. (4)

3.4.2 Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors. (4)

3.5 **Share price on the stock exchange:**

Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends. (4)

3.6 **Shareholding of Allan Ashwin:**

3.6.1 Allan Ashwin owns shares in Britesun Ltd. He is pleased with his investment in the shares of this company. Provide TWO points, with figures or calculations, to support his opinion. (4)

3.6.2 The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding. Provide a calculation or figures to support your explanation. (6)

3.7 **Bonuses for directors and other employees of Britesun Ltd:**

Bonuses for directors and other employees are included in the company's budget. Shareholders will be required to vote at the AGM on whether these bonuses should be paid or not.

Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses. (4)

INFORMATION:

A. Financial indicators and additional information:

	29 Feb. 2024	28 Feb. 2023
Current ratio	1,8 : 1	4,3 : 1
Acid-test ratio	0,9 : 1	2,5 : 1
Debt-equity ratio	0,2 : 1	0,3 : 1
Earnings per share (EPS)	224 cents	113 cents
Dividends per share (DPS)	90 cents	90 cents
Dividend pay-out rate	40%	80%
% return on average equity (ROSHE)	15,6%	8,0%
% return on total capital employed (ROTCE)	19,7%	11,0%
Net asset value per share (NAV)	1 543 cents	1 413 cents
Solvency ratio	2,5 : 1	3,6 : 1
% operating expenses on sales	22,0%	28,0%
% operating profit on sales	15,6%	10,2%
% net profit after tax on sales	13,5%	8,8%
% mark-up	60%	40%
Number of directors and other employees	38	43
Number of customers	245	280
Average sales per customer	R160 000	R120 000
Market price of shares on JSE	1 610 cents	1 342 cents
% interest rate on investments	7%	7%
% interest rate on loans	13%	13%

B. Extracts from Cash Flow Statement:

	29 Feb. 2024	28 Feb. 2023
Cash generated from operations	R6 785 000	R3 863 500
Proceeds of shares issued	R2 800 000	0
Increase in loan	R1 000 000	R4 000 000
Fixed assets purchased	0	R750 000
Fixed assets sold*	R1 100 000	0
*Unproductive fixed assets were sold.		

C. Shareholding of Allan Ashwin in Britesun Ltd:

	Britesun Ltd
Shares in issue on 29 February 2024	700 000
Number of shares owned by Ashwin	360 000
Purchase price per share paid by Ashwin	780 cents
Dividends earned per share	90 cents

QUESTION 4: CORPORATE GOVERNANCE (15 marks; 10 minutes)

You are provided with a media article relating to Gadram Ltd.

REQUIRED:

4.1 **Refer to Paragraph 4.**

The three board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors each were able to avoid by selling their shares on 13 April 2023. (3)

4.2 **Refer to Paragraph 3.**

- Explain why the text message is so important to the investigators. (2)
- Explain why you think this crime is referred to as 'insider trading'. (2)

4.3 Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers. (4)

4.4 If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points. (4)

INFORMATION:

Use the information in the article and your knowledge on companies to answer the questions.

SOCIAL MEDIA LIFTS THE LID ON MAJOR INSIDER TRADING

Paragraph 1

Bizmiz News reported last month on the disclaimer audit report received by Gadram Ltd and that a police investigation into the false financial statements had recently begun. But this is not the end of the company's problems.

Paragraph 2

In March 2024, the Financial Sector Conduct Authority (FSCA) imposed a penalty of R50 million on Loma Leonard, CEO (chief executive officer) of Gadram Ltd, for breaching the Financial Markets Act (Act 19 of 2012) when he sent text messages to two directors, warning them to sell their Gadram shares.

Paragraph 3

The incriminating message from Loma read: 'You always ask for my opinion. It will take a long time for Gadram to get rid of all the bad news. Sell your shares immediately at the current price. Delete this message now and don't tell anyone.'

Paragraph 4

In deciding on the fine, the FSCA noted that on 10 April 2023 Loma had sent the message and on 13 April 2023, the three board members, Loma and the two directors, sold their shares on the JSE at R105,00 per share. The subsequent rapid decline to R8,00 per share in the market price of the shares occurred in the following two days.

15

TOTAL: 150

MAY/JUNE 2024 ANSWER BOOK

QUESTION 1

1.1 FIXED ASSETS

(i)

Calculate: Cost price of buildings at the beginning of the year	
WORKINGS	**ANSWER**

2

(ii)

Calculate: Depreciation on vehicles	
WORKINGS	**ANSWER**

6

(iii)

Calculate: Carrying value on equipment sold	
WORKINGS	**ANSWER**

4

1.2 CORRECT NET PROFIT AFTER TAX FOR THE YEAR

Incorrect net profit before tax	**1 150 000**
Net profit before tax	
Net profit after tax	

13

1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024

ASSETS

NON-CURRENT ASSETS	**10 377 480**
Fixed assets	**9 952 480**
Investment: Fixed deposit	**425 000**
CURRENT ASSETS	
Cash and cash equivalents	**1 956 220**
TOTAL ASSETS	

EQUITY AND LIABILITIES

ORDINARY SHAREHOLDERS' EQUITY	
Retained income	
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	

30

TOTAL MARKS
55

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2 RETAINED INCOME NOTE

Balance at the beginning of the year	2 819 000
Ordinary share dividends	
Final dividends	2 338 000
Balance at the end of the year	

8

2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

Cash effects of operating activities	
Cash generated from operations	
Interest paid	**(966 000)**
Dividends paid	**(5 728 000)**
(i)	
Cash effects of investing activities	
(ii)	
Proceeds of sale of fixed assets	**232 000**
Change in investments	
Cash effects of financing activities	
(iii)	
(iv)	
Change in loans	
Net change in cash & cash equivalents	
Cash & cash equivalents on 1 March 2023	**1 030 000**
(v)	

2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

Acid-test ratio	
WORKINGS	**ANSWER**

4

Interim dividend per share (in cents)	
WORKINGS	**ANSWER**

4

% return on average shareholder's equity (ROSHE)	
WORKINGS	**ANSWER**

4

TOTAL MARKS
40

QUESTION 3

3.1 **Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.**

4

3.2 **Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.**

4

3.3.1 **One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide an explanation for him.**

2

3.3.2 **The chief financial officer (CFO) is of the opinion that the increase in loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion, including ONE relevant financial indicator.**

POINT 1	
POINT 2	

4

3.4.1

Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE relevant financial indicator.	
POINT 1	
POINT 2	

4

3.4.2

Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.	
EARNINGS PER SHARE	
DIVIDEND PAY-OUT POLICY	

4

3.5

Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.	
POINT 1	
POINT 2	

4

3.6.1 Allan Ashwin owns shares in Britesun Ltd. He is pleased with his investment in the shares of this company. Provide TWO points, with figures or calculations, to support his opinion.

POINT 1	
POINT 2	

4

3.6.2 The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding. Provide a calculation or figures to support your explanation.

CALCULATION	
EXPLANATION	

6

3.7 Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.

POINT 1	
POINT 2	

4

TOTAL MARKS
40

QUESTION 4

4.1 **The three board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors each were able to avoid by selling their shares on 13 April 2023.**

WORKINGS	ANSWER

3

4.2 **Explain why the text message is so important to the investigators.**

Explain why you think this crime is referred to as 'insider trading'.

4

4.3 **Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers.**

Existing shareholders	
Workers	

4

4.4

If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points.	
POINT 1	
POINT 2	

4

TOTAL MARKS
15

TOTAL: 150

NOVEMBER 2024 QUESTION PAPER 1

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

The information relates to Ivory Park Ltd for the financial year ended 29 February 2024.

REQUIRED:

1.1 **Refer to Information B (i) for fixed assets:**

Calculate the following:

1.1.1 Depreciation on equipment on 29 February 2024 (2)

1.1.2 Cost price of vehicles on 29 February 2024 (4)

1.1.3 Depreciation on vehicles on 29 February 2024 (5)

1.1.4 Profit/Loss on vehicle traded in on 1 September 2023 (5)

1.2 Complete the Statement of Comprehensive Income for the year ended 29 February 2024. (39)

NOTE: Some amounts are provided in the ANSWER BOOK.

INFORMATION:

A. Balances/totals, among others, that appeared in the books on:

	29 Feb. 2024 R	28 Feb. 2023 R
Mortgage loan: Phambili Bank	744 100	987 700
Equipment at cost	852 000	852 000
Accumulated depreciation on equipment	472 500	344 700
Vehicles at cost	?	1 250 000
Accumulated depreciation on vehicles	?	420 000
Trading stock	654 500	
Debtors' control	516 600	
Provision for bad debt	?	29 520
SARS: Income tax (provisional tax payments)	340 000	
Sales	?	
Cost of sales	4 780 900	
Audit fees	79 000	
Service fee income	1 757 700	
Sundry operating expenses	119 900	
Bad debts	24 780	
Packing material	66 550	
Salaries and wages (including contributions)	1 425 600	
Insurance	100 800	
Rent income	158 100	
Interest income	?	
Directors' fees	?	
Interest on loan	149 400	
Dividends on ordinary shares	250 000	

B. Adjustments and additional information:

(i) **Fixed assets:**

Equipment:

- No equipment was bought or sold during the year.

Vehicles:

- An old vehicle was traded in on 1 September 2023 for a new vehicle, costing R320 000. The trade-in value received was R153 660. The following extract of the vehicle sold was taken from the Fixed Asset Register:

Cost price: R240 000 **Date purchased**: 1 July 2021
Rate of depreciation: 20% p.a. on the diminishing-balance method

FINANCIAL YEAR END	DEPRECIATION	ACCUMULATED DEPRECIATION
28 February 2022	R32 000	R32 000
28 February 2023	R41 600	R73 600
1 September 2023	?	?

- Vehicles are depreciated at 20% p.a. on the diminishing-balance method.
- Depreciation on the old remaining vehicles was R132 720.

(ii) The company maintains a mark-up of 60% on cost. Note that goods costing R115 000 (included in cost of sales) were sold at a mark-up of 40% on cost to internal employees.

(iii) Physical stocktaking on 29 February 2024 revealed the following:
- Trading stock, R647 100
- Packing material used during the financial year, R58 700

(iv) Provision for bad debts must be adjusted to 5% of the outstanding debtors.

(v) Monthly insurance premiums were fixed for the past three years and were paid up to 31 May 2024.

(vi) A tenant is renting an office from Ivory Park Ltd. Rent for this office has been received up until 30 April 2024. Rent was decreased by 8% on 1 December 2023 on the office rented.

(vii) One employee was omitted from the Salaries Journal of February 2024. His net monthly salary was R19 340 after 35% deductions were made for his pension and personal tax and R2 500 deducted for medical aid. The employer contributes 10% of his gross salary on behalf of employees towards pension.

(viii) The company had two directors who received a combined annual fee of R1 065 200 after their monthly fees were increased by R5 800 each on 1 August 2023. A third director joined the company on 1 November 2023 and received the same monthly fee as the other directors, excluding the increase of R5 800 per month.

(ix) Net profit after tax, R992 160, was calculated after taking into account all the adjustments above. Income tax is calculated at 28% of the net profit.

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(35 marks; 25 minutes)

The information relates to Eybers Ltd for the financial year ended 29 February 2024.

REQUIRED:

2.1 Prepare the Retained Income Note for the year ended 29 February 2024. (8)

2.2 Complete the Cash Flow Statement for the year ended 29 February 2024. (17)

2.3 Calculate the following financial indicators for the year ended 29 February 2024:

- % operating expenses on sales (3)
- Stock turnover rate (4)
- Interim dividend per share (3)

INFORMATION:

A. Extract from the Statement of Comprehensive Income for the year ended 29 February 2024.

	R
Sales	8 240 600
Cost of sales	5 060 000
Gross operating income	3 020 480
Operating expenses	1 360 950
Operating profit	1 659 530
Income tax	462 000
Net profit after tax	?

B. Extract from the Statement of Financial Position on:

	29 Feb. 2024 R	**28 Feb. 2023 R**
Cash and cash equivalents	?	36 000
Trading stock	174 000	193 000
SARS: Income tax	66 650 **Dr**	44 675 **Cr**
Ordinary shareholders' equity	?	8 733 720
Ordinary share capital	?	8 160 000
Retained income	?	573 720
Loan: Smiley Bank	5 440 000	?
Shareholders for dividends	?	?
Bank overdraft	0	142 680

C. Share capital:

- On 1 March 2023, there were 1 200 000 shares in issue.
- 400 000 shares were issued at R10 per share on 30 June 2023.
- On 30 November 2023, 34 000 shares were repurchased at R1,90 (per share) above the average share price.

D. Dividends and dividend pay-out rate:

- Dividends paid and declared:

DIVIDENDS			
Final	28 February 2023	Paid	17 cents per share
Interim	1 September 2023	Paid	R416 000
Final	29 February 2024	Declared	?

- Total dividends paid and declared for the year ended 29 February 2024, R744 860.
- The dividends pay-out rate for the year ended 29 February 2024 was 40% after all transactions were correctly recorded.

E. Loan: Smiley Bank

- Monthly instalments of R97 120, including interest, were paid.
- Interest capitalised amounted to R685 440.

F. Net change in cash and cash equivalents, R296 460 inflow.

35

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(45 marks; 35 minutes)

WINSTON LTD

The information relates to Winston Ltd for the year ended 29 February 2024.

REQUIRED:

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

3.1 **Profitability:**

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well. (4)

3.2 **Dividend pay-out policy:**

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point. (3)

3.3 **Earnings and returns:**

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures. (4)

3.4 **Financing strategies and gearing:**

- **Refer to information C**.

  The directors decided to buy new fixed assets in 2024 to enhance the company.

  Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures. (4)

- Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures. (6)

3.5 **Grant Waters' % shareholding, rights issue and shares repurchased:**

- **Refer to Information B.**

  Calculate the number of shares that Grant bought through the rights issue on 31 October 2023. (3)

- Calculate Grant's % shareholding after the rights issue on 29 February 2024. (5)

- Calculate the total amount that Grant spent on the shares he acquired through the rights issue.
  NOTE: No shares were repurchased during the financial year. (4)

- Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures). (4)

3.6 **Role of the CEO:**

- Explain TWO characteristics that shareholders would expect of a good CEO. (4)

- Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures. (4)

INFORMATION:

A. Background information:

- The chief executive officer (CEO), Shakira Solomon, was appointed on 1 October 2023.
- She was awarded a one-year contract, on probation.
- Grant Waters, the majority shareholder, was instrumental in appointing the CEO on 1 October 2023.

B. Share capital and rights issue:

- 3 000 000 shares were already in issue on 1 March 2023.

- **Grant Waters' shareholding**:

  He is the majority shareholder and owned 1 620 000 of the issued shares on 1 March 2023.

Rights issue:

- On 31 October 2023, each shareholder was offered 10 shares for every 50 shares that they owned at a reduced price. All shareholders exercised this right. **No other shares were issued or repurchased during the financial year.**

C. Extract from the Notes and Statement of Financial Position as at:

	29 Feb. 2024	28 Feb. 2023
Fixed assets purchased	R8 235 000	R4 180 000
Fixed assets sold	710 000	0
Fixed deposit: Caledon Bank	550 000	250 000
Ordinary share capital	31 770 000	28 800 000
Loan: Main Bank	12 913 000	9 400 000

D. Financial indicators, market prices of shares, interest rates and other financial data:

	29 Feb. 2024	28 Feb. 2023
Mark-up percentage	45%	40%
% operating expenses on sales	14%	19%
% operating profit on sales	18%	12%
% net profit before tax on sales	19%	11%
Solvency ratio	3,8 : 1	2,8 : 1
Current ratio	2,5 : 1	1,6 : 1
Acid-test ratio	1,9 : 1	1,2 : 1
Net asset value per share	564 cents	460 cents
Dividends per share	67 cents	89 cents
Earnings per share	112 cents	104 cents
Dividend pay-out rate	60%	86%
Return on average shareholder's equity	20%	11%
Debt-equity ratio	0,2 : 1	0,5 : 1
% return on average capital employed	24%	15%
Market value per share	950 cents	820 cents
% growth (drop) in net asset value per share	+15,9%	- 8,9%
Interest rate on loans	12%	12%
Interest rate on fixed deposits	7,5%	6,5%

QUESTION 4: CORPORATE GOVERNANCE (15 marks; 15 minutes)

You are provided with an extract of the independent external audit report of Valiant Ltd, presented to the shareholders at the Annual General Meeting.

REQUIRED:

NOTE: In your answers, do NOT repeat your responses in the different questions.

4.1 Explain the role of an independent external auditor. Provide ONE point. (2)

4.2 Choose the correct word from those in brackets. Write the answer in the ANSWER BOOK and explain your choice.

Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report. (2)

4.3 What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points. (4)

4.4 What are the implications of this audit report for the following:

- Directors
- Shareholders

State ONE point in each case. (4)

4.5 State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report. (3)

INFORMATION:

Extract from the independent external auditor's report on the financial statements of Valiant Ltd:

Audit Opinion:

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 29 February 2024 …

Basis for Audit Opinion:

… and the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

15

TOTAL: 150

NOVEMBER 2024 ANSWER BOOK

QUESTION 1

1.1 Calculate:

1.1.1

Depreciation on equipment on 29 February 2024	
WORKINGS	**ANSWER**

2

1.1.2

Cost price of vehicles on 29 February 2024	
WORKINGS	**ANSWER**

4

1.1.3

Depreciation on vehicles on 29 February 2024	
WORKINGS	**ANSWER**
Depreciation on new vehicle	
Depreciation on vehicle traded in	
Depreciation on remaining vehicles	**132 720**

1.1.4

Profit/Loss on vehicle traded in on 1 September 2023	
WORKINGS	**ANSWER**

5

NOTE: The relevant amounts, calculated above, must be transferred to QUESTION 1.2, the Statement of Comprehensive Income.

1.2 Statement of Comprehensive Income for the year ended 29 February 2024 Nov

Sales	
Cost of sales	**(4 780 900)**
Gross profit	
Other income	
Service fee income	**1 757 700**
Gross operating income	
Operating expenses	
Audit fees	**79 000**
Sundry operating expenses	**119 900**
Bad debts	**24 780**
Operating profit	
Interest income	
Profit before interest expense	
Interest expense	**(149 400)**
Net profit before tax	
Income tax	
Net profit after tax	**992 160**

39

TOTAL MARKS
55

QUESTION 2

EYBERS LTD

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 29 FEBRUARY 2024

Balance at the beginning of the year	**573 720**	
Ordinary share dividends	**(744 860)**	
Balance at the end of the year		**8**

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations	
Interest paid	
CASH FLOW FROM INVESTING ACTIVITIES	
CASH FLOW FROM FINANCING ACTIVITIES	
NET CHANGE IN CASH AND CASH EQUIVALENTS	**296 460**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	

17

2.3 Calculate the following financial indicators for the year ended 29 February 2024:

% operating expenses on sales	
WORKINGS	**ANSWER**

3

Stock turnover rate	
WORKINGS	**ANSWER**

4

Interim dividend per share	
WORKINGS	**ANSWER**

3

TOTAL MARKS
35

QUESTION 3

3.1 Profitability:

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well.	**4**

3.2 Dividends pay-out policy:

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point.	**3**

3.3 Earnings and returns:

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures.	**4**

3.4 Financing strategies and gearing:

Refer to Information C.

The directors decided to buy new fixed assets in 2024 to enhance the company. Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures.

4

Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures.

6

3.5 Grant Waters' % shareholding, rights issue and shares repurchased:

Calculate:

Refer to Information B.

The number of shares that Grant bought through the rights issue on 31 October 2023	
WORKINGS	**ANSWER**

3

Grant's % shareholding after the rights issue on 29 February 2024	
WORKINGS	**ANSWER**

5

The total amount that Grant spent on the shares he acquired through the rights issue **NOTE: No shares were repurchased during the financial year.**	
WORKINGS	**ANSWER**

4

Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures).

4

3.6 Role of the CEO:

Explain TWO characteristics that shareholders would expect of a good CEO.	
	4

Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures.	
	4

TOTAL MARKS
45

QUESTION 4

4.1 **Explain the role of an independent external auditor. Provide ONE point.**

2

4.2 **Choose the correct word from those in brackets. Write the answer and explain your choice.**

Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.

AUDIT REPORT	EXPLANATION

2

4.3 **What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points.**

4

4.4 **What are the implications of this audit report for the following:**

- **Directors**
- **Shareholders**

State ONE point in each case.

	IMPLICATIONS
Directors	
Shareholders	

4

4.5 **State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.**

3

TOTAL MARKS
15

TOTAL: 150

PAPER 2: CONTENT

MAY/JUNE 2026 QUESTION PAPER 2

QUESTION 1: RECONCILIATION, AGE ANALYSIS AND VAT

(40 marks; 30 minutes)

1.1 **BANK RECONCILIATION**

The information relates to Primrose Traders on 31 October 2025. The business is owned by Nozi Sithole who employed Bheki Sadler as a bookkeeper.

They use the official Bank Statement, received on the 26th of each month to reconcile their Cash Journals.

REQUIRED:

1.1.1 Show the entries that must be recorded in the Cash Journals on 31 October 2025 by completing the table in the ANSWER BOOK. (10)

1.1.2 Prepare the Bank Reconciliation Statement on 31 October 2025. (7)

1.1.3 **Refer to information D.**

Nozi does not trade with XPS Suppliers. An investigation found no evidence of goods supplied. Despite this, XPS Suppliers issued an invoice upon request. It was also discovered that XPS Suppliers is owned by Bheki's brother.

What action should Nozi take against Bheki (without dismissing him) and XPS Suppliers? State ONE point for each. (4)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 30 September 2025:

Outstanding deposits:	Dated 29 September 2025	R36 900
	Dated 30 September 2025	9 000
Outstanding EFTs:	EFT 4 124 (Moja Traders)	42 100
	EFT 4 125 (Nel Suppliers)	11 000

NOTE:

(i) The internal auditor discovered that the cash amount of R9 000 on 30 September 2025 was never deposited. The amount is irrecoverable because the cashier had already resigned at that time.

(ii) EFT 4 125 is correct as per the Bank Statement. Nel Suppliers is a creditor.

B. Provisional totals in the Cash Journals on 31 October 2025 before receiving the Bank Statement:

Cash Receipts Journal	Cash Payments Journal
R334 700	R232 900

C. Entries in the Cash Journals for October 2025 that were not reflected on the October 2025 Bank Statement:

- Deposit (28 October 2025): R33 000
- EFT 4 317 (29 October 2025): R12 200
- EFT 4 318 (30 October 2025): R6 300

D. Information on the October 2025 Bank Statement, which did not appear in the October 2025 Cash Journals:

Date		Details	Debit R	Credit R
2025 Sep.	29	Deposit		36 900
	30	Moja Traders (EFT 4 124)	42 100	
		Nel Suppliers (EFT 4 125)	1 100	
2025 Oct.	15	Auto Connect Insurers	5 900	
		Auto Connect Insurers	5 900	
	20	XPS Suppliers (EFT 4 184)	13 000	
	25	Interest		400
	26	Service fees	1 400	

- A debit order for insurance, in favour of Auto Connect Insurers, was duplicated in error on the Bank Statement. The bank will correct the error in the November 2025 Bank Statement.
- The bookkeeper had deliberately omitted recording EFT 4 184 in the Cash Payments Journal of October 2025.

E. Nozi withdrew R7 500 from an ATM on 30 October 2025 to pay repairs for a business vehicle, but she did not submit the transaction slip to the bookkeeper. The bookkeeper has not recorded this transaction yet.

F. The bookkeeper had incorrectly recorded cash received from a tenant, R8 800, in the Cash Payment Journal.

G. The Bank Statement showed a favourable balance of R116 500 on 26 October 2025.

1.2 DEBTORS' AGE ANALYSIS

The information relates to Marula Stores. The business adopted a structured credit policy to encourage prompt payments, charging interest on overdue accounts and offering maximum discounts to those who pay on time.

Their credit terms are 60 days and it is expected that 85% of the debtors will adhere to these terms.

REQUIRED:

1.2.1 Calculate the total percentage of all debtors who do not adhere to the credit terms. (2)

1.2.2 Explain TWO other strategies the business can implement to improve collection from debtors. In each case, explain how the strategy will improve the collection from debtors. (4)

1.2.3 How can poor management of debtors negatively affect a business's cash flow? Explain ONE consequence. (2)

INFORMATION:

Debtors' Age Analysis on 31 March 2026:

Total	Current month	30 days	60 days	90 days	90 days +
R288 000	R126 720	R43 200	R46 080	R37 440	R34 560

1.3 VALUE-ADDED TAX (VAT)

The information relates to Elmon Traders for the VAT period ended 30 April 2026. The standard VAT rate is 15%. The business is owned by Elmon Thela.

REQUIRED:

1.3.1 Calculate the VAT amounts in the table given in the ANSWER BOOK. Indicate the effect of EACH item on the amount payable to SARS. Show an increase with a **'+'** and a decrease with a **'-'**.

NOTE: (i) has been completed in the ANSWER BOOK. (9)

1.3.2 Elmon wants to increase the VAT amount on accounts written off from R5 850 to R70 000, claiming that no one will notice and this will allow the business to pay a lesser amount that will be due to SARS.

Give ONE reason why this action is unethical and unacceptable. (2)

INFORMATION:

A. Amount owed to SARS on 1 April 2026, R267 500.

B. Transactions for April 2026:

NO.	DETAILS	EXCLUDING VAT R	INCLUDING VAT R	VAT AMOUNT R
(i)	**Drawings of stock**	**9 000**	**10 350**	**1 350**
(ii)	Trading stock purchased	325 000		**?**
(iii)	Trading stock returned by customers			7 800
(iv)	Total sales (cash and credit)		* 458 850 (see note below)	**?**
(v)	Expenses paid			9 750
(vi)	Bad debt recovered			1 200

NOTE:

***Includes goods with a selling price of R25 530 (VAT inclusive). These goods should have been recorded as zero-rated items.

40

QUESTION 2: COST ACCOUNTING **(40 marks; 30 minutes)**

2.1 **CONCEPTS**

Give ONE cost account for each of the following descriptions by choosing a cost account from the list below. Write only the cost account next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

direct material cost; direct labour cost; factory overhead cost; administration cost; selling and distribution cost

2.1.1 Irrecoverable accounts of customers written off

2.1.2 Carriage on purchases of raw materials

2.1.3 Depreciation on office equipment (3 x 1) (3)

2.2 **STAY-FIT MANUFACTURERS**

The business, owned by Florence Summers, manufactures tracksuits and other types of clothing. The information provided only relates to the production of tracksuits. The financial year ended on 28 February 2026.

NOTE: There are no work-in-progress balances as production takes place according to orders received.

REQUIRED:

2.2.1 **Refer to information B.**

Calculate the direct labour cost. (6)

2.2.2 **Refer to information C.**

Calculate the correct factory overhead cost for the year by completing the table in the ANSWER BOOK. (6)

2.2.3 Calculate the unit cost of production for the financial year ended 28 February 2026. (5)

2.2.4 Stay-Fit Manufacturers exports their tracksuits to a number of countries. One of their biggest export market countries will increase their export duties by 30% with effect from 1 April 2026.

- Explain how this will affect the business. State ONE point. (2)
- State ONE strategy the business can implement to maintain current exports to this country. (2)

INFORMATION:

A. Raw materials:

Raw materials issued for production, R3 200 000.

B. Direct labour:

- 80 workers were employed in production.
- Each worker worked 1 960 hours normal time during the year at a rate of R45 per hour.
- The overtime register reflected a combined total of 2 000 hours worked at a rate of 1,6 times the rate of normal time.
- All workers are registered with the Unemployment Insurance Fund (UIF). The deduction amounts to 1% of the gross wages. The employer contributes 1% of the gross wage on behalf of the employees to the UIF.

C. Factory overhead costs:

The bookkeeper calculated the factory overheads as R1 068 200. However, he made the following errors which must be corrected:

(i) He recorded R5 320 as the closing stock of factory indirect materials instead of R6 320.

(ii) The entire amount of the telephone expense, R37 600, was included in the factory overhead cost, instead of only 25% of this expense.

(iii) An amount of R54 000 of factory insurance was allocated using the ratio 3 **:** 2 **:** 2 for the factory, sales and office respectively. This expense should have been split in the ratio 2 **:** 1 **:** 1 respectively.

D. Production:

Number of tracksuits manufactured: 64 000 units.

2.3 BAGS GALORE MANUFACTURERS

Bags Galore Manufacturers is owned by Cyril Khan. They produce school bags and laptop bags. The financial year ended on 28 February 2026.

REQUIRED:

SCHOOL BAGS:

2.3.1 Calculate the selling price per unit for the year ended 28 February 2026. (4)

2.3.2 Identify the variable cost that caused the biggest problem. Quote figures. Give a valid solution for the problem identified. (3)

LAPTOP BAGS:

2.3.3 Comment on the break-even point and the profit made for the year ended 28 February 2026. Quote figures. Give a different reason for the improvement in each case. (6)

2.3.4 Cyril made deliberate decisions to export laptop bags. This has led to an increase in all the variable costs per unit. Give a different reason for the increase in each case. (3)

INFORMATION:

	SCHOOL BAGS		LAPTOP BAGS	
	2026	**2025**	**2026**	**2025**
Break-even point	8 280	11 520	5 763	6 476
Number of units produced and sold	24 150	37 500	11 625	9 750
	R	**R**	**R**	**R**
Selling price per unit	**?**		2 460	1 890
Variable costs per unit	**358**	**366**	**1 547**	**1 077**
Direct material cost	138	174	684	495
Direct labour cost	197	150	572	540
Selling and distribution cost	23	42	291	42
Total fixed cost	794 880			

40

QUESTION 3: STOCK VALUATION AND FIXED ASSETS (30 marks; 30 minutes)

3.1 INVENTORIES:

Galaxy Traders, owned by Julian Tshabalala, sells one brand of microwave ovens. The business uses the first-in-first-out (FIFO) method to value the microwave oven stock. The periodic inventory system is used. The financial year ended on 28 February 2026.

REQUIRED:

3.1.1 Calculate the value of the closing stock on 28 February 2026, using the FIFO stock valuation method. (5)

3.1.2 Calculate the stockholding period (in days) on 28 February 2026. Use the closing stock figure. (3)

3.1.3 Comment on your calculation in QUESTION 3.1.2. State TWO points. The stockholding period on 28 February 2025 was 72 days. (4)

INFORMATION:

A. Stock records of microwave ovens:

	Number of microwave ovens
1 March 2025	1 850
28 February 2026	2 270

B. Purchases and returns:

DATE	UNITS	PRICE PER UNIT R	TOTAL R
May 2025	2 800	1 440	4 032 000
August 2025	3 500	1 450	5 075 000
November 2025	1 700	1 580	2 686 000
December 2025	(90)	?	(142 200)
TOTALS	7 910		11 650 800

C. Carriage on purchases:

- Flash Carriers charged the business R95 per microwave oven delivered to the store. It was increased to R110 per unit from November 2025.
- No refund is received on microwave ovens returned. The supplier collects the returns directly from the business.

D. Sales and cost of sales:

- 7 490 units were sold.
- Cost of sales was R14 524 000 after all adjustments were considered.

3.2 **FIXED ASSETS:**

The information relates to the fixed/tangible assets of Roxy Traders. The financial year ended on 28 February 2026.

REQUIRED:

3.2.1 State TWO points for good internal control over movable fixed assets. (2)

3.2.2 Calculate the following:

- Cost price of land and buildings on 28 February 2026 (2)
- Loss on the old fridge that was sold on 30 September 2025 (5)
- Total of the depreciation on the new cash register bought on 1 December 2025 and the remaining old equipment for the year ended 28 February 2026 (5)

3.2.3 **Refer to information E.**

Calculate the amounts indicated by **(i)** to **(iii)**. (4)

INFORMATION:

A. The following balances, among others, appeared in the General Ledger of Roxy Traders on 1 March 2025:

	R
Land and buildings at cost	5 600 000
Equipment at cost	745 000
Vehicles at cost	2 520 000
Accumulated depreciation on equipment	233 000
Accumulated depreciation on vehicles	850 000

B. Received an invoice from Décor Renovators for the following on 1 August 2025:

	R
New storeroom built	400 000
Electrical, plumbing and painting done for the new storeroom	38 000

C. Sold an old fridge (equipment) to a customer for R17 500 cash on 30 September 2025. According to the Fixed Assets Register the carrying value of this fridge was R23 400 on 1 March 2025.

D. Bought a new cash register (equipment) from Computing Solutions on 1 December 2025. An EFT payment was made for R65 000.

E. Extract from the Fixed Assets Register of vehicles:

Description	Delivery vehicle
Rate of depreciation	25% p.a. on cost
Cost price	R450 000

DATE	DEPRECIATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
28 Feb. 2025	112 500	375 000	75 000
28 Feb. 2026	**(i)**	**(ii)**	**(iii)**

F. It is the policy to provide for depreciation as follows:

- Equipment at 20% p.a. on the diminishing-balance method
- Vehicles at 25% p.a. on cost

30

QUESTION 4: BUDGETING **(40 marks; 30 minutes)**

Dazzling Outfitters sells expensive ladies' dresses. They also alter dresses for customers. The business is owned by Grace Mthembu. The information relates to the budget period ending 31 July 2026.

NOTE:
- Customers are allowed to buy dresses for cash or on credit.
- Customers must pay cash for ALL alterations.

REQUIRED:

4.1 **Debtors:**

4.1.1 Complete the Debtors' Collection Schedule. (6)

4.1.2 Calculate the following:

- Discount allowed in July 2026 (2)
- Bad debts to be written off in July 2026 (2)

4.2 Calculate the missing amounts indicated by **(i)** to **(iv)** in the Cash Budget. (16)

4.3 **Refer to information H.**

4.3.1 **Advertising:**

- Calculate the percentage change between the budgeted and actual amounts in May 2026. (2)
- State ONE point why Grace decided to spend more than the budgeted amount for advertising. (1)
- Grace is of the opinion that spending more on advertising was a wise decision.
  - State ONE point (with figures) why you will agree with her.
  - State ONE point (with figures) why you will disagree with her. (4)

4.3.2 Competitors have complained of cash flow challenges that they are experiencing due to tough economic times. Explain how Dazzling Outfitters has been affected negatively by the average amounts spent by customers on buying dresses. State ONE point (with figures). (3)

4.3.3 **Consumable stores and wages (for alteration staff):**

Grace feels that the consumable stores and wages (for alterations) have been well controlled. Give relevant calculations/figures to support her opinion for each item. (4)

INFORMATION:

A. Sales:

- 65% of sales take place on credit.
- Budgeted credit sales:

	R
April 2026	204 750
May 2026	364 000
June 2026	409 500
July 2026	**?**

B. Expected debtors' collection:

- 40% collected in the month of sale, less 6% discount for early payment.
- 50% collected in the month following the month of sale.
- 8% collected two months after the month of sale.
- 2% is regarded as irrecoverable in the third month after the month of sale.

C. Purchase of stock:

- Stock is sold at a mark-up of 75% on cost.
- 60% of all purchases of stock are on credit.
- A fixed stock level is maintained. Trading stock is replaced in the month of sale.
- Creditors are paid in full in the month after purchasing stock.

D. Rent expense:

The rent expense will increase by 11% p.a. commencing on 1 July 2026.

E. Loan:

- The business has a loan taken from Petro Bank at an interest rate of 9% p.a. Interest is not capitalised.
- As the business is still experiencing cash flow problems, Grace will take an additional loan from Petro Bank on 1 June 2026 at the same interest rate.

F. Salaries of sales assistants:

- The business employed two sales assistants in May 2026. They both earn the same monthly salary.
- They were promised a 5% increase in salaries with effect from 1 June 2026.

- The business plans to employ an additional sales assistant with effect from 1 July 2026. This assistant will earn a monthly salary that will be 20% lower than the monthly rate earned by each sales assistant during May 2026.

G. Extract from the Cash Budget:

	MAY 2026	JUNE 2026	JULY 2026
RECEIPTS	**R**	**R**	**R**
Cash sales			269 500
Collection from debtors			**?**
Fee income (for alterations)	16 000	16 000	16 000
Additional loan from Petro Bank		**(ii)**	
PAYMENTS			
Rent expense		**(i)**	39 960
Payments to creditors			**(iii)**
Interest on loans	1 365	2 625	2 625
Salaries of sales assistants	22 400		**(iv)**
Advertising	10 000	12 000	30 000
Consumable stores (for alterations only)	4 480		
Wages of alteration staff	9 600	9 600	9 600

H. Comparison of budgeted figures to actual figures for May 2026:

	MAY 2026	
	BUDGETED	**ACTUAL**
Total number of customers	**200**	**273**
Number of customers who bought dresses	80	105
Number of customers for alterations	120	168
	R	**R**
Cash and credit sales of dresses	560 000	504 000
Fee income (for alterations only)	16 000	21 000
Advertising	10 000	15 000
Consumable stores (for alterations only)	4 480	5 040
Wages (for alteration staff only)	9 600	9 600

40

TOTAL: 150

QUESTION 1

1.1 BANK RECONCILIATION

1.1.1 Entries that must be recorded in the Cash Journals on 31 October 2025.

CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL
R334 700	R232 900

10

1.1.2 CHOOSE ONLY ONE TEMPLATE BELOW TO ANSWER

THIS QUESTION. TWO-COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2025

	Debit	Credit

7

OR

ONE-COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2025

7

1.1.3 **What action should Nozi take against Bheki (without dismissing him) and XPS Suppliers? State ONE point for each.**

Bheki Sadler (bookkeeper)	XPS Suppliers (supplier)

4

1.2 DEBTORS' AGE ANALYSIS

1.2.1 Calculate the total percentage of all debtors who do not adhere to the credit terms.

WORKINGS	ANSWER

2

1.2.2 Explain TWO other strategies the business can implement to improve collection from debtors. In each case, explain how the strategy will improve the collection from debtors.

	STRATEGY	REASON
1		
2		

4

1.2.3 How can poor management of debtors negatively affect a business's cash flow? Explain ONE consequence.

2

1.3 VALUE-ADDED TAX (VAT)

1.3.1

NO.	WORKINGS	EFFECT
	Opening balance	267 500
(i)	(10 350 – 9 000)	+ 1 350
(ii)	325 000	
(iii)		
(iv)	458 850	
(v)		
(vi)		
	VAT PAYABLE	

9

1.3.2	**Give ONE reason why this action is unethical and unacceptable.**	2

TOTAL MARKS
40

QUESTION 2

2.1

2.1.1		
2.1.2		
2.1.3		3

2.2 STAY-FIT MANUFACTURERS

2.2.1

Calculate the direct labour cost.		
WORKINGS	ANSWER	
		6

2.2.2

Calculate the correct factory overhead cost for the year.		
Incorrect total	1 068 200	
		6

2.2.3

Calculate the unit cost of production for the financial year ended 28 February 2026.		
WORKINGS	ANSWER	
		5

2.2.4

Explain how this will affect the business. State ONE point.	
State ONE strategy the business can implement to maintain current exports to this country.	2

Calculate the selling price per unit for the year ended 28 February 2026.		
WORKINGS	ANSWER	

2.3.1

2.3.2 **Identify the variable cost that caused the biggest problem. Quote figures. Give a valid solution for the problem identified.**

VARIABLE COST	SOLUTION

3

LAPTOP BAGS:

2.3.3 **Comment on the break-even point and the profit made for the year ended 28 February 2026. Quote figures. Give a different reason for the improvement in each case.**

	COMMENT (with figures)	REASON
Break-even point		
Profit		

6

2.3.4 **Cyril made deliberate decisions to export laptop bags. This has led to an increase in all the variable costs per unit. Give a different reason for the increase in each case.**

COST	REASON
Direct material cost	
Direct labour cost	
Selling and distribution cost	

3

TOTAL MARKS
40

QUESTION 3

3.1 INVENTORIES:

3.1.1 Calculate the value of the closing stock on 28 February 2026, using the FIFO stock valuation method.

WORKINGS	ANSWER

5

3.1.2 Calculate the stockholding period (in days) on 28 February 2026. Use the closing stock figure.

WORKINGS	ANSWER

3

3.1.3 Comment on your calculation in QUESTION 3.1.2. State TWO points. The stockholding period on 28 February 2025 was 72 days.

4

3.2 FIXED ASSETS:

3.2.1 State TWO points for good internal control over movable fixed assets.

2

3.2.2 CALCULATE:

Cost price of land and buildings on 28 February 2026	
WORKINGS	ANSWER

2

Loss on the old fridge that was sold on 30 September 2025	
WORKINGS	**ANSWER**

5

Total of the depreciation on the new cash register bought on 1 December 2025 and the remaining old equipment for the year ended 28 February 2026	
WORKINGS	**ANSWER**
New: **Old:**	

5

3.2.3

(i)	Depreciation for year ended 28 February 2026	
	WORKINGS	**ANSWER**
(ii)	**Accumulated depreciation on 28 February 2026**	
	WORKINGS	**ANSWER**
(iii)	**Carrying value on 28 February 2026**	
	WORKINGS	**ANSWER**

4

TOTAL MARKS
30

QUESTION 4

4.1.1

DEBTORS' COLLECTION SCHEDULE			
	Credit sales	July 2026	
April 2026	204 750		
May 2026	364 000		
June 2026	409 500		
July 2026			
			6

Calculate: Discount allowed in July 2026		
WORKINGS	ANSWER	
		2

Calculate: Bad debts to be written off in July 2026		
WORKINGS	ANSWER	
		2

4.1.2

(i)	Rent expense for June 2026		
	WORKINGS	ANSWER	
(ii)	Additional loan taken on 1 June 2026		
	WORKINGS	ANSWER	
			2
(iii)	Payments to creditors in July 2026		
	WORKINGS	ANSWER	
			4
(iv)	Salaries of sales assistants in July 2026		
	WORKINGS	ANSWER	
			5

4.3.1 Calculate the percentage change between the budgeted and actual amounts in May 2026.

WORKINGS	ANSWER

2

State ONE point why Grace decided to spend more than the budgeted amount for advertising.

1

Grace is of the opinion that spending more on advertising was a wise decision.

- State ONE point (with figures) why you will agree with her.
- State ONE point (with figures) why you will disagree with her.

	Reason (with figures)
Agree	
Disagree	

4

4.3.2 Competitors have complained of cash flow challenges that they experience due to tough economic times. Explain how Dazzling Outfitters has been affected negatively by the average amounts spent by customers on buying dresses. State ONE point (with figures).

3

4.3.3 Grace feels that the consumable stores and wages (for alterations) have been well controlled. Give relevant calculations/figures to support her opinion for each item.

Consumable stores	
Wages of alteration staff	

4

TOTAL MARKS
40

TOTAL: 150

MAY/JUNE 2025 QUESTION PAPER

QUESTION 1: VAT AND CREDITORS' RECONCILIATION (30 marks, 25 minutes)

1.1 VALUE-ADDED TAX

REQUIRED:

The information relates to Comfort Traders for the VAT period ended 31 January 2025. The VAT rate is 15%. The business is owned by Karen Botha. The sales of the business average R150 000 per month.

REQUIRED:

1.1.1 Calculate the VAT amounts in the table provided in the ANSWER BOOK. Indicate the effect of EACH item on the amount payable to SARS. Show an increase with a '**+**' and a decrease with a '**–**'. An example has been completed. (10)

1.1.2 Karen wants to deregister her business as a VAT vendor as she is unable to meet VAT deadlines for submissions.

What advice would you give to Karen? State ONE point. (2)

INFORMATION:

A. Amount owed to SARS on 1 January 2025, R51 500.

B. Transactions for January 2025:

NO.	DETAILS	EXCLUDING VAT (R)	INCLUDING VAT (R)	VAT AMOUNT (R)
Example	**Drawings of stock**	**6 000**	**6 900**	**900**
(i)	Merchandise purchased		221 720	**?**
(ii)	Credit notes issued to customers	12 000		**?**
(iii)	Total sales		*187 795	**?**
(iv)	Bad debts written off			765

***Certain goods, with a total selling price of R21 275 (including VAT), should have been recorded as zero-rated items.

1.2 CREDITORS' RECONCILIATION

Epson Traders received a statement of account from a creditor, Canon Suppliers. The balance on the statement did not agree with that on the account of Canon Suppliers in the Creditors' Ledger of Epson Traders.

REQUIRED:

1.2.1 **Refer to Information A, B and C.**

Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Epson Traders
- Statement of account received from Canon Suppliers

Write the amount and indicate increase (+) or decrease (-) with each amount. (14)

1.2.2 **Refer to Information D.**

It was discovered that the purchasing manager, Senzo, had signed a fictitious invoice received from Prime Suppliers. The banking details of his son appeared on this invoice. The relevant payment was processed by the financial department.

Other than dismissing Senzo, provide:

- ONE action to be taken against him
- ONE suggestion on how to prevent this problem in future (4)

INFORMATION:

A. Creditors' Ledger of Epson Traders:

CANON SUPPLIERS (CL9)					
DATE		**DETAILS**	**DEBIT**	**CREDIT**	**BALANCE**
2025 March	1	Account rendered			69 800
	6	Invoice 519		26 300	96 100
	8	Debit Note 104	1 600		94 500
	14	EFT 310	45 500		49 000
		Discount	7 000		42 000
	15	Invoice 202		13 800	55 800
	24	Invoice 567		20 000	75 800
	25	Invoice 594		17 100	92 900
	31	Invoice 610		9 000	101 900

B. Statement of account received from Canon Suppliers:

CANON SUPPLIERS

Epson Traders
95 Barberton Road
2025

Dated: 25 March

DATE		**DETAILS**	**DEBIT**	**CREDIT**	**BALANCE**
2025 March	1	Balance			69 800
	4	Interest	400		70 200
	6	Invoice 519	23 600		93 800
	8	Credit Note 164	1 600		95 400
	14	Receipt 7710		45 500	49 900
	24	Invoice 567	20 000		69 900

	25	Invoice 594	19 000		88 900

C. Differences noted:

(i) Canon Suppliers correctly levied interest of R400 on the account of Epson Traders on 4 March 2025.

(ii) Invoice 519 on 6 March 2025 was correct according to the statement received from Canon Suppliers.

(iii) Canon Suppliers made an error in recording the return of goods on 8 March 2025.

(iv) Epson Traders qualified for an early settlement discount with the payment on 14 March 2025. Canon Suppliers granted only R5 000 as discount. They promised to show this on their statement next month.

(v) Invoice 202 for R13 800 was recorded incorrectly in the Creditors' Ledger Account of Canon Suppliers on 15 March 2025. The invoice was received from another creditor, Baron Suppliers.

(vi) A trade discount of 10% was deducted on invoice 594. Canon Suppliers will correct this error next month.

(vii) Invoice 610 did not appear on the statement received from Canon Suppliers as this transaction took place after their statement date.

D. Creditors' Ledger of Epson Traders

PRIME SUPPLIERS (CL24)					
DATE		**DETAILS**	**DEBIT**	**CREDIT**	**BALANCE**
2025 March	23	Invoice 481		18 000	18 000
	28	EFT 336	18 000		0

30

QUESTION 2: COST ACCOUNTING **(40 marks; 30 minutes)**

2.1 Choose the correct word from those given in brackets. Write only the word next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 Consumable items used in the factory are regarded as (direct/indirect) material.

2.1.2 Depreciation on factory machines is classified as a (variable/fixed) cost.

2.1.3 Wages paid to office cleaners is regarded as a/an (selling and distribution/administration) cost. (3 x 1) (3)

2.2 **WOLLIES' WINTER GLOVES**

The business manufactures winter gloves. The financial year ended on 28 February 2025. The business is owned by Jerry Classon.

The business does not carry any work-in-progress stock and all items produced are sold.

REQUIRED:

2.2.1 **Refer to Information A.**

Calculate the direct material cost for the year ended 28 February 2025. (4)

2.2.2 **Refer to Information B.**

Calculate the correct factory overhead cost for the year ended 28 February 2025. (9)

2.2.3 Calculate the gross profit earned for the year ended 28 February 2025. (5)

2.2.4 Jerry was satisfied with the performance during the current year and plans to increase production by 30% in the next financial year. He is confident that the demand will increase due to changing weather patterns.

- Comment on the level of production and the break-even points comparing the results for the current financial year with his plan for the next financial year. Provide TWO points, with figures. (4)
- Calculate the **increase** in profits Jerry expects to earn from the year ended 28 February 2025 to the next financial year. (5)

2.2.5 Give TWO possible reasons for the proposed increase in direct labour cost in the next financial year. Quote figures. (4)

2.2.6 Jerry has projected an increase of R304 000 for the total fixed costs.

- Provide TWO possible expense items he may have considered when making his projections. Give a different reason for each item identified. (4)
- Explain why Jerry should not be concerned about this proposed increase in the total fixed costs. Provide ONE point with figures. (2)

INFORMATION:

A. Direct material cost:

	METRES	COST PER METRE (R)	TOTAL AMOUNT (R)
Opening stock	6 000	55	330 000
Purchases during the year	24 000	60	1 440 000
Total available for use	30 000	?	1 770 000
Closing stock	4 000	?	?
Direct materials issued for production	26 000	?	?

- Material is transferred to the factory using the weighted-average method.
- Due to good internal controls there were no missing or stolen material.

B. Factory overhead cost:

The bookkeeper calculated the factory overheads as R966 360. However, he made the following errors which must be corrected:

(i) The entire telephone expense of R36 000 was used instead of 25% being allocated to the factory.

(ii) The closing stock of factory indirect material was understated by R2 800.

(iii) The bookkeeper correctly allocated the portion of the cleaner's wages to factory overheads. However, he neglected to take into account the increase of 6% p.a. effective from 1 January 2025 on the cleaner's wages. The cleaner earns R48 000 p.a. and spends half his time in the factory.

(iv) Water and electricity of R25 600 was allocated to the factory using the ratio 4 : 3 : 2 for factory, sales and office respectively. This should have been shared in the ratio 5 : 3 : 2.

C. Actual and projected costs:

	28 FEBRUARY 2025		PLAN FOR NEXT FINANCIAL YEAR	
	TOTAL AMOUNT (R)	**UNIT COST PER PAIR (R)**	**TOTAL AMOUNT (R)**	**UNIT COST PER PAIR (R)**
Direct material cost	**?**	**?**	1 560 000	30,00
Direct labour cost	876 000	21,90	1 300 000	25,00
Selling and distribution costs			650 000	12,50
Total variable costs		75,00		67,50
Total fixed costs		38,00		35,10

D. Other information:

	28 FEBRUARY 2025	PLAN FOR NEXT FINANCIAL YEAR
Units produced and sold	40 000 pairs	52 000 pairs
Break-even point	38 000 pairs	38 400 pairs
Selling price per pair	R115,00	R115,00
Sales	R4 600 000	R5 980 000

40

QUESTION 3: STOCK VALUATION **(40 marks; 30 minutes)**

HELEN'S ELECTRONICS

Helen Woods owns an electronics shop that sells a variety of electronic products. The financial year ended on 28 February 2025. Records for headphones, television sets, vacuum cleaners and pressure cleaners are provided.

HEADPHONES

The first-in first-out (FIFO) stock valuation method is applicable.

REQUIRED:

3.1 Calculate the value of the closing stock on 28 February 2025, using the FIFO method. (5)

3.2 Helen decided to change suppliers in September 2024 after receiving advice from her sister, the store manager.

- Provide TWO points that show her customers are unhappy with the quality of the headphones purchased from the new suppliers. Quote figures. (4)

- What advice would you give to Helen about changing the supplier in the future? Provide ONE point. (2)

INFORMATION:

A. Stock balances of headphones:

	UNITS	**UNIT PRICE (including carriage) (R)**	**TOTAL (R)**
1 March 2024	170	145	24 650
28 February 2025	350	**?**	**?**

B. Purchases of headphones during the financial year:

	UNITS	**UNIT PRICE (R)**	**TOTAL (R)**
April 2024	250	165	41 250
June 2024	300	180	54 000
September 2024	380	135	51 300
December 2024	320	140	44 800
Total purchases	**1 250**		**191 350**

C. Carriage on purchases:

Headphones are delivered to the store by Jiffy Transport at a non-refundable rate of R20 per unit. The carriage on purchases is not included in **Information B**.

D. Returns:

80 headphones that were purchased in December 2024 were returned to the suppliers, R11 200.

E. Sales:

	UNITS	SELLING PRICE PER UNIT (R)	TOTAL (R)
1 March 2024 to 31 August 2024	680	220	149 600
1 September 2024 to 28 February 2025	310	220	68 200
	990		217 800

TELEVISION SETS

The stock of television sets is valued using the specific identification stock valuation method. The business sold two models (Quantum and Crystal) from 1 March 2024, the beginning of the financial year. A new TV model, Limpid, was introduced on 1 December 2024 to replace the Quantum TV model.

REQUIRED:

3.3 Calculate the closing stock of the television sets on 28 February 2025. (9)

3.4 Helen was not satisfied that she was selling an average of 19 Crystal TVs per month. However, she is happy that the new Limpid TVs, despite its higher selling price per unit, is selling at a quicker rate than Crystal TVs.

- Calculate the cost of sales of the Limpid TVs. (3)
- Calculate how long (in days) it will take Helen to sell the closing stock of the Limpid TVs. (4)
- Helen feels that she has made a wise decision by replacing the Quantum TVs with the Limpid TVs. Give ONE possible reason (with figures) to substantiate her opinion. (2)

3.5 Refer to information D.

Explain how this will have a positive effect on her business. Provide ONE point. (2)

INFORMATION:

A. Opening stock:

DATE	TV MODEL	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
1 March 2024	Quantum	123	R4 800	590 400
	Crystal	72	R6 500	468 000

Purchases:

DATE	TV MODEL	UNITS	COST PRICE PER UNIT (R)	TOTAL (R)
1 July 2024	Crystal	186	R6 500	1 209 000
1 Dec. 2024	Limpid	115	R7 200	828 000

B. Sales for the financial year ended 28 February 2025:

TV MODEL	UNITS	SELLING PRICE PER UNIT (R)	TOTAL (R)
Quantum	105	5 950	624 750
Crystal	225	9 750	2 193 750
Limpid	94	10 500	987 000
Total sales	**424**		**3 805 500**

C. Donation of television sets to local schools:

Helen donated the unsold Quantum TVs to local high schools.

VACUUM AND PRESSURE CLEANERS

REQUIRED:

3.6 Vacuum cleaners:

- Identify ONE problem with vacuum cleaners. Quote figures.
- What advice would you give? State ONE point. (3)

3.7 Pressure cleaners:

- Explain TWO good decisions that Helen took in respect of pressure cleaners. Quote figures.
- Explain how each decision improved the results on 28 February 2025. Provide ONE different point for EACH decision. (6)

INFORMATION:

	VACUUM CLEANERS		PRESSURE CLEANERS	
	28 FEB. 2025	29 FEB. 2024	28 FEB. 2025	29 FEB. 2024
Gross units sold	532	565	704	584

Number of units sold for cash	280	360	398	302
Trade discount on cash sales	5%	5%	10%	5%
Number of units sold on credit	230	190	270	240
Payment policy on credit sales	90 days	90 days	120 days	150 days
Interest rate on credit sales	18%	18%	15%	18%
Returns by customers (faulty units)	22	15	36	42
Mark-up %	50%	60%	40%	60%

40

QUESTION 4: BUDGETING **(40 marks; 35 minutes)**

Daisy MacDonald owns Canary Stores that sells school bags. The information relates to the budget period ending 31 July 2025.

NOTE: Where comments or explanations are required, you should:
- Quote trends with figures

REQUIRED:

4.1 Explain how the preparation of a Cash Budget serves as a management tool in assisting the business to manage its cash resources. State ONE point. (2)

4.2 Identify TWO items in the payment section of this Cash Budget which will not appear in the Projected Statement of Comprehensive Income. (2)

4.3 Complete the Creditors' Payment Schedule. (9)

4.4 Calculate the missing figures **(i)** to **(iv)** in the Cash Budget. (14)

4.5 **Refer to Information F.**
Calculate the reduction in the floor space (in m^2) being rented during July 2025. (5)

4.6 **Refer to Information H.**
A new competitor moved into the area during April 2025. Daisy was not aware of the competitor and did not take any action during April 2025.

4.6.1 Explain the effect of the new competitor on any TWO items in the budgeted and actual information for April 2025. Quote figures. (4)

4.6.2 Identify TWO changes Daisy implemented in May 2025 in response to the new competitor. Quote figures. (4)

INFORMATION:

A. Sales, purchases of stock and cost of sales:

- **Total sales:**

April 2025	R180 000
May 2025	R202 500
June 2025	**?**
July 2025	R270 000

- 40% of sales are cash; the rest is on credit.
- The mark-up is 50% on cost.
- Stock is replaced on a monthly basis.
- 20% of purchases are cash; the rest is on credit.

B. Creditors' payment:
It is expected that creditors will be paid as follows:
- 75% are paid in the month of purchases to receive a 5% discount.
- 15% are paid in the month after purchases.
- 10% are paid in the second month after purchases.

C. Salaries of sales assistants:

The sales assistants all earn the same monthly salary. They will get a 5% increase from 1 July 2025. The business had two assistants in June and will hire an additional assistant from 1 July at the same monthly salary as the other two assistants after the increase.

D. Loan:

Part of the loan will be repaid on 1 July 2025. Interest of 15% p.a. is paid at the end of each month and is not capitalised.

E. Vehicle and delivery expenses:

- Canary Stores have been outsourcing delivery services for the past two years at a percentage of sales.
- The owner plans to purchase a delivery vehicle on 31 July 2025. The business will pay a deposit of 10% on this date, and the balance will be paid over a period of 36 months at R6 875 per month starting 31 August 2025.

F. Rent expense:

The business rents 180 m^2 of the premises at a fixed rate per m^2. The rental agency informed the business of a planned increase in rent per m^2 as from 1 August 2025. In order to save on rent, the owner decided to reduce the m^2 that is being rented with effect from 1 July 2025.

G. Extract from Cash Budget for June and July 2025:

RECEIPTS	**JUNE 2025 (R)**	**JULY 2025 (R)**
Cash sales		**(i)**
Collections from debtors	117 450	134 325
Interest on fixed deposit	250	250
Fixed deposit maturing		30 000
PAYMENTS		
Cash purchase of stock		36 000
Payments to creditors	111 300	
Salaries and wages	**(ii)**	35 280
Loan repayment		**(iii)**
Interest on loan	3 150	2 250
Delivery expenses		13 500
Rent expense	59 940	47 952
Deposit for vehicle		**(iv)**
Advertising		24 300
Sundry expenses	4 950	5 100

H. Budgeted and actual information for April and May 2025:

	APRIL 2025		MAY 2025	
	BUDGETED	**ACTUAL**	**BUDGETED**	**ACTUAL**
Units to sell/sold	720	540	900	765
Selling price per unit	R250	R250	R225	R225
Total sales	R180 000	R135 000	R202 500	R172 125
Total purchases	R120 000	R90 000	R135 000	R114 750
Gross profit	R60 000	R45 000	R67 500	R57 375
Advertising	R9 000	R4 500	R18 225	R15 400
Commission	0	0	R4 050	R3 443
Delivery expenses	R7 200	R6 750	R10 125	R8 600

40

TOTAL: 150

MAY/JUNE 2025 ANSWER BOOK

QUESTION 1

1.1 VAT

1.1.1

NO.	WORKINGS	EFFECT
	Opening balance	51 500
Example	6 900 – 6 000	+ 900
(i)	221 720	
(ii)	12 000	
(iii)		
(iv)		
	VAT PAYABLE	

10

1.1.2 Karen wants to deregister her business as a VAT vendor as she is unable to meet VAT deadlines for submissions.

What advice would you give to Karen? State ONE point.

2

1.2 CREDITORS' RECONCILIATION

1.2.1

	CREDITORS' LEDGER ACCOUNT OF EPSON TRADERS	STATEMENT OF ACCOUNT FROM CANON SUPPLIERS
BALANCES	**101 900**	**88 900**
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		
(vii)		
BALANCES		

14

1.2.2 **It was discovered that the purchasing manager, Senzo, had signed a fictitious invoice received from Prime Suppliers. The banking details of his son appeared on this invoice. The relevant payment was processed by the financial department.**

Other than dismissing Senzo, provide:

ONE action to be taken against him	
ONE suggestion on how to prevent this problem in future	

4

TOTAL MARKS
30

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2 WOLLIES' WINTER GLOVES

2.2.1 **Calculate the direct material cost for the year ended 28 February 2025.**

WORKINGS	ANSWER

4

2.2.2 **Calculate the correct factory overhead cost for the year ended 28 February 2025.**

Incorrect total	**966 360**

9

2.2.3 **Calculate the gross profit earned for the year ended 28 February 2025.**

WORKINGS	ANSWER

5

2.2.4 **Jerry was satisfied with the performance during the current year and plans to increase production by 30% in the next financial year. He is confident that the demand will increase due to changing weather patterns.**

Comment on the level of production and the break-even points comparing the results for the current financial year with his plan for the next financial year. Provide TWO points, with figures.

4

Calculate the increase in profits Jerry expects to earn from the year ended 28 February 2025 to the next financial year.

WORKINGS	ANSWER

5

2.2.5 **Give TWO possible reasons for the proposed increase in direct labour cost in the next financial year. Quote figures.**

4

2.2.6 **Jerry has projected an increase of R304 000 for the total fixed costs.**

Provide TWO possible expense items he may have considered when making his projections. Give a different reason for each item identified.

	EXPENSE ITEM	REASON
ITEM 1		
ITEM 2		

4

Explain why Jerry should not be concerned about this proposed increase in the total fixed costs. Provide ONE point with figures.

2

TOTAL MARKS
40

QUESTION 3

HEADPHONES

3.1 **Calculate the value of the closing stock on 28 February 2025, using the FIFO method.**

WORKINGS	ANSWER	
		5

3.2 **Helen decided to change suppliers in September 2024 after receiving advice from her sister, the store manager.**

Provide TWO points that show her customers are unhappy with the quality of the headphones purchased from the new suppliers. Quote figures.

4

What advice would you give to Helen about changing the supplier in the future? Provide ONE point.

2

TELEVISION SETS

3.3 Calculate the closing stock of the television sets on 28 February 2025.

TV MODEL	WORKINGS	ANSWER
Quantum		
Crystal		
Limpid		
TOTAL		

9

3.4

Calculate the cost of sales of the Limpid TVs.

WORKINGS	ANSWER

3

Calculate how long (in days) it will take Helen to sell the closing stock of the Limpid TVs.

WORKINGS	ANSWER

4

Helen feels that she has made a wise decision by replacing the Quantum TVs with the Limpid TVs. Give ONE possible reason (with figures) to substantiate her opinion.

2

3.5

Explain how this will have a positive effect on her business. Provide ONE point.

2

VACUUM AND PRESSURE CLEANERS

3.6 VACUUM CLEANERS

Identify ONE problem with vacuum cleaners. Quote figures. What advice would you give? State ONE point.	
PROBLEM (with figures)	**ADVICE**

3

3.7 PRESSURE CLEANERS

Explain TWO good decisions that Helen took in respect of pressure cleaners. Quote figures. Explain how each decision improved the results on 28 February 2025. Provide ONE different point for EACH decision.		
DECISION (with figures)		**IMPROVEMENT IN RESULTS**
Decision 1		
Decision 2		

6

TOTAL MARKS
40

QUESTION 4

4.1 **Explain how the preparation of the Cash Budget serves as a management tool in assisting the business to manage its cash resources. State ONE point.**

2

4.2 **Identify TWO items in the payment section of this Cash Budget which will not appear in the Projected Statement of Comprehensive Income.**

2

4.3 **CREDITORS' PAYMENT SCHEDULE:**

MONTH	CREDIT PURCHASES	JUNE	JULY
APRIL	96 000	9 600	
MAY	108 000	16 200	
JUNE		85 500	
JULY	144 000		
		111 300	

9

4.4 CALCULATE:

(i)	**Cash sales for July 2025**	
	WORKINGS	**ANSWER**
(ii)	**Salaries and wages for June 2025**	
	WORKINGS	**ANSWER**
(iii)	**Repayment of loan on 1 July 2025**	
	WORKINGS	**ANSWER**
(iv)	**Deposit for vehicle on 31 July 2025**	
	WORKINGS	**ANSWER**

14

4.5

Calculate the reduction in the floor space (in m^2) being rented during July 2025.	
WORKINGS	**ANSWER**

5

4.6 Refer to Information H.

4.6.1 **Explain the effect of the new competitor on any TWO items in the budgeted and actual information for April 2025. Quote figures.**

4

4.6.2 **Identify TWO changes Daisy implemented in May 2025 in response to the new competitor. Quote figures.**

4

TOTAL MARKS
40

TOTAL: 150

NOVEMBER 2025 QUESTION PAPER

QUESTION 1: RECONCILIATIONS (40 marks; 30 minutes)

1.1 **BANK RECONCILIATION**

The information relates to Duma Stores on 31 July 2025. The business is owned by Duma Mathupha. They use the official Bank Statement, received on the 28th of each month, to reconcile their Cash Journals.

REQUIRED:

1.1.1 Complete the table provided in the ANSWER BOOK by showing the entries that must be recorded in the Cash Journals on 31 July 2025. (10)

1.1.2 Prepare the Bank Reconciliation Statement on 31 July 2025. (7)

1.1.3 Identify TWO problems (with figures) with the management of cash in Duma Stores. In EACH case, provide a different solution for how these problems can be prevented in future. (6)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 30 June 2025:

Outstanding deposits:	Dated 29 June 2025	R132 000
	Dated 30 June 2025	R18 600
Outstanding EFTs:	EFT 124 (Typek Stationers)	R5 310
	EFT 125 (Cola Stores)	R9 990

B. Provisional totals in the Cash Journals on 31 July 2025 before receiving the Bank Statement:

Cash Receipts Journal	Cash Payments Journal
R162 000	R55 200

c. Items on the Bank Statement that do not agree with July 2025 Cash Journals:

Date			Details	Debit R	Credit R
2025 June	29		Deposit		132 000
	30		Deposit		8 600
2025 July	3		EFT 124 (Typek Stationers)	3 150	
	5		EFT 125 (Cola Stores)	9 990	
	10		Direct deposit (Q Ngcobo)		16 500
	15		Debit order (Prime Insurers)	2 700	
	15		Debit order (Prime Insurers)	2 700	
	25		Interest	975	
			Service fees	605	
	28		A–Z Suppliers	12 000	

(i) The internal auditor discovered that the supporting cash slips for the deposit on 30 June 2025 amounted to R18 600. The shortfall is irrecoverable because the cashier at that time has resigned.

(ii) EFT 124 on 3 July 2025 (Typek Stationers) is correct on the Bank Statement.

(iii) The direct deposit on 10 July 2025 by Q Ngcobo (a tenant) was recorded incorrectly in the Cash Payments Journal.

(iv) The debit order on 15 July 2025 to Prime Insurers for the business insurance was processed twice due to insufficient funds in June. The amounts covered payments for both June and July 2025 to bring the account up to date.

(v) A bank transfer on 28 July 2025 in favour of A–Z Suppliers was overstated by R11 000 by the bank clerk. The bank was notified and will correct the error in August 2025.

D. Entries in the Cash Journals for July 2025 that were not reflected on the July 2025 Bank Statement:

- Deposit on 30 July 2025: R41 850
- EFT 207: R7 650
- EFT 208: R10 800

E. Duma, the owner, used a business debit card on 29 July 2025 for the payment of R13 000 to Star Motors for repairs to the company vehicle, but he neglected to submit the transaction slip to the bookkeeper.

F. The Bank Statement on 28 July 2025 showed a favourable balance of R119 080.

1.2 CREDITORS' RECONCILIATION

PG Stores is owned by Portia Gina and she buys goods on credit from Matsulu Suppliers. The statement of account received from Matsulu Suppliers reflected a balance of R287 600 for June 2025.

1.2.1 Use the table in the ANSWER BOOK to indicate how the relevant balances will change when preparing the Creditors' Reconciliation. Indicate the amount, as well as a (+) for increase and a (–) for decrease. (11)

1.2.2 The purchasing manager of PG Stores ordered six chairs for the offices. His friend, Mike, the sales manager of Comfy Suppliers, invoiced PG Stores at R30 000 per chair on the purchasing manager's request. The internal auditor has discovered that the chairs are trading at an actual price of R7 500 each.

- Explain how the business can prevent this problem from happening in the future, excluding separation of duties. Provide TWO points. (4)

- What action should be taken against the purchasing manager, besides dismissing him? Provide ONE point. (2)

INFORMATION:

A. Creditors' Ledger Account of PG Stores:

Creditors' Ledger of PG Stores						
Matsulu Suppliers						
Date		**Details**	**Fol.**	**Debit R**	**Credit R**	**Balance R**
2025 June	1	Balance	b/d			135 000
	12	Invoice 320			162 000	
	14	EFT		67 500		
	19	Debit Note 785		13 680		
	20	Invoice 412			50 000	
	23	Invoice 471			100 500	
	24	Debit Note 1106			16 200	
	28	Invoice 681			42 000	
	29	EFT and discount		154 380		270 140

B. When comparing the Creditors' Ledger to the statement of account received from Matsulu Suppliers, the following differences were noted:

(i) Debit Note 785 was incorrectly recorded in the Creditors' Ledger. The statement shows the correct amount of R17 280.

(ii) Invoice 471 was incorrectly recorded on the statement from Matsulu Suppliers as R40 500.

(iii) The transaction on 24 June 2025 in the Creditors' Ledger is for merchandise returned to Matsulu Suppliers.

(iv) The statement showed interest charged at R1 080. The correct amount of interest is R1 410. No entry was made into the Creditors' Ledger.

(v) The statement reflects transactions up to 25 June 2025.

(vi) All other transactions recorded in the Creditors' Ledger appeared correctly in the statement of account received from Matsulu Suppliers.

40

QUESTION 2: STOCK VALUATION (35 marks; 30 minutes)

2.1 SUPERSAVERS SUPERMARKET

The following information was taken from the accounting records of Supersavers Supermarket in respect of flavoured juices (2-litre bottles) that they trade with. The first-in-first-out (FIFO) stock valuation method is applicable. The business is managed by Bryan Mills. The financial year ended on 28 February 2025.

REQUIRED:

2.1.1 Calculate the value of the closing stock on 28 February 2025, using the FIFO method. (7)

2.1.2 Bryan has noticed that some of the stock of flavoured juices has exceeded their shelf life (sell-by date) of 65 days. Identify the value of stock that Bryan is referring to, using the FIFO stock valuation method. (2)

2.1.3 How can Bryan manage the stock of flavoured juices to avoid losses incurred by the business? Provide TWO points. (4)

INFORMATION:

A. Balances:

DATE	NUMBER OF UNITS	TOTAL R
1 March 2024	630	
28 February 2025	980	**?**

B. Purchases and returns during the year:

	NUMBER OF UNITS	UNIT PRICE R	TOTAL R
Purchases	**10 500**		**358 250**
March–November 2024	6 900	32	220 800
December 2024	2 600	37	96 200
January 2025	150	37	5 550
February 2025	850	42	35 700
Returns	32	**?**	1 344

C. Sales:

10 118 units were sold at R47 per bottle: R475 546

2.2 **BANDURA PRINTERS**

Bandura Printers sells different models of printers. The business is owned by Moses Banda. Moses decided to introduce a new model (Clear View) in February 2025. The printers are valued using the specific identification method. The financial year ended on 30 June 2025.

REQUIRED:

2.2.1 **Rotrim model:**

Calculate the value of the closing stock on 30 June 2025 using the specific identification method. (4)

2.2.2 **Punchies model:**

- Calculate the stockholding period (in days) using the closing stock. (5)
- Comment on the stockholding period. Provide ONE point, with figures. The stockholding period for the year ended 30 June 2024 was 69 days. (2)

2.2.3 **Clear View model:**

- Although the Clear View model had units returned, Moses is very pleased with his decision to introduce it as a new model. Provide TWO points (with figures) to explain why Moses is pleased. (4)
- Moses wants to reduce the number of units being returned to the suppliers. Give ONE suggestion on how this can be achieved. (2)

INFORMATION:

A. Opening stock:

DATE	MODEL	NUMBER OF UNITS	UNIT PRICE R	TOTAL R
1 July 2024	Rotrim	30	15 500	465 000
	Punchies	25	22 300	557 500
				1 022 500

B. Purchases and returns:

DATE	MODEL	NUMBER OF UNITS	UNIT PRICE R	TOTAL R
Purchases:				
Sept. 2024	Rotrim	90	15 500	1 395 000
Nov. 2024	Punchies	110	22 300	2 453 000
Feb. 2025	Clear View	90	35 000	3 150 000
Returns:				
Feb. 2025	Clear View	15	35 000	(525 000)
Net purchases				**6 473 000**

C. Sales for the year ended 30 June 2025:

MODEL	NUMBER OF UNITS	UNIT PRICE R	TOTAL R
Rotrim	79	21 700	1 714 300
Punchies			3 108 000
Clear View	65	49 000	3 185 000
Total sales			**8 007 300**

D. Closing stock: (1)

DATE	MODEL	TOTAL R
30 June 2025	Rotrim	**?**
	Punchies	780 500
	Clear View	350 000
		?

(2)

2.3 MANAGEMENT OF INVENTORIES

You are provided with information from the books of Madrid Electric Fans Suppliers. The business is owned by Robin Madrid. They sell electric fans and fridges to households in Middelburg. The financial year ended on 30 September 2025.

REQUIRED:

2.3.1 **Electric fans:**

- Identify the decision that Robin implemented about the electric fans.
- Explain how this decision had a positive result for the business. Provide ONE point, with figures.

2.3.2 **Fridges:**

Robin changed the brand of fridges that he was selling. Provide ONE point, with figures, to show that this was not a good idea. (2)

INFORMATION:

	ELECTRIC FANS		FRIDGES	
	2025	**2024**	**2025**	**2024**
Total sales	R137 700	R112 000	R2 418 750	R5 161 500
Gross profit	R61 200	R42 000	R806 250	R1 720 500
Selling price per unit	R270	R200	R5 625	R6 975
Cost price per unit	R150	R125	R3 750	R4 650
Units available for sale	750	600	960	820
Units sold	510	560	430	740
Mark-up %	80%	60%	50%	50%

35

QUESTION 3: COST ACCOUNTING (35 marks; 30 minutes)

3.1 LOCKSMITH MANUFACTURERS

The business manufactures security jackets. Their financial year ended on 28 February 2025.

REQUIRED:

3.1.1 Complete the Factory Overhead Cost Note. (16)

3.1.2 Calculate the cost of production of finished goods for the year ended 28 February 2025. (4)

INFORMATION:

A. Extract from balances:

	28 Feb. 2025 R	**29 Feb. 2024 R**
Factory equipment	5 400 000	**?**
Accumulated depreciation on factory equipment	**?**	1 680 000
Work-in-progress stock	93 000	125 000

B. Summary of totals for the year ended 28 February 2025:

	R
Prime cost	6 025 000
Water and electricity	915 000
Insurance	78 000
Rent expense	240 400
Advertising	380 000
Other factory expenses	737 010

C. Additional information and adjustments:

- 75% of the water and electricity must be allocated to the factory. The remainder must be shared equally between the other departments.
- Insurance includes an additional premium of R10 800 paid for the period of 1 December 2024 to 30 November 2025. This expense is allocated between the factory and the sales department in the ratio 3 **:** 2.

- Locksmith Manufacturers rent their premises from Dynamic Properties at a fixed rate per m^2. Due to expansion, Locksmith Manufacturers had to rent additional space for the factory only, from 1 October 2024, at the same fixed rate per m^2. The following floor space was applicable for the year ended 28 February 2025:

		1 Mar. 2024 to 30 Sept. 2024	1 Oct. 2024 to 28 Feb. 2025
	Factory	200 m^2	225 m^2
	Other departments	40 m^2	40 m^2
	Total	**240 m^2**	**265 m^2**

- Provide for depreciation on factory equipment at 20% p.a. on the diminishing-balance method.

NOTE: New factory equipment costing R684 000 was installed on 1 November 2024. This was properly recorded.

3.2 PICASO MANUFACTURERS

Picaso Manufacturers is a business producing cellphone screen covers and cases. The business is owned by Dawn Mthembu. The financial year ends on 31 August each year.

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

- Quote calculations, figures and/or trends
- Give a reason or an explanation in EACH case

REQUIRED:

CELLPHONE CASES

3.2.1 Calculate the break-even point on 31 August 2025. (4)

3.2.2 Comment on whether Dawn should be satisfied with the number of units produced and sold. Provide ONE point, with figures. (2)

3.2.3 Dawn is concerned about a fixed-cost item that has been poorly controlled, despite the decrease in fixed cost per unit in 2025.

Identify the fixed-cost item (with figures) that has been poorly controlled. Give a possible reason for this concern. (3)

CELLPHONE SCREEN COVERS

3.2.4 Variable costs per unit:

Identify the following:

- Variable-cost item (with figures) that has been poorly controlled. Give advice on how to improve control over this cost item. (3)
- Variable-cost item (with figures) that has been well controlled. Explain how this item was well controlled. (3)

INFORMATION:

	CELLPHONE CASES		**CELLPHONE SCREEN COVERS**	
	31 Aug. 2025	**31 Aug. 2024**	**31 Aug. 2025**	**31 Aug. 2024**
Break-even point	**?**	20 000		
Units produced and sold	28 750	25 000		
Selling price per unit	R265	R250	R152	R140
Total fixed cost per unit	**R80**	**R92**	**R78**	**R63**
Factory overhead cost	R34	R50	R47	R38
Administration cost	R46	R42	R31	R25
Total variable cost per unit	**R146**	**R135**	**R68**	**R55**
Direct material cost	R73	R67	R38	R24
Direct labour cost	R52	R49	R20	R22
Selling and distribution cost	R21	R19	R10	R9

NOTE: No workers were retrenched and no overtime was worked.

35

QUESTION 4: BUDGETING AND PROBLEM-SOLVING (40 marks; 30 minutes)

4.1 VIVAN TRADERS

Information is provided for the budget period ending 31 January 2026.

REQUIRED:

4.1.1 Complete the Debtors' Collection Schedule for January 2026. (6)

4.1.2 Calculate the amounts denoted by **(i)** to **(iv)** in the extract of the Projected Statement of Comprehensive Income. (13)

4.1.3 Calculate the following for January 2026:

- Cash purchases of trading stock (3)
- Payments to creditors (2)

4.1.4 Calculate the amount of the fixed deposit which will mature on 31 January 2026. (4)

INFORMATION:

A. Sales and purchases:

	NOVEMBER	DECEMBER	JANUARY
Total sales	R1 925 000	R1 995 000	R2 030 000
Cost of sales	R1 203 125	R1 246 875	**?**

- Credit sales account for 75% of total sales.
- Debtors pay according to the following trends:
  - 30% in the month of sales, subject to a 4% discount
  - 50% in the month following the month of sales
  - 14% two months after the month of sales
  - The remaining amount will be written off as irrecoverable in the third month after sales.
- The mark-up is 60% on cost.
- Stock is replaced in the month of sales. A fixed-base stock level is maintained.
- 20% of stock is bought for cash.
- Creditors are paid in full in the second month after the month of purchases.

B. Extract from the Projected Statement of Comprehensive Income:

	Dec. 2025 R	Jan. 2026 R
Sales	1 995 000	2 030 000
Bad debts	78 600	**(i)**
Salary: sales manager	29 000	**(ii)**
Salaries: assistants	**(iii)**	88 000
Advertising	**(iv)**	182 700
Interest on fixed deposit	0	5 440

C. Additional information:

- The sales manager is paid for 20 days per month at a fixed daily rate. She will apply for four days' unpaid leave in January 2026 to attend to personal matters.
- All assistants will receive a 60% bonus in December 2026.

  NOTE: All assistants will receive their annual salary increase of 10% on 1 January 2026.
- A fixed deposit, including the quarterly interest, will mature on 31 January 2026. The interest rate is 8% p.a., receivable quarterly. Interest is not capitalised.
- Advertising is budgeted at a fixed percentage of the monthly sales.

4.2 **WARMBAD TRADERS**

The business sells gas stoves and the information relates to the period September and October 2025.

Dozer Moyo, the manager, is impressed with the performance of Warmbad Traders. The business has consistently outperformed its only competitor in the area, Woodlands Traders, due to a bigger client base and being competitive. Woodlands Traders decided to close their business in September 2025. As a result, Warmbad Traders became the only gas stove supplier in the area.

REQUIRED:

4.2.1 Explain why it is important to compare the budgeted figures with the actual figures. Provide ONE point. (2)

4.2.2 **Loss of sales:**

- The number of units sold in October has decreased. Give a reason, with figures, for this decrease. (2)
- Provide a calculation to show the amount of cash that was lost in October 2025 sales when compared to September 2025 sales. (2)

4.2.3 State TWO benefits that Warmbad Traders will forfeit by failing to meet its financial obligations with suppliers in October 2025. (2)

4.2.4 **Remuneration to employees:**

- Give ONE reason for Dozer awarding his employees with commission during September 2025. Quote figures. (2)
- Give ONE reason why the employees will not be satisfied with the revised remuneration policy. Quote figures. (2)

INFORMATION:

A. Extract from the Cash Budget:

	Sept. 2025		**Oct. 2025**	
	BUDGETED R	**ACTUAL R**	**BUDGETED R**	**ACTUAL R**
Collection from debtors	95 456	95 456	97 784	97 784
Payments to creditors	320 000	306 000	306 000	61 200
Salaries	38 400	38 400	27 000	27 000
Commission on sales	0	3 900	4 500	4 500
Cash surplus/deficit	63 800	98 950	80 120	(72 400)
Opening balance	103 000	120 000	166 800	218 950
Closing balance	166 800	218 950	246 920	146 550

Units sold	90	124	90	61
Selling price per unit	R1 600	R1 600	R2 480	R2 480

B. Additional information:

- The business budgets to sell 90 stoves per month.
- Creditors are paid one month after purchase, subject to a 4% discount.
- The business has three employees.
- Dozer decided to introduce commission on sales and from October 2025 onwards, a reduced monthly salary.

40

TOTAL: 150

NOVEMBER 2025 ANSWER BOOK

QUESTION 1

1.1 BANK RECONCILIATION

1.1.1 CASH JOURNALS ON 31 JULY 2025:

Cash Receipts Journal
R162 000

Cash Payments Journal
R55 200

10

1.1.2 Choose only ONE template below to answer this question.

1.1.3 TWO-COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 JULY 2025		
	Debit	**Credit**

OR

ONE-COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 JULY 2025	

7

1.1.4 **Identify TWO problems (with figures) with the management of cash in Duma Stores. In EACH case, provide a different solution for how these problems can be prevented in future.**

Problem with figures	Solution

6

1.2 CREDITORS' RECONCILIATION

1.2.1

	Creditors' Ledger Account of Matsulu Suppliers	Statement of Account
Incorrect balance	**270 140**	**287 600**
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		

11

1.2.2 **Explain how the business can prevent this problem from happening in the future, excluding separation of duties. Provide TWO points.**

4

What action should be taken against the purchasing manager, besides dismissing him? Provide ONE point.

2

TOTAL MARKS
40

QUESTION 2

2.1 SUPERSAVERS SUPERMARKET

2.1.1 **Calculate the value of the closing stock on 28 February 2025, using the FIFO method.**

WORKINGS	ANSWER

7

2.1.2 **Bryan has noticed that some of the stock of flavoured juices has exceeded their shelf life (sell-by date) of 65 days. Identify the value of stock that Bryan is referring to, using the FIFO stock valuation method.**

WORKINGS	ANSWER

2

2.1.3 **How can Bryan manage the stock of flavoured juices to avoid losses incurred by the business? Provide TWO points.**

4

2.2 BANDURA PRINTERS

2.2.1 Rotrim model:

Calculate the value of the closing stock on 30 June 2025 using the specific identification method.		
WORKINGS	**ANSWER**	
		4

2.2.2 Punchies model:

Calculate the stockholding period (in days) using the closing stock.		
WORKINGS	**ANSWER**	
		5
Comment on the stockholding period. Provide ONE point, with figures. The stockholding period for the year ended 30 June 2024 was 69 days.		2

2.2.3 Clear View model:

Although the Clear View model had units returned, Moses is very pleased with his decision to introduce it as a new model. Provide TWO points (with figures) to explain why Moses is pleased.	4
Moses wants to reduce the number of units being returned to the suppliers. Give ONE suggestion on how this can be achieved.	2

2.3 MANAGEMENT OF INVENTORIES

2.3.1 Electric fans:

Identify the decision that Robin implemented about the electric fans.	**1**
Explain how this decision had a positive result for the business. Provide ONE point, with figures.	**2**

2.3.2 Fridges:

Robin changed the brand of fridges that he was selling. Provide ONE point, with figures, to show that this was not a good idea.	**2**

TOTAL MARKS
35

QUESTION 3

3.1 LOCKSMITH MANUFACTURERS

3.1.1 FACTORY OVERHEAD COST NOTE

Other factory expenses	**737 010**

16

3.1.2

Calculate the cost of production of finished goods for the year ended 28 February 2025.	
WORKINGS	**ANSWER**

3.2 PICASO MANUFACTURERS

CELLPHONE CASES

3.2.1

Calculate the break-even point on 31 August 2025.	
WORKINGS	**ANSWER**

4

3.2.2

Comment on whether Dawn should be satisfied with the number of units produced and sold. Provide ONE point, with figures.

3.2.3 Identify the fixed-cost item (with figures) that has been poorly controlled. Give a possible reason for this concern.

COST ITEM	REASON FOR CONCERN

3

CELLPHONE SCREEN COVERS

3.2.4 Variable-cost item (with figures) that has been poorly controlled. Give advice on how to improve control over this cost item.

COST ITEM	ADVICE

3

Variable-cost item (with figures) that has been well controlled. Explain how this item was well controlled.

COST ITEM	REASON

3

TOTAL MARKS
35

QUESTION 4

4.1 VIVAN TRADERS

4.1.1 DEBTORS' COLLECTION SCHEDULE:

MONTH	CREDIT SALES R	DECEMBER 2025 R	JANUARY 2026 R	
October 2025	1 417 500	198 450		
November 2025	1 443 750	721 875		
December 2025	1 496 250	430 920		
January 2026				
RECEIPTS FROM DEBTORS		1 351 245		6

4.1.2 Calculate:

WORKINGS	ANSWER	
(i) Bad debts in January 2026		
(ii) Salary: sales manager for January 2026		
(iii) Salaries: assistants for December 2025		
(iv) Advertising for December 2025		13

4.1.3 Calculate:

WORKINGS	ANSWER	
Cash purchases of trading stock in January 2026		3

Payments to creditors in January 2026		**2**

4.1.4 **Calculate the amount of the fixed deposit which will mature on 31 January 2026.**

WORKINGS	ANSWER	
		4

4.2 WARMBAD TRADERS

4.2.1 **Explain why it is important to compare the budgeted figures with the actual figures. Provide ONE point.**

2

4.2.2 Loss of sales:

The number of units sold in October has decreased. Give a reason, with figures, for this decrease.

2

Provide a calculation to show the amount of cash that was lost in October 2025 sales when compared to September 2025 sales.

WORKINGS	ANSWER	
		2

4.2.3 **State TWO benefits that Warmbad Traders will forfeit by failing to meet its financial obligations with suppliers in October 2025.**

2

4.2.4 **Remuneration to employees:**

Give ONE reason for Dozer awarding his employees with commission during September 2025. Quote figures.

2

Give ONE reason why the employees will not be satisfied with the revised remuneration policy. Quote figures.

2

TOTAL MARKS
40

TOTAL: 150

MAY/JUNE 2024 QUESTION PAPER 2

QUESTION 1: RECONCILIATIONS **(30 marks; 25 minutes)**

1.1 **BANK RECONCILIATION**

The information relates to Scot Traders, owned by Scot Salaza. The business receives the official Bank Statement on the 25th of each month.

REQUIRED:

1.1.1 Calculate the correct Bank Account balance on 31 May 2024. (8)

1.1.2 Prepare the Bank Reconciliation Statement on 31 May 2024. (6)

1.1.3 Scot has been convinced by his bank manager that he should use online banking for his business, particularly as this makes payments easier through the use of electronic funds transfer (EFT). Scot is planning to employ Kiki to be responsible for all matters related to online banking.

Explain TWO important instructions that Scot should give to Kiki to ensure that corruption does not occur with regard to the processing of EFTs.

(4)

INFORMATION:

A. The bookkeeper calculated the provisional bank balance as a positive R9 050 on 31 May 2024 using the opening Bank Account balance and totals from the Cash Receipts Journal (CRJ) and the Cash Payments Journal (CPJ), before receiving the May 2024 Bank Statement.

B. **Figures from the Reconciliation Statement on 30 April 2024:**

Unfavourable balance as per Bank Statement		R1 550
Outstanding deposits:	16 April 2024	4 000
	26 April 2024	15 000
Outstanding EFTs:	No. 632	7 800
	No. 633	5 480
Favourable Bank Account balance as per General Ledger		4 170

NOTE:

- The deposit on 16 April 2024 for R4 000 and EFT 632 for R7 800 were reflected on the May Bank Statement.
- The deposit on 26 April 2024 appeared as R10 000 on the Bank Statement. The cashier at the time was dismissed for theft, and this amount has to be written off.
- EFT 633 appeared on the May Bank Statement with the correct amount of R4 580. 2024

C. A comparison of the May 2024 Bank Statement with the Cash Journals revealed the following:

(i) Bank charges, on the Bank Statement only, amounted to R310.

(ii) A debit order for advertising, R1 780, was not recorded in the CPJ and was duplicated on the Bank Statement. The bank will correct the error next month.

(iii) The Bank Statement reflected a direct deposit into the business bank account for R25 000. This is an error by the payer. The bank will reverse the entry next month.

(iv) Interest on fixed deposit, R1 060, appeared on the statement but not in the journals.

(v) A deposit of R17 500 appeared in the CRJ, dated 27 May 2024.

(vi) EFT 819 for R11 880 was recorded in the CPJ on 28 May 2024.

D. The May 2024 Bank Statement reflected a balance of R?

1.2 **DEBTORS' RECONCILIATION**

Sidney Stores is a general dealer selling groceries for cash and on credit.

REQUIRED:

Calculate the correct balance for EACH debtor on the list provided. Negative balances must be shown in brackets or with a '–' sign. (12)

INFORMATION:

A. Extract from the debtors' list (before errors and omissions):

A. Judy	DL1	R27 750
B. Benior	DL2	(400)
C. Oliver	DL3	19 300
D. Fiery	DL4	2 900

B. Errors and omissions

(i) A receipt, R9 000, from Judy was posted in error to the Debtors' Ledger Account of Benior.

(ii) Goods returned by Fiery, R7 100, appeared correctly in the DAJ. This, however, was posted as R710 to his account in the Debtors' Ledger.

(iii) An invoice for R3 000 to Oliver was correctly recorded in the DJ. This, however, was erroneously posted as a receipt to his account in the Debtor's Ledger.

(iv) During a sales promotion at Sidney Stores, Oliver bought goods on credit for R2 400 after being granted a 25% trade discount. However, the bookkeeper entered the gross amount in error to the DJ and posted this accordingly to the Debtor's Ledger.

30

QUESTION 2: VAT AND STOCK VALUATION **(40 marks; 30 minutes)**

2.1 VAT

The information relates to Mphati Enterprises owned by partners John, Jacob and Jeramiah. The business is registered for VAT. They buy and sell standard and zero-rated products for cash and on credit. The standard VAT rate is 15%.

REQUIRED:

2.1.1 Calculate the VAT amount on the goods sold by the business. (4)

2.1.2 Calculate the amount payable to or receivable from SARS on 30 April 2024. (7)

INFORMATION:

A. Balance: Amount due by SARS on 1 April 2024: R5 340.

B. Transactions affecting VAT calculations for April 2024:

	VAT EXCLUSIVE R	**VAT AMOUNT R**	**VAT INCLUSIVE R**
Purchases of stock:	**730 000**		
• Standard-rate products	548 000	82 200	630 200
• Zero-rated products* see note below	182 000		
Total sales* see note below	839 800		
Debtors' accounts written off			31 510
Discounts received from creditors		4 800	

***NOTE:** All the zero-rated goods purchased were sold at 10% below cost during a sales promotion event. This amount is included in the total sales figure. There were no other zero-rated goods sold during April 2024.

INVENTORY VALUATION

The information relates to Cell Scene Ltd. Nadine is the chief executive officer (CEO). The financial year ended on 29 February 2024.

- Cell Scene Ltd buys and sells two models of cellphones. **CLEO** is more expensive, while **BRUMA** is a basic and cheaper phone.
- All stock is valued using the specific identification valuation method.
- All goods are sold for cash or on credit card.
- There were no units missing during the year due to effective internal control measures.

REQUIRED:

2.2 In addition to the two models of cellphones currently being sold, the directors are investigating whether a 3rd model, the **LITCHI**, should be imported from the USA. The first batch to be ordered would consist of 300 LITCHI phones. **See Information A**. Calculate the expected cost price of one LITCHI phone in rands per unit. (5)

2.3 Calculate the total value of the closing stock of the **CLEO** and **BRUMA** phones on 29 February 2024, using the specific identification method. (6)

2.4 Calculate the average stock turnover rate for the **CLEO** phone for 2024. (6)

2.5 The directors took decisions to adjust the mark-up % on **CLEO** and **BRUMA** phones for the 2024 financial year. Explain how these decisions impacted on the gross profit and cash flow of the company as well as on the stock turnover rate of each model over the past two years. Quote figures and trends. (8)

2.6 If the directors go ahead with the **LITCHI** phones and order a lot more in the future and sell it at a mark-up of 40% on cost, how could this impact on the sales of the **CLEO** and **BRUMA** phones? Explain, quoting figures to support your opinion. (4)

INFORMATION:

A. SUGGESTED IMPORTING OF THE LITCHI PHONES

Unit price in US dollars	$280
Number of LITCHI phones in first batch ordered	300 units
Exchange rate	$1,00 = R17,50
Customs duty/taxes to be paid on delivery	12%
Total shipping costs from the USA to South Africa	R303 600

B. EXTRACT FROM THE STOCK & SALES RECORDS

	CLEO		BRUMA	
	2024	**2023**	**2024**	**2023**
Units on hand at beginning of year	270	400	200	300
Units purchased	2 265	1 345	2 450	2 440
Units sold during the year	2 180	1 475	1 730	2 540
Units on hand at end of year	**?**	270	920	200
Value of closing stock at year-end	**?**	R2 160 000	**?**	R400 000
Cost price per unit	R8 000	R8 000	R2 500	R2 000
Selling price per unit	R11 200	R12 000	R4 250	R3 000
% mark-up	40%	50%	70%	50%
Total sales	R24 416 000	R17 700 000	R7 352 500	R7 620 000
Gross profit	R6 976 000	R5 900 000	R3 027 500	R2 540 000
Stock turnover rate	**?**	4,4 times	3,1 times	10,2 times

40

QUESTION 3: COST ACCOUNTING (40 marks; 30 minutes)

3.1 Choose a cost category from COLUMN B that matches the example in COLUMN A. Write only the letter (A–D) next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.

COLUMN A	COLUMN B
3.1.1 Delivery expenses	A factory overhead
3.1.2 Office stationery	B selling and distribution
3.1.3 Salary of the factory supervisor	C direct material
	D administration

(3)

NARDO MANUFACTURERS

The business manufactures uniforms for construction workers. The financial year ended on 29 February 2024.

REQUIRED:

3.2 Calculate the correct factory overhead cost by taking into account the errors and omissions. (7)

3.3 Complete the Production Cost Statement for the financial year. (10)

INFORMATION:

A. Factory overhead costs:

The bookkeeper calculated the factory overhead cost as R258 200.

The following errors and omissions were identified and must be taken into account:

(i) Water and electricity expense was omitted from the factory overhead cost 75% of this expense must be allocated to the factory and the remaining 25% to administration. R9 600 was correctly allocated to administration.

(ii) The total rent expense, R142 800, was recorded in the Factory Overhead Cost Account. This should have been shared according to floor area as follows:

Factory	Sales Department	Administration
220 m^2	120 m^2	80 m^2

(iii) Insurance expense, R48 000, was allocated to factory overheads in error using the ratio 4 : 2 : 1. However, the correct ratio is 5 : 2 : 1.

r

B. Raw material stock:

Stock of raw material (fabric) transferred to the factory is valued using the FIFO method. Stock records revealed the following:

	Quantity (metres)	Cost per metre	Total cost
Stock on 1 March 2023	8 000 m	R10,50	R84 000
Purchases of fabric	**62 000 m**		**R739 600**
June 2023	42 000 m	R11,80	R495 600
October 2023	20 000 m	R12,20	R244 000
Total fabric available	**70 000 m**		**R823 600**
Issued to factory	59 500 m	**?**	**?**

C. Work-in-progress stock:

	29 Feb. 2024	28 Feb. 2023
Balance	**?**	R30 700

D. Production:

20 200 uniforms were produced during the financial year at a cost of R79,00 per uniform.

This question is continued on the next page.

KYLA'S HIKING GEAR STORE

The business, owned by Kyla Coetzee, makes hiking bags and hiking jackets.

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

- Quote calculations, figures and/or trends
- Give a reason or an explanation in each case

REQUIRED:

HIKING BAGS

3.4 Comment on the control over direct material cost of hiking bags. Quote figures. Give TWO reasons that may have contributed to the change in the unit cost. (4)

3.5 Explain whether the decision to increase the selling and distribution cost of hiking bags was beneficial to the business or not. Quote figures. (3)

3.6 Kyla plans to increase the production of hiking bags by an additional 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2025. (5)

HIKING JACKETS

3.7 Comment on the fixed cost per unit of hiking jackets and explain the major cause for the change in this unit cost. (4)

3.8 Identify the production cost of hiking jackets that should be of serious concern to Kyla. Provide TWO valid solutions to this problem. (4)

INFORMATION:

	HIKING BAGS		HIKING JACKETS	
	2024	**2023**	**2024**	**2023**
Variable cost per unit	**R615,00**	**R442,00**	**R336,00**	**R285,00**
Direct material cost per unit	R320,00	R230,00	R116,00	R115,00
Direct labour cost per unit	R135,00	R132,00	R175,00	R110,00
Selling & distribution cost per unit	R160,00	R80,00	R45,00	R60,00
Fixed cost per unit	**R170,00**	**R175,00**	**R196,50**	**R130,00**
Total fixed costs	R714 000	R700 000	R786 000	R780 000
Factory overhead cost	R510 000	R500 000	R532 000	R530 000
Administration cost	R204 000	R200 000	R254 000	R250 000
Selling price per unit	**R780,00**	**R750,00**	**R600,00**	**R600,00**
Units produced and sold	4 200 units	4 000 units	4 000 units	6 000 units
Break-even number of units	4 328 units	2 273 units	2 978 units	2 477 units
Net profit/loss	(R21 120)	R531 916	R269 808	R1 109 745

- The inflation rate is currently 6%.
- Wages and salaries increased by 4% in 2024.

40

QUESTION 4: BUDGETING **(40 marks; 35 minutes)**

Zephyr Traders opened on 1 January 2024 and sells portable power systems (PPS) that are used by the public to cope with load-shedding. The business is owned by Dan Grey.

Background information:

- Salespersons are paid a commission only. Office workers earn monthly salaries.
- At the time of preparing the budget, Dan was unaware that a competitor had opened a business during April 2024 in close proximity to Zephyr Traders. He therefore had to take important decisions to deal with this problem during May 2024.

REQUIRED:

4.1 Complete the Debtors' Collection Schedule for June 2024. (8)

4.2 Calculate the amounts indicated by **(i)** to **(iii)** in the extract from the Cash Budget. (10)

4.3 Calculate the % increase in salaries of office workers from 1 June 2024. (4)

Refer to Information E.

A new competitor moved into the area during April 2024. Dan did not take any actions during April as he was not aware of the competitor.

4.4 Explain how the competitor affected the sales and cash flow of the business in April 2024. Provide TWO different points, with figures. (4)

4.5 Explain whether Dan would be satisfied with the number of units sold in May 2024 as a result of his decision to adjust the selling price of the product. Provide TWO points, with figures. (4)

4.6 Dan is aware that not all salespersons would be satisfied with the decisions he has taken regarding their earnings. Salesperson John was satisfied, whereas Sally was not. Give ONE reason to support John's opinion and ONE reason to support Sally's opinion. Quote figures. (4)

Refer to Information C.

4.7 Calculate the total loan amount, including interest. (2)

4.8 The owner is unsure about purchasing or renting the property. Explain ONE point in favour of purchasing the property and ONE point against this proposal. (4)

INFORMATION:

A. Cash and credit sales:

- Cash sales comprise 55% of total sales. Mark-up is 60% on cost.
  Refer to the credit sales figures in the ANSWER BOOK.
- Debtors pay according to the following trend:
  - 25% in the month of sales and they receive 5% discount
  - 45% in the month following the month of sales
  - 24% two months after the month of sales
  - 6% to be written off in the third month after the month of sales

B. Purchases of stock and payment to creditors:

- Stock sold is replaced in the month of sales.
- 70% of purchases are on credit.
- Creditors are paid in the month following the month of purchases.

C. Business property/Rent expense:

Dan made enquiries about taking out a 10-year mortgage loan to purchase the property. The following terms would apply, after calculations were discussed with a bank consultant:

- A deposit of 20% of the loan amount will have to be paid on 1 June 2024.
- A fixed monthly instalment of R13 800 (including interest) will then be payable on the last day of each month, commencing on 30 June 2024, for the duration of the loan.

D. Extract from the Cash Budget:

	MAY 2024	**JUNE 2024**
RECEIPTS	**R**	**R**
Cash sales	1 064 800	**(i)**
Cash from debtors	734 382	
PAYMENTS		
Payments to creditors	770 000	**(ii)**
Salaries: Office workers	62 000	64 480
Salary: Manager	40 500	40 500
Deposit on purchase of property		220 000
Instalment on loan (including interest)		13 800
Hire of delivery vehicle	**(iii)**	34 810
***NOTE:** The vehicle hire expense will increase by 18% p.a. from 1 June 2024.		

E. Budgeted and actual figures for April and May 2024:

	APRIL 2024		**MAY 2024**	
	BUDGETED	**ACTUAL**	**BUDGETED**	**ACTUAL**
Number of salespersons	12	12	12	8
Units to sell/sold	200	148	220	245
Cost price per unit	R5 500	R5 500	R5 500	R5 500
Mark-up %	60%	60%	60%	35%
Selling price per unit	R8 800	R8 800	R8 800	R7 425
Total sales	R1 760 000	R1 302 400	R1 936 000	R1 819 125
Cash sales	968 000	390 720	1 064 800	509 355
Credit sales	792 000	911 680	871 200	1 309 770
Collection from debtors	660 924	495 690	734 380	734 380
Salary: Manager	32 400	32 400	40 500	34 020
Commission on sales	264 000	195 360	290 400	363 825
Advertising	52 800	40 000	58 080	54 575

40

TOTAL: 150

MAY/JUNE 2024 ANSWER BOOK

QUESTION 1

1.1 BANK RECONCILIATION

1.1.1 Calculate the correct Bank Account balance on 31 May 2024.

WORKINGS	ANSWER

8

USE ONLY ONE OF THE FOLLOWING FORMATS FOR QUESTION 1.1.2:

1.1.2 Bank Reconciliation Statement on 31 May 2024

	DEBITS	CREDITS

6

OR

1.1.2 Bank Reconciliation Statement on 31 May 2024

6

1.1.3 **Explain TWO important instructions that Scot should give to Kiki to ensure that corruption does not occur with regard to the processing of EFTs.**

POINT 1	
POINT 2	

4

1.2 EXTRACT: LIST OF DEBTORS

DEBTORS	WORKINGS	BALANCE
A. Judy	**27 750**	
B. Benior	**(400)**	
C. Oliver	**19 300**	
D. Fiery	**2 900**	

12

TOTAL MARKS
30

QUESTION 2

2.1.1

Calculate the VAT amount on the goods sold by the business.	
WORKINGS	**ANSWER**

4

2.1.2

Calculate the amount payable to or receivable from SARS on 30 April 2024.	
WORKINGS	**ANSWER**

7

INVENTORY VALUATION

2.2

Calculate the expected cost price of one LITCHI phone in rands per unit.	
WORKINGS	**ANSWER**

5

2.3

Calculate the total value of the closing stock of the CLEO and BRUMA phones on 29 February 2024, using the specific identification method.		
MODEL	**WORKINGS**	**ANSWER**
CLEO		
BRUMA		
TOTAL		

2.4 **Calculate the average stock turnover rate for the CLEO phone for 2024.**

WORKINGS	ANSWER

6

2.5 **The directors took decisions to adjust the mark-up % on CLEO and BRUMA phones for the 2024 financial year. Explain how these decisions impacted on the gross profit and cash flow of the company as well as on the stock turnover rate of each model over the past two years. Quote figures and trends.**

	CLEO	BRUMA
Explanation on gross profit & cash flow		
Explanation on stock-turnover rates		

8

2.6 **If the directors go ahead with the LITCHI phones and order a lot more in the future and sell it at a mark-up of 40% on cost, how could this impact on the sales of the CLEO and BRUMA phones? Explain, quoting figures to support your opinion.**

4

TOTAL MARKS
40

QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	

3

NARDO MANUFACTURERS

3.2 FACTORY OVERHEAD COST NOTE

Incorrect amount calculated by bookkeeper	**258 200**	
TOTAL		**7**

3.3 PRODUCTION COST STATEMENT ON 29 FEBRUARY 2024

Direct material cost		
Prime cost	**1 405 800**	
Factory overhead cost		
Total manufacturing cost		
Work-in-progress (1 March 2023)	**30 700**	
Cost of production of finished goods		**10**

3.4HIKING BAGS

Comment on the control of hiking bags over direct material cost. Quote figures.	
Give TWO reasons that may have contributed to the change in the unit cost.	
REASON 1	
REASON 2	

4

3.5 **Explain whether the decision to increase the selling and distribution cost of hiking bags was beneficial to the business or not. Quote figures.**

3

3.6 **Kyla plans to increase the production of hiking bags by an additional 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2025.**

WORKINGS	ANSWER

5

3.7 HIKING JACKETS

Comment on the fixed cost per unit of hiking jackets and explain the major cause for the change in this unit cost.

4

3.8

Identify the production cost of hiking jackets that should be of serious concern to Kyla.	
Provide TWO valid solutions to this problem.	
SOLUTION 1	
SOLUTION 2	

4

TOTAL MARKS
40

QUESTION 4

4.1 DEBTORS' COLLECTION SCHEDULE

MONTHS	CREDIT SALES	MAY	JUNE
MARCH	712 800	171 072	
APRIL	792 000	356 400	
MAY	871 200	206 910	
JUNE	950 400		
CASH FROM DEBTORS		734 382	

8

4.2 Calculate:

(i) Cash sales for June 2024

WORKINGS	ANSWER

2

(ii) Payments to creditors in June 2024

WORKINGS	ANSWER

4

(iii) Hire of delivery vehicle for May 2024

WORKINGS	ANSWER

3

4.3 Calculate: % increase in salaries of office workers from 1 June 2024

WORKINGS	ANSWER

4

4.4 **Explain how the competitor affected the sales and cash flow of the business in <u>April 2024</u>. Provide TWO different points, with figures.**

POINT 1	
POINT 2	

4

4.5 **Explain whether Dan would be satisfied with the number of units sold in <u>May 2024</u> as a result of his decision to adjust the selling price of the product. Provide TWO points, with figures.**

POINT 1	
POINT 2	

4

4.6

Dan is aware that not all salespersons would be satisfied with the decisions he has taken regarding their earnings. Salesperson John was satisfied, whereas Sally was not. Give ONE reason to support John's opinion and ONE reason to support Sally's opinion. Quote figures.
REASON TO SUPPORT JOHN
REASON TO SUPPORT SALLY

4

4.7

Calculate the total loan amount, including interest.	
WORKINGS	**ANSWER**

2

4.8

The owner is unsure about purchasing or renting the property. Explain ONE point in favour of purchasing the property and ONE point against this proposal.	
IN FAVOUR OF PURCHASING THE PROPERTY	
AGAINST PURCHASING THE PROPERTY	

4

TOTAL MARKS
40

TOTAL: 150

NOVEMBER 2024 QUESTION PAPER 2

QUESTION 1: DEBTORS' RECONCILIATION, AGE ANALYSIS AND VAT

(40 marks; 35 minutes)

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 EFT payments by debtors should be recorded in the CRJ, only after receiving proof of payment or an entry on the business' bank statement.

1.1.2 Output VAT is regarded as an asset.

1.1.3 VAT on bad debts will decrease VAT payable to SARS. (3 x 1) (3)

1.2 **MATSAMO TRADERS**

The information relates to Matsamo Traders for August 2024. The business sells goods for cash and on credit.

REQUIRED:

1.2.1 Calculate the correct balance of the Debtors' Control account on 31 August 2024. Provide figures and a plus (+) or minus (–) sign for each correction. If there is no change to the balance, indicate with (0). (5)

1.2.2 Complete the correct Debtors' List on 31 August 2024. The pre-adjustment figures have been entered. (14)

INFORMATION:

A. Balances on 31 August 2024 before taking the errors and omissions below into account:

(i) Debtors' Control Account balance in the General Ledger, R359 100

(ii) **List of debtors' balances as per Debtors' Ledger:**

Debtors	Amount (R)
N Naidoo	63 000
S Sibiya	69 000
V Esterhuizen	114 000
J Nyoka	95 700
W du Plessis	11 500
Total	353 200

B. Errors and omissions:

(i) No entry was made for the credit sale invoice issued to N Naidoo, R4 500.

(ii) Merchandise sold on credit to S Sibiya for R18 000 was incorrectly posted to the account of V Esterhuizen.

(iii) The debtors' allowances column in the DAJ was undercast by R11 000.

(iv) An EFT payment of R5 700 was made by W du Plessis. This was correctly recorded in the relevant journal, but was posted as R7 500 to his account in the Debtors' Ledger.

(v) Credit sales to V Esterhuizen, R5 200, were incorrectly recorded as R2 500 in the Debtors' Journal and posted as such to the Debtors'
Control Account and Esterhuizen's account in the Debtors' Ledger.

(vi) Goods returned by J Nyoka, R3 450, were posted to the wrong side of his account in the Debtors' Ledger.

1.3 DEBTORS' AGE ANALYSIS

The information relates to Timo Traders. Their credit terms are 60 days and it is expected at least 90% of debtors will adhere to these terms.

REQUIRED:

1.3.1 Provide a calculation or figures to show why Timo Traders should not be satisfied with the figures in the Debtors' Age Analysis. (4)

1.3.2 Explain TWO points of advice that you will offer to the owner. (4)

NOTE:
- Maximum discount is granted to debtors who settle their accounts timeously.
- Interest at the accepted rate is being charged.

INFORMATION:

Debtors' Age Analysis on 31 August 2024:

Total	Current month	30 days	60 days	90 days	90 +
R240 000	R118 000	R36 000	R38 000	R29 200	R18 800

1.4 VALUE-ADDED TAX

The following information relates to the financial records of Zaba Stores for the VAT period ended 31 August 2024. 15% VAT is applicable. Certain items are zero-rated.

REQUIRED:

Analyse the transactions under the headings provided in the ANSWER BOOK. Indicate the effect of EACH answer on the amount payable to SARS. Refer to the example completed in the ANSWER BOOK. (10)

INFORMATION:

Example: The owner took stock for private use, cost price R5 200 (excluding VAT).

A. Received discount of R17 250 when settling the account of the supplier.

B. Merchandise amounting to R139 200 (VAT exclusive), including zero-rated items for R9 200, were sold on credit.

C. Bought merchandise on credit from the supplier. The invoice received totalled R23 000 (VAT inclusive). Trade discount of 10% was incorrectly omitted from the invoice.

40

QUESTION 2: STOCK VALUATION **(35 marks; 25 minutes)**

2.1 **SUNGLASS CITY**

Nosisa is the owner of Sunglass City, selling one type of popular branded sunglasses. The financial year ended on 29 February 2024.

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

- Quote calculations, figures and/or trends
- Give a reason or an explanation in EACH case

REQUIRED:

2.1.1 Calculate the weighted average cost of ONE pair of sunglasses. (5)

2.1.2 Nosisa suspects that some sunglasses were stolen during the year.

- Calculate the number of sunglasses stolen. (4)
- Calculate the rand value of the sunglasses stolen, using the weighted-average stock valuation method. (2)

2.1.3 Calculate the value of closing stock using the first-in-first-out (FIFO) method. (5)

2.1.4 A whistle-blower has informed Nosisa that Micha (sales person) and Jack (supplier's delivery driver) have conspired to sell sunglasses at a reduced price. During an investigation it was discovered that the sunglasses sold were invoiced to the business. Nosisa has confirmed that the sunglasses were missing.

- Explain how Nosisa could have proven Jack and Micha guilty of the theft of the stock. Provide ONE point. (2)
- What action should have been taken against Micha and Jack? Provide ONE point for each person. (4)

INFORMATION

A. Stock records: (one 'unit' refers to one pair of sunglasses)

	UNITS	TOTAL (R)
Opening stock (1 March 2023)	620	1 719 000
Closing stock (29 February 2024)	840	?

B. Purchases and returns during the financial year:

	UNITS	UNIT PRICE (R)	TOTAL (R)
May 2023	855	3 200	2 736 000
August 2023	800	3 750	3 000 000
November 2023	745	4 200	3 129 000
December 2023	**(20)**	**4 200**	**(84 000)**
TOTALS	**2 380**		**8 781 000**

C. Sales:

2 050 pairs of sunglasses were sold during the year at R5 600 per pair.

2.2 **PROBLEM-SOLVING**

The information is related to Slim-Line Boutique, owned by Mike Ndlela, for the year ended 29 February 2024. The business sold trousers and casual shirts throughout the year and introduced and sold formal shirts only from 1 November 2023.

REQUIRED:

2.2.1 Trousers:

- Calculate the mark-up percentage achieved for trousers. (3)
- Comment on whether the mark-up percentage would benefit the business or not. (2)

2.2.2 Casual shirts:

Comment on how the return of 120 casual shirts would affect the business negatively. Provide ONE point. (2)

2.2.3 Formal shirts:

- Calculate how long (in days) it will take Mike to sell the closing stock of the formal shirts. (4)
- Comment on ONE other point that might concern Mike about the formal shirts. (2)

INFORMATION:

	Trousers (units)	**Shirts (units)**	
		Casual	**Formal**
Opening stock in units	140	200	0
Purchases during the year	720	1 300	980
Closing stock	285	100	125
Returns	15	120	0
Total units sold:	560	1 280	855
On-site	344	560	855
Online	216	720	0
Stock holding period	186 days	29 days	**?**
Mark-up percentage per item	**?**	55%	25%
Cost price per item	R500	R400	R680
Cost of sales	R280 000	R512 000	R581 400
Selling price per item	R920	R620	R850
Total cash sales banked	R515 200	R793 600	R726 750

35

QUESTION 3: BUDGETING **(40 marks; 35 minutes)**

3.1 Show the amounts for the transactions below in the appropriate columns for the Cash Budget and the Projected Statement of Comprehensive Income for December 2024 in the ANSWER BOOK.

Example: Monthly insurance premium for December 2024, R5 000, will be paid.

3.1.1 Expected cash sales for December 2024, R132 000. Cost of sales, R101 000.

3.1.2 Drawings by the owner budgeted for December 2024, R40 000. This includes R34 000 cash and the remainder for merchandise.

3.1.3 A fixed deposit of R245 000 will mature on 31 December 2024. A direct deposit of R264 600 (inclusive of interest) will be made into the current banking account of the business on this date. Interest is not capitalised. (6)

3.2 **JESARY SUPERSPARES**

The information relates to the budget period ending 31 December 2024. The business is owned by Bluey Summers.

REQUIRED:

3.2.1 **Creditors' Payment:**

- Calculate the credit purchases for November 2024. (4)
- Complete the Creditors' Payment Schedule for December 2024. (5)

3.2.2 **Calculate the following amounts:**

(i) Rent expense for December 2024 (2)

(ii) Interest on loan for December 2024 (4)

(iii) Deposit to be paid on 30 November 2024 for the new computers installed (3)

(iv) Insurance for December 2024 (3)

(v) Salaries for November 2024 (3)

3.2.3 **Sales policy: Refer to Information I.**

Bluey effected changes to the sales policy from October 2024.

- Explain the change in the sales policy effected by Bluey in compiling his budget for October 2024. Provide ONE point with figures. (2)
- The actual credit sales were higher than the budgeted credit sales for October 2024. Explain why Bluey should not be concerned. Provide TWO points with figures. (4)
- Comment on the control over delivery expenses and packing materials for October 2024. Quote figures. (4)

INFORMATION:

A. Sales and Debtors' Collection:

- 60% of total sales is cash sales.

B. Purchases of stock and payment to creditors:

- Goods are sold at a mark-up of 25% on cost.
- Trading stock on hand is maintained through monthly purchases.
- The business buys merchandise only on credit.
- Creditors are paid as follows:
  - 75% in the month after date of purchase to qualify for 3% discount.
  - The balance is paid in the month thereafter.

C. Rent expense:

- The business rents premises in a shopping centre.
- Rent will increase by 6% during December 2024.

D. Loan:

- Part of the loan from Diamond Bank will be paid on 1 December 2024.
- Interest at 14% p.a. is paid at the end of each month. Interest is not capitalised.

E. Office computers:

- New computers will be installed and will be operational from 30 November 2024.
- 20% cash deposit must be paid on 30 November 2024.
- The balance will be repaid in 36 equal monthly instalments from 31 December 2024.

F. Insurance:

- The current monthly insurance premium on the existing computers is R4 500. This monthly premium will increase by 28% from 1 December 2024 to get additional insurance cover on the new computers installed.
- The renewal period of other items insured will only come into effect next year.

G. Salaries:

- The business has 9 employees who earn the same monthly salary.
- 5 of the employees will receive a bonus of 70% of the normal monthly salary during December 2024.

H. Extract from the Cash Budget for the periodending 31 December 2024.

	Nov. 2024	**Dec. 2024**
RECEIPTS	**(R)**	**(R)**
Cash sales	103 200	112 200
Collection from debtors		
PAYMENTS		
Payment to creditors	207 012	?
Rent expense	29 000	**(i)**
Salaries	**(v)**	143 750
Drawings	50 000	50 000
Loan repayment		60 000
Interest on loan (14% p.a.)	3 500	**(ii)**
Deposit and instalments for new computers	**(iii)**	9 800
Insurance	17 500	**(iv)**

I. Figures for September 2024 (budgeted) and October 2024 (budgeted and actual):

	SEPTEMBER 2024	**OCTOBER 2024**	
	BUDGETED	**BUDGETED**	**ACTUAL**
Number of customers	520	540	729
Sales	R145 000	R160 000	R221 000
Cash sales	58 000	96 000	76 000
Credit sales	87 000	64 000	145 000
Gross profit	54 375	60 000	82 875
Delivery expenses	21 750	24 000	33 150
Packing materials	13 050	14 400	26 520

40

QUESTION 4: COST ACCOUNTING **(35 marks; 25 minutes)**

4.1 **FLOWERPOTS MANUFACTURERS**

The business manufactures large concrete flowerpots. Their financial year ended on 29 February 2024.

REQUIRED:

4.1.1 **Refer to Information A.**
Calculate the direct/raw material cost. (4)

4.1.2 **Refer to Information B.**
Calculate the direct labour cost. (7)

4.1.3 **Refer to Information C.**
Complete the Factory Overhead Cost Note. (8)

INFORMATION:

A. Direct/Raw materials cost:

The business uses a high quality concrete mix to make the pots.

Production requirements:

- 4 800 units were produced and sold during the financial year.
- Each complete pot requires 1,4 packets of direct materials (concrete mix).
- The business allows for wastage of 10% of direct materials (concrete mix).
- The cost price of concrete mix was maintained at R125 per packet for the financial year.

B. Direct labour cost:

- Direct labour budgeted for the year amounted to R1 117 200.
- The business has 7 direct workers. Each worker is required to work 1 680 hours per year and is paid the same hourly rate.

The following items have not yet been recorded:

- One worker resigned on 31 October 2023. This worker did not work overtime.
- Three of the direct workers were required to work overtime of 60 hours each during the year. Overtime rate is 1,6 times the normal hourly rate.

C. Extract of pre-adjustment amounts on 29 February 2024:

The bookkeeper calculated the factory overhead cost as R1 132 700.

Other pre-adjustment amounts on 29 February 2024:

	R
Office salaries	247 800
Advertising	27 450
Rental of sales department property	25 200
Bad debts	18 700

Adjustments to factory overheads:

- The clerk was paid a salary of R9 200 per month, which was recorded as an administration cost. 20% must be allocated to the office and the rest to production.
- Rent of R126 000 was shared and recorded according to the following floor area by the bookkeeper:

TOTAL	**FACTORY**	**OFFICE**	**SALES**
600 m^2	400 m^2	80 m^2	120 m^2

- However, since the beginning of the financial year, the annual rent has increased to R157 500 as the size of the factory has increased. The bookkeeper did not consider the increased rent of R157 500 and the following adjusted floor areas:

TOTAL	**FACTORY**	**OFFICE**	**SALES**
800 m^2	600 m^2	80 m^2	120 m^2

4.2 TIMEPIECE MANUFACTURERS

The business manufactures watches and is owned by Jabu Tallies. The financial year ended on 31 August 2024.

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

- Quote calculations, figures and/or trends
- Give an explanation or a reason in each case

REQUIRED:

4.2.1 Comment on the level of production and break-even point on 31 August 2024. (4)

4.2.2 Comment on the gross profit earned by the business and the price charged for the watches. In your opinion, explain if Jabu's customers found the 2024 price reasonable. Provide figures. (4)

4.2.3 Identify the TWO main costs that would have a positive effect on the selling price. In each case, provide a strategy that Jabu would have implemented. (4)

4.2.4 Jabu wishes to increase his profit by R300 000 during the next financial year, while maintaining the costs. Calculate the price that he would have to charge his customers in order to produce 400 extra units. (4)

INFORMATION:

	31 August 2024 R	**31 August 2023 R**
Total sales	3 712 800	2 880 900
Gross profit	1 237 600	960 300
Total variable cost	2 748 200	2 217 420
Total fixed cost	1 820 000	1 820 000
	Cost per unit R	**Cost per unit R**
Variable costs per unit	**755**	**762**
Direct material cost	450	520
Direct labour cost	185	132
Selling and distribution cost	120	110
	Units	**Units**
Number of units produced and sold	3 640	2 910
Break-even point	6 868	7 983
Selling price per unit	R1 020	R990

35

TOTAL: 150

NOVEMBER 2024 ANSWER BOOK

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	

3

1.2.1 Calculate the correct balance of the Debtors' Control on 31 August 2024.

Balance before errors and omissions	R359 100
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	
Correct balance of Debtors' Control Account	

5

1.2.2 Complete the correct Debtors' List on 31 August 2024.

N Naidoo	63 000	
S Sibiya	69 000	
V Esterhuizen	114 000	
J Nyoka	95 700	
W du Plessis	11 500	
Correct total of Debtors' List		

14

1.3.1 Provide a calculation or figures to show why Timo Traders should not be satisfied with the figures in the Debtors' Age Analysis. Nov

WORKINGS	ANSWER

4

1.3.2 Explain TWO points of advice that you will offer to the owner.

4

1.4 Analyse the transactions under the headings below. Indicate the effect of EACH answer on the amount payable to SARS.

NO.	CALCULATIONS	VAT AMOUNT	EFFECT ON VAT PAYABLE TO SARS (INCREASE/DECREASE)
E.g.	5 200 x 15/100	R780	Increase
A.			
B.			
C.			

10

TOTAL MARKS
40

QUESTION 2

Calculate:

2.1.1

The weighted average cost of ONE pair of sunglasses	
WORKINGS	**ANSWER**

5

2.1.2

The number of sunglasses stolen	
WORKINGS	**ANSWER**

4

The rand value of the sunglasses stolen, using the weighted-average stock valuation method	
WORKINGS	**ANSWER**

2

2.1.3

The value of closing stock using the first-in-first-out (FIFO) method	
WORKINGS	**ANSWER**

5

2.1.4 **Explain how Nosisa could have proven Jack and Micha guilty of the theft of the stock. Provide ONE point.**

2

What action should have been taken against Micha and Jack? Provide ONE point for each person.

Micha (salesperson)	Jack (supplier's driver)

4

2.2.1 **TROUSERS**

Calculate the mark-up percentage achieved for trousers.

WORKINGS	ANSWER

3

Comment on whether the mark-up percentage would benefit the business or not.

2

2.2.2 CASUAL SHIRTS

Comment on how the return of 120 casual shirts would affect the business negatively. Provide ONE point.	
	2

2.2.3 FORMAL SHIRTS

Calculate how long (in days) it will take Mike to sell the closing stock of the formal shirts.		
WORKINGS	**ANSWER**	
		4

Comment on ONE other point that might concern Mike about the formal shirts.	
	2

TOTAL MARKS
35

QUESTION 3

3.1

	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	**PAYMENT**	**INCOME**	**EXPENSE**
E.g.		**5 000**		**5 000**
3.1.1				
3.1.2				
3.1.3				

6

3.2 JESARY SUPERSPARES

3.2.1

Calculate the credit purchases for November 2024.	
WORKINGS	**ANSWER**

4

CREDITORS' PAYMENT SCHEDULE FOR DECEMBER 2024			
MONTH	**CREDIT PURCHASES**	**NOVEMBER**	**DECEMBER**
September	**147 200**	**36 800**	
October	**132 800**	**96 612**	
November			
		133 412	

5

Calculate:

3.2.2

(i) Rent expense for December 2024	
WORKINGS	**ANSWER**

2

(ii) Interest on loan for December 2024	
WORKINGS	**ANSWER**

4

(iii) Deposit to be paid on 30 November 2024 for the new computers installed	
WORKINGS	**ANSWER**

3

(iv) Insurance for December 2024	
WORKINGS	**ANSWER**

3

(v) Salaries for November 2024	
WORKINGS	**ANSWER**

3

3.2.3	**Explain the change in the sales policy effected by Bluey in compiling his budget for October 2024. Provide ONE point with figures.**	**2**
	The actual credit sales were higher than the budgeted credit sales for October 2024. Explain why Bluey should not be concerned. Provide TWO points with figures.	**4**
	Comment on the control over delivery expenses and packing materials for October 2024. Quote figures.	**4**
	Delivery expenses	
	Packing material	

TOTAL MARKS
40

QUESTION 4

4.1 FLOWERPOTS MANUFACTURERS

4.1.1

Calculate the direct/raw material cost.	
WORKINGS	**ANSWER**

4

4.1.2

Calculate the direct labour cost.	
Direct labour budgeted for the year	**1 117 200**
Resigned worker	
Overtime	

7

4.1.3

Complete the Factory Overhead Cost Note.	
Incorrect factory overheads	**1 132 700**

8

4.2 TIMEPIECE MANUFACTURERS

4.2.1 **Comment on the level of production and break-even point on 31 August 2024.**

4

4.2.2 **Comment on the gross profit earned by the business and the price charged for the watches. In your opinion, explain if Jabu's customers found the 2024 price reasonable. Provide figures.**

4

4.2.3 **Identify the TWO main costs that would have a positive effect on the selling price. In each case, provide a strategy that Jabu would have implemented.**

COST ITEM	STRATEGY

4

4.2.4 Jabu wishes to increase his profit by R300 000 during the next financial year, while maintaining the costs. Calculate the price that he would have to charge his customers in order to produce 400 extra units.

WORKINGS	ANSWER

4

TOTAL MARKS
35

TOTAL: 150

PAPER 1: SOLUTIONS

MAY/JUNE 2026 MARKING GUIDELINES

QUESTION 1

1.1 **Calculate the value of closing stock using the specific identification method on 28 February 2026.**

WORKINGS	ANSWER
Hidance [400 + 575 – 66 – 820] (7 105 x 100/145) three marks 89 ✓ x 4 900 ✓☑ 436 100 **Ketwood** one mark one mark (3 819 800 + 2 690 000) three marks 6 509 800 ✓✓ – 5 519 880 ✓ 989 920 OR 5 519 880 – 3 819 800 – 2 690 000 one mark one mark one mark	1 426 020 ☑ one part correct both amounts added

7

Do not award full marks for any superfluous figure/s added

1.2 **Calculate the total amount of fixed deposit on 28 February 2026.**

WORKINGS	ANSWER
29 250 x 100/7,5 OR (480 000 – 90 000) 6 750 x [100/7,5 x 12/9] 390 000 ✓☑ + 120 000 ✓☑	510 000 ☑ one part correct both amounts added

5

Do not award full marks for any superfluous figure/s added

1.3 STATEMENT OF FINANCIAL POSITION OF MENZI LTD ON 28 FEBRUARY 2026:

ASSETS			
NON-CURRENT ASSETS		6 795 000	☑*
Fixed assets	[6 680 600 – 395 600]	6 285 000	✓✓
Financial assets: Fixed Deposit	see 1.2 **4**	510 000	☑
CURRENT ASSETS		2 430 000	☑*
Inventory	(1 426 020 see 1.1 + 8 330) Award one mark if any of the two figures is a final answer	1 434 350	✓☑*
Trade and other receivables	Transfer see T&OP Advertising Prov. bd **(376 700** – 5 200 ☑ – 7 100 ✓✓ + 16 250 ✓✓)	380 650	☑*
Cash and cash equivalents	[610 300 + 4 700]	615 000	✓✓
TOTAL ASSETS	NCA + CA **12**	9 225 000	☑
EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY (8 383 720 – 1 263 720 see NCL)		7 120 000 NCE	☑☑
Ordinary share capital -vee.	SHE – RI; can be	6 300 000 Do not accept '0'	☑
Retained income	**3**	**820 000**	
NON-CURRENT LIABILITIES		1 263 720	
Loan: DBN Bank	[–291 840 + 207 000] [291 840 – 181 200] 1 459 200 ✓ – 84 840 ✓✓ – 110 640 ✓✓ **6**	1 263 720	☑*
CURRENT LIABILITIES		841 280	☑*
Trade and other payables	Transfer IT supp. serv Rent inc. **(392 050** – 5 200 ☐ + 10 080 ✓✓ + 21 470 ✓✓) [50 400 – 40 320] [10 735 + 10 735]	418 400	☑*
Current portion of loan	see NCL	110 640	☑
SARS: Income tax	[516 150 – 493 710]	22 440	✓✓$
Shareholders for dividends	[1 260 000 x 0,23]	289 800	✓✓$
TOTAL EQUITY AND LIABILITIES	SHE + NCL + CL	9 225 000	☑

38

13	

* one part correct

$Inspect CPL, SARS IT and SFD may be included in T&OP.
-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

TOTAL MARKS
50

QUESTION 2

2.1

2.1.1	False	✓	
2.1.2	True	✓	
2.1.3	False	✓	3

Accept recognisable abbreviations (T/F)

2.2 METRO LTD

2.2.1 RETAINED INCOME NOTE

Balance on 1 April 2025		**986 000**	
Net profit after tax	[952 000 x 72/28]	2 448 000	✓✓
Share buy-back (230 000 x R1,20) OR 1 380 000 – 1 104 000 Do not accept '0' or 230 000 as an answer		(276 000)	✓☑*$
Ordinary share dividends Final	Int. +	(2 310 000)	☑$
Interim	(2 400 000 x 0,42) Do not accept '0' or 2 400 000 as an answer	1 008 000	✓☑*
Final		**1 302 000**	
Balance on 31 March 2026	Inspect (+NPAT – SBB – OSD)	848 000	☑*

8

*one part correct
$ ignore brackets
-1 presentation/details (max -1)

2.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

CASH FLOW FROM OPERATING ACTIVITIES	**(1 557 140)**
Cash generated from operations	
Interest paid	**(126 800)**
# Income tax paid (952 000 ✓ – 81 000 ✓ – 20 200 ✓) **OR** – 952 000 + 81 000 + 20 200	(850 800) ☑*@
# Dividends paid see 2.2.1 [2 310 000 + 741 000] (741 000 ✓ + 1 008 000 ☑) **OR** 1 302 000 – 3 051 000 see 2.2.1 one mark one m mark **7**	(1 749 000) ☑*@
CASH FLOW FROM INVESTING ACTIVITIES	**(598 660)**
Purchase of fixed assets	
Proceeds from sale of fixed assets	
Change in financial assets [760 000 – 540 000] **1**	220 000 ✓
CASH FLOW FROM FINANCING ACTIVITIES	2 345 500 ☑*
Proceeds from shares issued (450 000 x R10)	4 500 000 ✓
Shares repurchased (230 000 ✓ x R6 ✓☑) [4,80 + 1,20] see 2.2.1 **OR** [230 000 X 4.80] 1 104 000 + see 2.2.1 276 000 two marks one m mark	(1 380 000) ☑*@
Change in loan [3 027 300 – 2 252 800] **7**	(774 500) ✓
NET CHANGE IN CASH AND CASH EQUIVALENTS Inspect (OA + IA + FA)	189 700 ☑*
Cash and cash equivalents at the beginning [12 800 – 122 850]	(110 050) ✓✓ If no bracket, award one mark
Cash and cash equivalents at the end **3**	

18

*one part correct and must indicate correct operation & correct use of brackets
Be alert to alternative workings such as ledger account or use of brackets or signs reversed; For use of reversed signs, ensure that only one option is marked consistently.If no brackets, assume answer is an inflow of cash or vice versa.@If the correct amount is provided without the brackets & without workings, award all marks allocated for workings only.
-1 presentation (max -1); misplaced items award marks for workings only.

2.2.3 Calculate the following financial indicators on 31 March 2026:

Debt-equity ratio	
WORKINGS	**ANSWER**
one mark one m mark (10 416 000 + 848 000 see 2.2.1) 2 252 800 ✓ : 11 264 000 ✓☑	0,2 : 1☑ one part correct in form x : 1

Net asset value per share	
WORKINGS	**ANSWER**
see DE 11 264 000 ☑ / 2 170 000 ✓ x 100/1	519,1 cents ☑ one part correct Accept R5,19 / R5,20 calculated as R/c; R/c not necessary

Acid test ratio	
WORKINGS	**ANSWER**
[1 712 650 – 405 430] 1 307 220 ✓✓ : 2 178 700 ✓	0,6 : 1 ☑ one part correct in form x : 1

‘x 100’ does not constitute ‘one part correct’. Numerator and denominator must be marked as such.Do not award marks for any operations done to stand-alone figures. e.g. no mark if anything else is added to R2 252 800 / 2 170 000 / 1 307 220 / 2 178 700.

TOTAL MARKS
40

QUESTION 3

3.1 Profitability/Operating efficiency:

Explain how the change in the mark-up percentage has benefitted the company. State ONE point with figures.

Any ONE valid point ✓ Figure/s with trends ✓

- The gross profit has increased (from R26 520 000) to R34 780 000/by R8 260 000/by 31,1%
- The sales has increased (from R70 720 000) to R78 255 000/by R7 535 000/by 10,7%

2

The directors are of the opinion that the company's operating expenses are being well controlled. Quote and explain TWO financial indicators to support their opinion.

Financial indicator with figure/s and trend ✓ ✓
Explanation/comment ✓ ✓

- % operating expenses on sales have increased (from 15,6%) to 16,1%/by 0,5% points/by 3,2%
  It reflects effective cost control and efficient expense management.
  This increase is within the rate of inflation (5,2%)
- % operating profit on sales has increased (from 22,5%) to 28%/by 5,5 % points/by 24,4 %
  This indicates an increase in profits due to better control over expenses.
  Keeping operating expenses low contributed to improved profits.

Do not accept mark-up %.

4

3.2 Liquidity:

The directors are satisfied with the credit policy of the company. Quote and explain TWO relevant financial indicators to justify this statement.

Financial indicator with figure/s and trend ✓ ✓ Explanation/comment ✓ ✓

- Average debtors' collection period has decreased/improved (from 34 days) to 29 days/by 5 days.
  Collections are quicker and this improves the cash flow.

  Improved follow up procedures/customer payment behaviour improved. Credit control measures were effective.

- Average creditors' payment period has increased/improved (from 68 days) to 75 days/by 7 days.
  Creditors are paid after collections from debtors.

  More cash is available for daily operations before creditors are paid / Delayed payments strengthens the business cash flow / Extended payment terms strengthens cash flow.

  They are making better use of supplier credit facilities.

FOR FOUR MARKS:

Average debtors' collection period has improved to 29 days while the average creditors' payment period has improved to 75 days. This reflects efficient cash flow management by collecting cash earlier and paying creditors later.

4

The directors are not concerned with the decline of the acid-test ratio as they feel that the company is still in a favourable liquidity position. Quote and explain ONE other relevant financial indicator to support their opinion.

Financial indicator with figure/s and trend ✓

- Stock turnover rate has increased/improved (from 3,9 times) to 6,2 times/by 2,3 times.

Any ONE valid explanation/comment ✓✓

- Based on this improvement, stock is considered to be a stronger current asset.
- Stock is sold and replaced more quickly / reducing stock piling / more demand for stock.
- Stock is converted into cash more efficiently, resulting in improved liquidity and cash flow / More funds are available for day-to-day operations, resulting in improved liquidity and cash flow.

3

3.3 Returns, earnings and dividends:

Comment on why the shareholders should be satisfied with the return on their investment. Quote and explain ONE financial indicator.

Financial indicator with figure/s and trend ✓

- Return on average shareholders' equity (ROSHE) has increased/improved (from 17,6%) to 29,8%/by 12,2% points/by 69,3%

Any ONE valid explanation/comment ✓✓

- ROSHE is greater than the interest rate on fixed deposit (8%)
- The business is generating higher profits from the capital invested by shareholders.
- Shareholders are receiving better value for their investment compared to alternative low risk investments.
- The return indicates efficient use of shareholders' funds and good overall financial performance.

	3

The earnings per share (EPS) is higher than the dividends per share (DPS). Explain why the shareholders would have been pleased with the DPS. State TWO points with figures.

Any TWO valid points ✓ ✓ figure/s ✓ ✓

- The DPS has increased/improved (from 56 cents) to 106 cents/by 50 cents/89,3%
- The company has still retained 25% (in 2026) for future expansion projects.
- Shareholders are receiving higher cash income of 75% from their investment, improving personal returns / high pay-out rate of 75% shows the company is prioritising rewarding shareholders.
- The increase in DPS by 89,3% reflects stronger profitability and confidence in future earnings.
- It has led to an increased pay-out rate (from 72 %) to 75%/ by 3% points.

	4

3.4 Share value:

Explain what the 'net asset value' per share represents. State ONE point.

Any ONE valid point ✓✓ part marks for incomplete / partially correct answers

- It represents the book value of the share / shows the worth of a share according to the accounting records of the company.
- Represents the value of the shareholders equity per share.
- It is influenced positively the increase in retained income by the company.
- Provides a measure of financial growth.
- Reflects company's accumulative wealth available to shareholders after settling all liabilities.

2

Give TWO reasons why the share price on the stock exchange is much higher than the net asset value per share.

Any TWO valid points ✓✓✓✓ part marks for incomplete / partially correct answers

- Higher market value indicates that investors want to buy shares in the company as it is a good investment / Good financial performance increase investor confidence and demand for shares.
- High demand and limited supply for shares pushes the share price to be above the NAV.
- Companies with potential growth opportunities are valued higher than their currently owned assets.
- The NAV is based on historical cost amounts recorded by the business, and this will suggest that the net asset value may be unrealistic or outdated.

4

3.5 Risk and gearing:

Explain why it will be wise for Refined Interiors Ltd to make more use of loans in the future. Quote and explain TWO financial indicators.

Financial indicator with figure/s and trend ✓ ✓
explanation/comment ✓ ✓

- Debt-equity ratio has decreased/improved (from 0,2 : 1) to 0,1 : 1
  The company is becoming less reliant on borrowed funds.
  This indicates a decrease in the financial risk.

- Return on average capital employed has increased/improved (from 23,7%) to 35,3%/by 11,6 % points/by 48,9%.
  This indicates that the company is positively geared as the ROTCE is greater than the interest rate on loans (11,5%).
  The company is generating sufficient returns to cover its borrowing costs and still increase profits for shareholders.

4

3.6 Shareholding:

Calculate the issue price per share for the new shares issued.	
WORKINGS	**ANSWER**
[23 250 000 – 11 250 000] [23 250 000/750 000] [11 250 000/750 000] 12 000 000 ✓ / 750 000 ✓ OR R31 – R15 one markone mark	R16 ☑ one part correct

3

Calculate the number of new shares purchased by Nabeel.	
WORKINGS	**ANSWER**
[3 000 000 x 40%] [3 000 000 x 5%] [750 000 X 35%] 1 200 000 ✓✓ – 787 500 ✓ OR 150 000 + 262 500 two marks one mark [13,75/25] OR 750 000 x 55% one mark two marks	412 500 ☑ one part correct

4

Give ONE possible reason (with figures) why Nabeel decided to buy the new shares.

Any ONE valid reason ✓figure/s ✓

- He views this company as an excellent investment as the market price is 717 cents more than NAV / High market price of 1 150 cents compared to NAV of 433 cents (in 2025) convinced him to buy shares.
- To increase his % shareholding which will give him more voting power of 40%.

2

3.7 Cash flow:

The directors are pleased with the company's net change in cash flows on 31 March 2026. Explain why they consider this as a good way of handling the cash in the operating, investing and financing activities. Give ONE reason for each with figures.

ACTIVITY	**REASON ✓ ✓ ✓ (with figures) ✓ ✓ ✓**
Operating activity	Increased cash resources (from 1 255 000) to R5 200 000/by R3 945 000 (314%) indicating effective management of daily operations.
Investing activity	Improved non-current assets (from R594 000) to R2 947 000/by R2 353 000 which will enhance future profits.
Financing activity	Funding increased (from R6 860 000) to R10 000 000/by R3 140 000, which improved cash position and enabled further investment opportunities.

6

TOTAL MARKS 45

QUESTION 4:

4.1 **Explain the roles and responsibilities of the following within a company:**

- **Board of directors**
- **Remuneration committee**

State ONE point in each case.

Board of directors ✓	• Safeguard the company's assets and shareholders' investments. • They ensure that the company complies with laws and regulations. • Review company performance to ensure required goals are achieved. • Evaluates and partake in recruiting the senior management. • They set up the company's current goals and long-term vision / They are involved in strategic decision making. • Determine the direction the company by making strategic management decisions. • Authorise significant investments, acquisitions, and projects. • Identify and monitor major business risks. • Review and approve annual budgets and financial plans. • Promote good corporate governance within the company.
Remuneration committee ✓	• Create remuneration policies of the senior management / Create long-term and short-term incentive plans. • Ensures remuneration of managers complies with legal and regulatory requirements / Avoid unjustified or excessive executive pay. • Review and recommend competitive remuneration for managers. • Disclose compensation of senior managers to shareholders / Ensure transparent reporting of directors' remuneration. • Ensure that accurate performance bonuses are accurately and fairly distributed / Decide on performance-related rewards. • Design remuneration packages that attract and retain skilled employees.

2

4.2 **Identify the type of unethical and illegal conduct that Jeppy has committed.**

Accept explanation as an answer

Insider trading □

- He used confidential, price sensitive information that is not available to the public for personal gain.
- He gained an unfair advantage by using confidential, price-sensitive information to enrich himself.
- He has engaged in an illegal action to enrich himself (personal gain) by acting on confidential information which was not made public yet.

1

4.3 **Briefly explain TWO ways in which Jeppy's actions could potentially affect the company.**

Any TWO valid explanation □□ □□ part marks for incomplete / partially correct answers

- Shareholders may lose confidence in the company and sell their shares.
- Damage to the company's reputation from unethical conduct may discourage future investors.
- Discourage potential shareholders from buying shares avoiding similar situation.
- The market price could decrease due to his unethical behaviour.

4

4.4 **Make TWO recommendations that the other directors should present to the board of directors and the remuneration committee in response to Jeppy's conduct.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partially correct answers

- Initiate internal investigation to determine breach of company's code of conduct.
- Propose strengthening the company's ethics policy.
- Regular mandatory training for all directors and senior managers on ethical behaviour.
- Recommend considering disciplinary measures or legal action against Jeppy and suspend him till matter is resolved.
- Suggest withholding his incentives pending the outcome of investigations.

Do not accept dismissal of Jeppy.

4

4.5 **Effective corporate governance can reduce the risk of directors acting unethically.**

State TWO problems identified in relation to Top D Ltd and give a solution for each.

PROBLEM ✓ ✓	SOLUTION ✓ ✓
• Abuse of access to confidential information / Inadequate control over confidential information / Misuse of privileged information / Involved in fraudulent or illegal conduct.	• Directors need to sign confidential agreements / All trades by directors should go through compliance officer / Buying and selling of shares should be restricted during closed periods
• Lack of transparency / Conflict of interest	• Senior managers should declare any personal or financial interests that could interfere with their professional duties.
• Inadequate knowledge by the directors / Weak corporate governance oversight	• Regular leadership workshop and consequences of unethical behaviour / Conduct regular governance review and ensure independent oversight.
• Poor monitoring of directors' share transactions.	• Establish a system to monitor and disclose directors' dealings in company shares.

TOTAL MARKS
15

TOTAL: 150

NOVEMBER 2025 MARKING GUIDELINES

QUESTION 1

1.1

Calculate the correct value of the closing stock of men's informal shirts.	
WORKINGS	**ANSWER**
[97 500 + 1 605 000 – 42 500] one mark one m mark $\frac{1\ 660\ 000\ ✓☑}{5\ 000\ ✓☑}$ x 820 ✓ [300 + 4 800 – 100] one mark one m mark 332 four marks	272 240 ☑ one part correct if x by 820

6

Numerator and denominator must be marked as such. Do not award marks for any stand-alone figures. E.g. no ticks if only written 97 500/300

1.2 ORDINARY SHARE CAPITAL NOTE

NUMBER	DETAILS	AMOUNT
2 150 000 ☑* Inspect (+SBB – SI)	Shares in issue at beginning	11 395 000 ✓
750 000 ✓	Shares issued during year	7 455 000 ☑* Inspect (+SBB – S@B)
(150 000) ✓#	Shares repurchased (ASP: R6,50 ✓) Do not accept R1 710 000	(975 000) ☑#
2 750 000	**Shares in issue at end**	17 875 000 ✓

8

* one part correct,
check correct operation for balancing figure. i.e. (+SBB – SI)
#Ignore brackets if answer of 975 000 is correct, award two marks if R6,50 is not shown
-1 presentation/details (max -1)

1.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025

Assets	
Non-current assets	
Fixed assets at carrying value	
Fixed deposit: Time Bank (320 000 x 60 / 40) OR 800 000 – 320 000 **2**	480 000 ✓☑
Current assets	**5 798 000**
Inventories one mark one m mark (– 285 500 + 272 240 see 1.1) (4 598 000 ✓ – 13 260 ✓☑) if 1.1 is > CS, sign should be +ve	4 584 740 ☑*
Trade and other receivables Transfer Prov. bd Comm. Inc. Dir. fees SARS IT **(735 000** + 5 000 ✓– 29 600✓☑ + 6 400✓ + 48 750✓✓ + 70 000✓)	835 550 ☑*
Cash and cash equivalents	
Total assets **12**	
Equity and liabilities	
Shareholders' equity 39 347 500 three marks [(4 721 700 ✓ x 100 / 24 ✓) x 2 ✓] – 16 200 000 ✓	23 147 500 ☑*
Ordinary share capital see 1.2	17 875 000 ☑
Retained income SHE – OSC; can be -ve. **7**	5 272 500 ☑
Non-current liabilities	
Mortgage loan: Delta Bank – 250 000 three marks (3 200 000 ✓ + 290 000 ✓ – 540 000 ✓✓) **5**	2 950 000 ☑*
Current liabilities	4 460 000 ✓✓
Trade and other payables Transfer Rent inc **(878 500** + 5 000 ☑ + 77 000 ✓✓)	960 500 ☑*
Current portion of loan see NCL	250 000 ☑
Shareholders for dividends	2 475 000 ✓✓
Bank overdraft balancing figure; can be -ve.	774 500 ☑
Total equity and liabilities **10**	**36**

* one part correct Inspect CPL and SFD may be included in T&OP.
-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

TOTAL MARKS
50

QUESTION 2

2.1 Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2025:

Calculate: Change in receivables		
WORKINGS	**ANSWER**	**INFLOW/OUTFLOW**
3 167 000 – 1 303 500 Ignore working and brackets	1 863 500 ✓✓	Outflow ✓*

	3

Calculate: Change in payables		
WORKINGS	**ANSWER**	**INFLOW/OUTFLOW**
[1 450 000 + 14 600] 1 464 600 ✓ – 1 323 500 ✓ If workings are not shown, award full marks for the answer. Do not award a mark for any operation done on stand-alone figures for each year.	141 100 ☑ one part correct CY – PY or vice versa	Inflow ✓*

	4

*Award marks for answer/detail if not in the relevant column.

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025

CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations		
Interest paid		**(316 250)**
Taxation paid (201 600 ✓ – 32 000 ✓ – 15 300 ✓) **OR** – 201 600 + 32 000 + 15 300 Accept ledger format or use of brackets as workings. For use of reserved signs; ensure that only one option is marked consistently.		(154 300) ☑*#
Dividends paid	**4**	**(252 000)**
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset purchased		(380 000) ✓✓
Sale of fixed asset [55 000 x (15% x 4/12)] one mark one mark one m mark (16 000 ✓ – 2 750 ✓☑) OR 55 000 – 41 750	**6**	13 250 ☑*#
Change in fixed deposit		
CASH FLOW FROM FINANCING ACTIVITIES		
Sale of shares		1 000 000 ✓✓
Shares repurchased one mark one mark (2 000 x R15,40 ✓✓) OR 22 000 + 8 800		(30 800) ☑*#
Change in loan (3 300 000 ✓✓ – 2 880 000 ✓)	**9**	(420 000) ☑*#
NET CHANGE IN CASH AND CASH EQUIVALENTS		(1 172 000) ☑*
CASH AND CASH EQUIVALENTS AT BEGINNING		415 000 ✓
CASH AND CASH EQUIVALENTS AT END	**4**	(757 000) ✓✓

22

*one part correct and must indicate correct operation & correct use of brackets If no brackets, assume answer is an inflow of cash – award marks for workings only.

#If the correct amount is provided without the brackets, and without workings, award all marks allocated for workings only.

-1 presentation (max -1); misplaced items award marks for workings only.

2.3 Calculate the following financial indicators for the year ended 28 February 2025:

Net asset value per share	
WORKINGS	**ANSWER**
$\frac{7\ 140\ 120}{498\ 000}$ ✓ x $\frac{100}{1}$	1 433,8 cents ☑* one part correct calculated as R/c; R/c not necessary Accept R14,34 / R14,33 / 1 433c / 1 434c

3	

Acid-test ratio	
WORKINGS	**ANSWER**
one mark one mark (3 167 000 + 18 000) 3 185 000 ✓✓ : one mark one mark (1 609 380 + 775 000) 2 384 380 ✓✓	1,3 : 1 ☑* one part correct in form x : 1 Accept 1,34 : 1

5	

Dividend pay-out rate	
WORKINGS	**ANSWER**
two marks one mark (90 000 + 129 480) $\frac{219\ 480}{518\ 400}$ ✓✓✓ x $\frac{100}{1}$ ✓	42,3% ☑* one part correct Do not accept 0,42

5	

For EACH calculation, the 'x 100' does not constitute 'one part correct'. Numerator and denominator must be marked as such.
Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R7 140 120 / 498 000 / 518 400.

2.4 The directors should be concerned about the cash resources of the company for the year ended 28 February 2025. Give ONE reason (with figures) for this concern.

Reason ✓ Figure/s ✓

- The cash and cash equivalents have changed (from a favourable balance of R415 000) to an unfavourable balance of R757 000 see 2.2.
- The net cash outflow of R1 172 000 see 2.2 indicates that the company's operations did not generate enough cash to cover it's needs.

2	

TOTAL MARKS
45

QUESTION 3

3.1

3.1.1	International Financial Reporting Standards (IFRS) □	
3.1.2	Director □	
3.1.3	Companies and Intellectual Properties Commission (CIPC) □	**3**

3.2 Shorts Ltd

3.2.1 Operating efficiency:

The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/ financial data with trends to support his statement.

Financial indicators/financial data □ □ Figures with trends ✓ □

- Mark-up % decreased (from 65%) to 50%/by 23,1%/by 15% points.
- % net profit after tax on sales increased (from 22%) to 26,4% by 20%/by 4,4% points.
- Sales have improved (from R48 m) to R77 m/by R29 m.

Do not accept operating expense on sales

4

3.2.2 Liquidity:

Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends.

Financial indicators □ □ Figures with trends ✓ □

- Debtors' collection period has improved (from 42 days) to 31 days/by 11 days
- Creditors' payment period improved (from 71 days) to 90 days/by 19 days

Do not accept current ratio and acid test ratio

4

3.2.3 Shareholding of Lewis Clark in Shorts Ltd:

Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding.	
WORKINGS	**ANSWER**
[1 783 250 x 40%] $\frac{713\,300}{1\,383\,250}$ ✓✓ ✓ x $\frac{100}{1}$ **OR** $\frac{669\,950}{1\,383\,250}$ x $\frac{100}{1}$ two marks one mark 100% – 48,4% three marks	51,6% ☑ one part correct % sign not necessary Accept 51% / 52%

4

'x 100' does not constitute 'one part correct'. Numerator and denominator must be marked as such.

Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to 713 300 / 1 383 250.

Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares.

Any TWO valid explanations ✓✓ ✓✓ part-marks for incomplete/unclear answers

- The CFO is now the majority shareholder / reduce the influence of minority shareholders.
- Lewis acted for personal gain, not the company's benefit.
- It took place just before final dividends were declared, which could also have benefited Lewis unjustly.
- CFO's influence could undermine board independence and lead to biased decisions.
- Using company's funds to enrich himself is an improper use of company assets / embezzlement of company funds / he took advantage of his position to convince the board.
- His actions risk damaging trust and the company's reputation.
- They paid a higher price than the NAV and MP.

4

Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE.	
WORKINGS	**ANSWER**
400 000 x [3,00 – 2,56] 0,44 **OR** 1 200 000 – 1 024 000	176 000 ✓☑ one part correct

2

3.3 Shorts Ltd and Lynn Ltd

3.3.1 Returns and dividends pay-out policy:

The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures.

Financial indicator with figures ✓ ✓ Explanation/comment ✓ ✓

Shorts Ltd

- ROSHE has decreased (from 14,7%) to 6%/by 8,7% points/by 59,2%.
- Directors will acknowledge this decrease and indicate that they are working on improving it in the new financial year.
- The return from ROSHE is less than what could have been earned from fixed deposit.

Lynn Ltd

- ROSHE has increased (from 14,5%) to 16,1%/by 1,6% points/by 11%.
- Directors will remind the shareholders that they are earning more than the interest of fixed deposit.
- Investing more in the company has better returns than they would earn from a fixed deposit.

4

A potential investor believes that Lynn Ltd has a better dividend pay-out policy when compared to Shorts Ltd. Explain why you would agree with her. Provide TWO points with figures.

Financial indicator with figures ✓ ✓ Explanation ✓ ✓

Shorts Ltd

- They did not retain any funds but had used 24,6% (162c of 130c) of funds from the previous financial year / it increased (from 49,1%) to 124,6%.
- This was to distract shareholders from the decrease in the profitability (EPS) of the company in the current financial year.
- Hiding company share performance in the market/shares undervalued.
- They wanted to make the shareholders happy.

Lynn Ltd

- They have retained 46,1% (235c of 510c) of its earnings / it increased (from 49,2%) to 53,9%.
- This indicates that they have plans for future expansion purposes which will benefit shareholders in the future / allowed reinvestment in profitable projects.

4

3.3.2 Share price:

Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response.

Comparison of NAV – MP ✓ ✓ Figures with trends ✓ ✓

Shorts Ltd

- NAV of 270 cents is higher than the MP of 256 cents/by 14 cents.

Lynn Ltd

- MP of 976 cents is higher than the NAV of 958 cents/by 18 cents.

FOR FOUR MARKS:

In Shorts Ltd shares are undervalued at 14 cents, while in Lynn Ltd shares are overvalued at 18 cents.

4

3.4 Lynn Ltd

The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion.

Financial indicator with figures ✓ Explanation ✓✓

- ROTCE has increased (from 19,2%) to 21,8%/by 2,6% points/by 13,5%.
- ROTCE is higher than the interest rate (12,5%), the company is positively geared / company has effectively used the borrowed funds to generate higher profits.

3

3.5 Audit report of Lynn Ltd

Explain why the shareholders should be concerned about this audit report. Provide TWO points.

Any TWO valid points ✓ ✓

- This is a qualified report / this implies bad report.
- This report will affect the company's image or reputation.
- There is lack of internal control processes (poor recording).
- Possibility of mismanagement of funds or fraud.
- Reduces confidence in directors' integrity.
- It can reduce market confidence and cause a fall in share price / it will create doubt to possible new investors.
- It can lower the company's creditworthiness / contribute to a lower credit rating.

2

State TWO possible decisions that the shareholders could make based on this audit report.

Any TWO valid points ✓ ✓

- Investigate financial practices in the company.
- Vote against reappointing directors / vote against rewarding current directors.
- Appoint a new internal auditor due to lack of trust in the current one.
- Demand clarification from directors to ensure transparency / demand improved internal controls or governance.
- Sell their shares due to increased risk.
- Avoid additional investment in the company / pause further investment until issues are resolved.

2

TOTAL MARKS
40

QUESTION 4

4.1 **Some shareholders are concerned about the donations made for environmental initiatives, believing that it is not their responsibility.**

Advise the shareholders on why corporate donations are important for the company. Provide TWO points.

Any TWO valid points ✓ ✓

- Reflects good governance, which will contribute to well-being of community / donating to community projects helps improve people's lives / it builds a stable society.
- King Code encourages investment in environmental sustainability.
- It reduces company's taxable income.
- Companies that help the community are more popular with customers.
- Good publicity boosts company image or share demand.
- Builds strong community relationships to prevent disruptions / maintains loyalty through good community relations.

2

4.2 **Explain TWO points why it is important for employees to report unethical behaviour in a business.**

Any TWO valid points ✓ ✓

- It promotes accountability / good ethical behaviour / ensures employee's commitment to ethical values / shows commitment to ethical standards.
- It guarantees employees investment in the long-term success of the company / it proves that employees care about the success of the company.
- Helps detect and solve issues early / motivates employees by addressing misconduct effectively.
- Encourages a positive culture of being honest and transparent.
- Protects company reputation / protects company financial health.
- Creates a safe, productive work environment / protects employees' performance.
- Boosts morale by ensuring fairness and addressing misconduct / enhances confidence by ensuring fairness

2

Suggest TWO actions that the company could take to prevent similar incidents in the future.

Any TWO valid points ✓ ✓

- Improve internal financial controls system / perform regular audits to identify irregularities early.
- Regular ethics training to all employees.
- Protect whistle-blowers / create a safe reporting channel for employees.
- Monitor and evaluate leadership conduct more often / increase oversight of leadership behaviour.
- Use a suggestion box for employees to share their views on ethical conduct.
- Establish clear rules of conduct and consequences for violations / apply strict consequences for any harassment or bullying.
- Encourage transparency to reduce conflict / promote openness to reduce toxic behaviour.

2

4.3 **Explain the meaning of the term insolvent.**

Any valid explanation ✓✓

- The liabilities exceed the assets / company does not have enough money or assets to pay what you owe.
- The company will not be able to settle its liabilities with its assets if it is liquidated / financially unable to meet obligations.
- The company has a negative equity.

2

4.4 **Comment on how the 'rights issue' improved the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance was favourable.**

- Assets will increase as more cash is received. ✓
- Equity will increase as more shares have been issued. ✓
- Liabilities will remain unchanged. ✓

3

4.5 **Give TWO reasons why the existing shareholders responded positively to participating in the rights issue.**

Any TWO valid reasons ✓✓ ✓✓ part-marks for incomplete/unclear answers

- They want to safeguard their previous investments in the company.
- They are getting the shares at a discounted price.
- They can resell these shares at the market price and make a profit.
- Minimise the chances of liquidation / save the company from insolvency.
- They showed confidence in the company's recovery and management.

4

TOTAL MARKS
15

TOTAL: 150

MAY/JUNE 2025 MARKING GUIDELINES

QUESTION 1

1.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	(12 171 200 ✓ – 31 200 ✓)	12 140 000	☑*
Cost of sales	sales/1,6 OR sales x 100/160	(7 587 500)	☑☑#
Gross profit	Sales – CofS **6**	4 552 500	☑
Other income		225 250	☑*
Service fee income		**174 580**	
Provision for bad debts adjustment		2 030	✓✓
Rent income	[6 080 x 4] OR [72 960 x 4/12] (72 960 – 24 320 ✓✓)	48 640	☑*
Gross operating income	GP + OI **7**	4 777 750	☑
Operating expenses		(3 307 800)	☑*
Salaries and wages		**763 000**	
Depreciation		**285 860**	
Audit fees	(75 168 + 18 792)	93 960	✓✓
Directors fees	one mark one mark two marks 49 500 + 49 500 + 44 055 (1 595 385 – 143 055 ✓✓✓✓)	1 452 330	☑*
Trading stock deficit	[31 200 x 100/160] (22 150 – 19 500 ✓✓)	2 650	☑*
Sundry expenses		710 000	✓
	12		
Operating profit	GOI - OE	1 469 950	☑
Interest income	balancing figure	59 450	☑
Profit before interest expense	NPBT + Int. exp	1 529 400	☑
Interest expense	16 950 two marks (330 000 ✓ – 126 600 ✓) OR (27 500 – 10 550) x 12 one mark one mark	(203 400)	☑

Net profit before tax IT	NPAT +	1 326 000	☑
Income tax		**(397 800)**	
Net profit after tax	[397 800 x 70/30] **9**	928 200	✓✓

21

*one part correct

-1 foreign items (max -2) i.e SFP items; -1 presentation (max -1). Prov. for bd adjust must be shown as an income.

Trading stock deficit could be shown as an income, mark as per principle 11. If trading stock deficit is shown as an income with correct workings, -1 for answer.

#two m marks will be awarded only if the candidate has used the sales figure calculated above.

1.2 Statement of Financial Position on 28 February 2025

EQUITY AND LIABILITIES			
ORDINARY SHAREHOLDERS' EQUITY (TE&L – TL)		3 041 500	☑
Ordinary share capital		**2 480 000**	
Retained income	balancing figure **2**	561 500	☑
NON-CURRENT LIABILITIES [5 214 000 / 2,4] (2 172 500 ✓✓ – 972 000 ✓)	**4**	1 200 500	☑*
Loan: Oracle Bank		1 200 500	
CURRENT LIABILITIES		**972 000**	
Trade and other payables Audit fees Rent income correction **(420 358** + 18 792 ✓ + 24 320 ☑ – 22 750 ✓)		440 720	☑*
SARS Income tax (397 800 – 363 100)		34 700	✓✓
Shareholders for dividends (1 550 000 x 19/100)		294 500	✓✓
Bank overdraft	balancing figure	75 480	☑
Current portion of loan		**126 600**	
TOTAL EQUITY AND LIABILITIES	**10**	5 214 000	✓

*one part correct
-1 foreign items (max -2);
presentation -1 (max -1) Inspect:
SARS:IT and SFD may be included
in T&OP

Note principle 11 when awarding method marks; Operation as per candidate's operation, unless otherwise specified.

TOTAL MARKS	**50**

QUESTION 2:

2.1

(i)

Calculate: Carrying value of buildings on 1 March 2024	
WORKINGS	**ANSWER**
15 479 600 – 7 909 600	7 570 000 ✓✓

(ii)

Calculate: Disposal of vehicle at carrying value	
WORKINGS	**ANSWER**
180 000 x [20% x 7/12] 510 000 ✓ – 330 000 ✓ – 21 000 ✓☑ 180 000 two marks **OR** 510 000 – 351 000 one mark two marks one m mark Accept ledger format	159 000 ☑ CP – AccD@B – Curr Depr

(iii)

Calculate: Total depreciation on equipment		
WORKINGS		**ANSWER**
New 320 000 x [15% x 3/12]	12 000 ✓☑	406 500 ☑ one part correct new + old depr
Old 2 630 000 x [15% x 12/12]	394 500 ✓✓	
Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R320 000 or R2 630 000.		

12

2.2

Calculate: Taxation paid	
WORKINGS	**ANSWER**
148 000 ✓ + 1 736 000 ✓ + 220 000 ✓ **OR** – 148 000 – 1 736 000 – 220 000 Accept ledger format or use of brackets as workings. Be aware of signs reversed; Ensure that only one option is marked consistently.	2 104 000 ☑ one part correct ignore brackets

4

Calculate: Dividends paid	
WORKINGS	**ANSWER**
[4 050 000 x 0,32] 840 000 ✓ + 1 296 000 ✓✓ **OR** 840 000 + [2 696 000 – 1 400 000] one mark two marks Accept ledger format or use of brackets as workings	2 136 000 ☑ one part correct ignore brackets

4

2.3 Cash effects from financing activities in the Cash Flow Statement for the year ended 28 February 2025

*one part correct

Cash effects from financing activities	9 608 500 ☑*
Issuing of shares	6 300 000 ✓
Shares repurchased (50 000 ✓ x R8,50 ✓✓) OR 175 000 + 250 000 (one mark / two marks)	(425 000) ☑* Must be in brackets
Change in loan	3 733 500 ✓✓

-1P if no details (max -1)

8

2.4

Calculate: % operating expenses on sales	
WORKINGS	**ANSWER**
4 667 600 ✓ / 26 480 000 ✓ x 100/1	17,6 % ☑ one part correct

3

Calculate: % return on average shareholders' equity	
WORKINGS	**ANSWER**
4 464 000 ✓ / ½ (22 556 000 ✓ + 14 913 000 ✓) x 100/1 18 734 500 two marks	23 ,8% ☑ one part correct if average SHE (x ½) is used

4

Calculate: Dividends per share	
WORKINGS	**ANSWER**
[1 296 000/4 050 000] 32 ✓ + [1 400 000 / 4 000 000] 35 ✓✓ OR one mark 0,32 + two marks 0,35 Ensure that only one option is marked consistently.	67cents ☑ one part correct Do not accept 67,4

4

- For EACH calculation, the 'x 100' does not constitute 'one part correct'.
- Numerator and denominator must be marked as such.
- Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R4 667 600.

2.5

	SOURCE OF FUNDING (with figures)	NEGATIVE EFFECT ON CASH FLOW
SOURCE 1	Shares issued, ✓ R6 300 000 ✓	Expectations of shareholders to receive regular dividends in the future ✓
SOURCE 2	Change in loan, ✓ R3 733 500 ☑ See 2.3	Loan has to be repaid with interest. ✓

6

TOTAL MARKS	**45**

QUESTION 3:

3.1

3.1.1	Profitability ✓	No abbreviations
3.1.2	Limited ✓	
3.1.3	Solvency ✓	

3

3.2 Liquidity:

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

Financial indicators ✓ ✓ Figures and trends ✓ ✓

- Current ratio improved/increased (from 0,3 :1) to 1,6:1 / by 1,3 : 1.
- Acid test ratio improved/increased (from 0,1 :1) to 0,8:1 / by 0,7 : 1
- Debtors collection period improved/decreased (from 43 days) to 36 days / by 7 days

Do not accept creditors payment period

4

3.3 Dividend pay-out policy:

Calculate the dividend pay-out rate for the year ended 28 February 2025.

WORKINGS	ANSWER
$\frac{55}{51} \times \frac{100}{1}$	107,8% ✓✓ Do not accept 1,07

3

Explain why the directors decided to change the policy. Give ONE reason.

ONE valid point ✓✓

- The company wants to keep shareholders happy/increase shareholder satisfaction.
- They are trying to influence the market price of shares by increasing dividends.
- Equalising dividends over several years.
- Not planning for future expansions
- The company had sufficient reserves from previous years.

2

3.4 % shareholding and repurchase decision making:

Calculate the number of new shares that Denzel purchased on 31 July 2024.

WORKINGS	ANSWER
[900 000 x 45%] 494 000 ✓ – 405 000 ✓✓ [125 000 – 75 000] **OR** 495 000 – 456 000 + 50 000 one mark one mark one mark	89 000 ☑ one part correct

4

Calculate Denzel's % shareholding on 28 February 2025.

WORKINGS	ANSWER

3

494 000 ✓ x 100 950 000 ✓ 1 • Numerator and denominator must be marked as such. • Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R494 000.	52% ☑ one part correct

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.

ONE valid reason ✓✓ part marks for incomplete / partial / unclear responses

- Unethical, as Denzel is taking advantage as the majority shareholder/This creates potential conflict of interest.
- Nepotism, as Denzel has favoured his relative's estate by paying R12 per share.
- This is not procedural; one person cannot determine buy-back prices.
- Shareholders may lodge a dispute, as this action could be a breach of the company's policies.
- The decision was not fair and transparent.

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.

TWO financial indicators □ □ Figures and trends □ □ Explanation □ □

- Debt/equity ratio increased (from 0,5 : 1) to 0,8 : 1 / by 0,3 : 1
  The financial risk has increased / The company is more reliant on debt to finance its operations.

- The % return on average capital employed (ROTCE) decreased (from 9,5%) to 8,2% / by 1,3% points / by 13,7%
  The company is negatively geared / ROTCE is lower than the (12%) interest rate/using loans ineffectively.

6

The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points.

TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- The capital raised does not have to be repaid to the shareholders.
- Improvement in the debt-equity ratio.
- Dividends will only be declared if the company can afford to do so.
- No interest is paid; this will improve profits.

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.

Financial indicators / other data □ □ □ Figures and trends ✓

- Net asset value per share decreased (from 1 060 cents) to 1 025 cents / by 35 cents / by 3,3%.
- Market price per share decreased (from 1 030 cents) to 1 000 cents / by 30 cents / by 2,9%.

For FOUR marks:

- Market price per share of 1 000 cents is lower than the Net asset value per share of 1 025 cents

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).

ONE valid point ✓✓ part marks for incomplete / partial / unclear responses

- Develop sound financial strategies aligned with company long term goals.
- Ensure that the company complies with financial regulations and standards.
- Instil confidence in the company performance and growth.
- CFO's are instrumental in identifying financial risks.
- He / She must have the relevant knowledge (experience/skill) as the CFO makes final decisions concerning all the aspects of the company's finances.
- Must be informed of all policies relevant to the effective handling of the company's finances.
- To prevent fraud and mismanagement of funds.

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.

Financial indicators / other data □ □ □ Figures and trends ✓

- Earnings per share decreased (from 58 cents) to 51 cents / by 7 cents / by 12%.
- Return on average shareholders' equity decreased from (from 6,2%) to 4,5% / by 1,7% points / by 27,4%.
- Solvency ratio decreased (from 2,6 : 1) to 2,2 : 1 / by 0,4 : 1.

Note: Do not accept % operating expenses on sales
Be aware of relevant indicators not used in Q3.2 – Q3.6 excluding positive trends. e.g liquidity.

	4

TOTAL MARKS	**40**

QUESTION 4

4.1.1 **Identify the type of audit report that Yungs Ltd received.**

Unqualified ✓ Accept 'clean' report

1

4.1.2 **Name TWO reliable types of audit evidence that VC Auditors used as the basis for their opinion.**

Any TWO valid and different types ✓ ✓

source documents (any two may be marked separately e.g. invoices /receipts)

journals	ledgers
(signed) contracts	(signed) payrolls
debtors' statements	creditors' statements
bank statements	EFT voucher (proof of payment)
asset registers	physical inspections
Deeds/registration documents	

Be aware of other valid examples that are related to financial records

2

4.1.3 **Explain how this audit report could have a positive influence on the company in the future. Provide TWO points.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- Shareholders have confidence in the management of the company and would want to retain their shares.
- It would attract potential shareholders.
- It will make it viable for the company to raise more capital in the future.
- The company may find it easier to secure financing from financial institutions/It will improve the company's image and result in an increased credit rating.
- Reassures shareholders that company's financials are trustworthy, reducing perceived risk.
- It may increase the share price of the company on the JSE.

4

4.2.1 **What action would Vintage Ltd have taken against the two directors who appeared in court? Provide TWO points.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- They could have been suspended while investigations/court case are taking place.
- Directors' fees and/or directors' benefits may not have been paid out while court case is taking place.
- Dismissed or declared delinquent directors, if they are found guilty in court.
- They may have been required to pay back the bribes to the company, if found guilty.
- Vintage Ltd could claim back any directors' fees or benefits earned during the period that the offence occurred.

4

4.2.2 **Explain TWO consequences Josh, the external auditor, may face for his illegal conduct.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- Disciplinary action by his employer/lose his licence from professional body, e.g. SAICA.
- Other auditing reports he signed off, may be investigated. He may lose creditability in his workplace.
- VC Auditors (employer) may sue him for loss of future income / other auditing contracts due to their damaged reputation.
- Vintage Ltd (client) could sue him in his personal capacity to repay the total bribe money he received/he may lose his personal possessions.
- If he is also charged for fraud, he may face jail time / not be able to practice as an auditor in future.

Do not accept:
Lose qualification; blacklisted; fired

4

TOTAL MARKS	15

TOTAL: 150

NOVEMBER 2024 MARKING GUIDELINES

QUESTION 1

Calculate:

1.1.1

Depreciation on equipment on 29 February 2024	
WORKINGS	**ANSWER**
472 500 – 344 700	127 800 ✓✓

2

1.1.2

Cost price of vehicles on 29 February 2024	
WORKINGS	**ANSWER**
1 250 000 ✓ – 240 000 ✓ + 320 000 ✓ **OR** Vehicles If a working is shown as a final answer, award working mark only	1 330 000 ☑ one part correct

4

1 250 000	one mark	240 000	one mark
320 000	one mark	1 330 000	one m. mark

1.1.3

Depreciation on vehicles on 29 February 2024.	
WORKINGS	**ANSWER**
Depreciation on new vehicle 320 000 x [20/100 x 6/12]	32 000 ✓☑*
Depreciation on vehicle traded in [240 000 – 73 600] 166 400 x [20/100 x 6/12]	16 640 ✓☑*
Depreciation on remaining vehicles	**132 720**
should include R132 720	181 360 ☑*

5

one part correct

1.1.4

Profit/Loss on vehicle traded in on 1 September 2023	
WORKINGS	**ANSWER**
one mark one m. mark (73 600 + 16 640) see 1.1.3 240 000 ✓ – 90 240 ✓☑ – 153 660 ✓ 149 760 three marks **OR** Asset disposal	3 900 ☑ one part correct

If a working is shown as a final answer, award working mark/s only

240 000	one mark	90 240	one mark	one m. mark
3 900	one m. mark	153 660	one mark	

5

NOTE: The relevant amounts, calculated above, must be transferred to QUESTION 1.2, the Statement of Comprehensive Income.

1.2 Statement of Comprehensive Income for the year ended 29 February 2024

Sales [4 780 900 x 1,6] [115 000 x 0,2] 7 649 440 ✓✓ – 23 000 ✓✓ **OR** [4 665 900 x 1,6] [115 000 x 1,4] 7 465 440 two marks + 161 000 two marks		7 626 440 ☑* Both figures must be added / subtracted
Cost of sales		**(4 780 900)**
Gross profit	Sales – CofS **6**	2 845 540 ☑
Other income	operation	1 902 000 ☑
Service fee income		**1 757 700**
Profit on sale of asset **	see 1.1.4	3 900 ☑
Rent income [10 695 x 2] one mark two marks 158 100 ✓ – 21 390 ✓✓ **OR** 104 625 + 32 085		136 710 ☑*
Provision for bad debts adjustment #		3 690 ✓✓
Gross operating income	GP + OI **9**	4 747 540 ☑
Operating expenses	operation	(3 371 340) ☑
Audit fees		**79 000**
Sundry operating expenses		**119 900**
Bad debts		**24 780**
Packing material		58 700 ✓
Trading stock deficit $		7 400 ✓✓
Insurance [100 800 x 3/15] **OR** [6 720 x 3] 100 800 ✓ – 20 160 ✓✓ **OR** 100 800 x 12/15		80 640 ☑*
Salaries and Wages [21 840 + 11 760] [GS x 10%] 1 425 600 ✓ + 33 600 ✓✓ + 3 360 ☑		1 462 560 ☑*
Directors fees [41 000 x 4] 1 065 200 ✓ + 164 000 ✓✓		1 229 200 ☑*
Depreciation @ [127 800 + 181 360] see 1.1.1 see 1.1.3	**18**	309 160 ☑
Operating profit	GOI – OE	1 376 200 ☑
Interest income	balancing figure (accept a -ve figure)	151 200 ☑
Profit before interest expense	NPBT + Int. expense	1 527 400 ☑
Interest expense		**(149 400)**

Net profit before tax IT	NPAT +	1 378 000 ☑
Income tax 28/72	NPAT x	(385 840) ✓✓
Net profit after tax		**992 160**

-1 foreign items (max -2) i.e SFP items; -1 presentation (max -1). *one part correct
** If calculated as loss in 1.1.4 award method mark under operating expenses. # Prov. for bd adjust should be shown as an income.
$ Trading stock deficit should be shown as an expense. @ Both figures should be added to award a method mark.
When awarding method marks, refer to Principle 10; follow the candidate's operation.

TOTAL MARKS	**55**

QUESTION 2

EYBERS LTD

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 29 FEBRUARY 2024

Balance at the beginning of the year	**573 720**	
Net profit after tax (744 860 ✓ ÷ 40% ✓) **OR** 744 860 x 100/40	1 862 150	☑*
Repurchase of shares ignore brackets	(64 600)	✓✓
Ordinary share dividends	**(744 860)**	
Interim dividend	416 000	✓
Final dividend OSD – Int Div.	328 860	☑
Balance at the end of the year Check operation; shares repurchased and OSD must be subtracted	1 626 410	☑*

8

-1P if no details (max -1)

*one part correct

OR

2.1 RETAINED INCOME NOTE FOR THE YEAR ENDED 29 FEBRUARY 2024

Balance at the beginning of the year	**573 720**	
Net profit after tax (1 458 167 ✓ x 1,175 ✓)	1 713 346	☑*
Repurchase of shares ignore brackets	(64 600)	✓✓
Ordinary share dividends	**(744 860)**	
Interim dividend	416 000	✓
Final dividend OSD – Int Div.	328 860	☑
Balance at the end of the year Check operation; shares repurchased and OSD must be subtracted	1 477 606	☑*

8

-1P if no details (max -1)

*one part correct

2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations		
Interest paid		
# Taxation paid 44 675 ✓ + 462 000 ✓ + 66 650 ✓ **OR** – 44 675 – 462 000 – 66 650	(573 325)	☑*
# Dividends paid (1 200 000 x 17/100) [744 860 – 328 860] 204 000 ✓☑ + 416 000 ✓ **8**	(620 000)	☑*
CASH FLOW FROM INVESTING ACTIVITIES		
CASH FLOW FROM FINANCING ACTIVITIES		
New shares issued	4 000 000	✓
Shares repurchased (34 000 x 7,60) (34 000 x 1,90) 258 400 ✓ + 64 600 ☑	(323 000) Both figures	☑*
Loan repaid **6**	(480 000) If no bracket, award	✓✓
NET CHANGE IN CASH AND CASH EQUIVALENTS	**296 460**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	(106 680) If no bracket, award	✓✓
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 3	189 780 operati	☑

17

* one part correct, reflected as an outflow (brackets).
-1 poor presentation (max -1)
Be alert to alternative workings such as ledger account or use of brackets or signs reversed. For use of reversed signs, ensure that only one option is marked consistently.
If no brackets, assume answer is an inflow of cash – award marks for workings only.
If a workings amount is shown as a final figure, award the mark/s allocated, ignore the brackets.
If correct figure is shown without brackets or workings, award all working marks only; not final mark.

2.3 Calculate the following for the year ended 29 February 2024:

% operating expense on sales	
WORKINGS	**ANSWER**
$\frac{1\ 360\ 950\ \checkmark}{8\ 240\ 600\ \checkmark} \times \frac{100^*}{1}$	16,5% ☑ one part correct calculated as a % % sign not necessary Accept 17 % Do not accept 0,165/0,17

Stock turnover rate	
WORKINGS	**ANSWER**
$\frac{5\ 060\ 000\ \checkmark}{\frac{1}{2}(174\ 000\ \checkmark + 193\ 000\ \checkmark)}$ 183 500 two marks	27,6 times ☑ one part correct if average stock (x ½) is used Accept 28 times

Interim dividend per share	
WORKINGS	**ANSWER**
$\frac{416\ 000\ \checkmark}{1\ 600\ 000\ \checkmark} \times \frac{100^*}{1}$ [1 200 000 + 400 000] one mark	26 cents ☑ one part correct must be in cents; assume it is cents if not specified. Accept R0,26

- For EACH calculation, the 'x 100' does not constitute 'one part correct'.
- Numerator and denominator must be marked as such.
- Do not award marks for any operations done to stand-alone figures.
  e.g. no tick if anything else is added to R1 360 950.

	3
	4
	3

TOTAL MARKS
35

QUESTION 3

3.1 Profitability:

Quote TWO financial indicators with figures and trends to indicate that the company is managing its expenses well.

Financial indicators □ □ figures and trends ✓ □

- % operating expenses on sales has decreased / improved (from 19%) to 14% / by 5%-points / by 26,3%.
- % operating profit on sales has increased / improved (from 12%) to 18% / by 6%-points / by 50%.
- % net profit before tax on sales has increased / improved (from 11%) to 19% / by 8%-points / by 72,7%.

Do not accept mark-up %

4

3.2 Dividends pay-out policy:

Comment on the dividend pay-out policy of the company. Explain why this is a responsible change in policy. Provide ONE point.

Figures and trend □

- It decreased (from 86%) to 60% / by 26 %-points / by 30,2%.

Explanation ✓✓ part mark for unclear/incomplete answers

Funds have been retained for future expansion purposes / shareholder will benefit in the future as funds have been set aside / protect the cash flow of the business.

3

3.3 Earnings and returns:

Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures.

Earnings per share (EPS)

- increased (from 104 cents) to 112 cents / by 8 cents / by 7,7 %. ✓
- Shareholders should be happy as it shows an increase in the profitability of the company. ✓

Return on average shareholders' equity (ROSHE)

- increased (from 11%) to 20% / by 9%-points / by 81,8%. ✓
- shareholders should be satisfied because ROSHE (20%) is greater than the interest rate on fixed deposit (7,5%). ✓

4

3.4 Financing strategies and gearing:

Refer to information C.
The directors decided to buy new fixed assets in 2024 to enhance the company. Identify the TWO main sources (over R1m) that were used to finance this purchase. Provide figures.

Source ✓ ✓ figures ✓ ✓

- Shares issued (sold), R2 970 000 (from 28 800 000) to 31 770 000 / by 10,3%
- Increase in loan, R3 513 000 (from 9 400 000) to 12 913 000 / by 37,4%

Do not accept: sale of fixed assets / cash and cash equivalents

4

Explain how the decisions affected the risk and gearing of the company. Quote TWO financial indicators with figures.

Debt/equity ratio ✓
- decreased / improved (from 0,5 : 1) to 0,2 : 1 / by 0,3 : 1. ✓
- Company still has a low financial risk. ✓

Return on average capital employed (ROTCE) ✓
- increased (from 15%) to 24% / by 9%-points / by 60%. ✓
- Company has positive gearing / ROTCE (24%) is greater than interest rate on loan (12%). ✓

6

3.5 Grant Waters' % shareholding, rights issue and shares repurchased:

Calculate:

The number of shares that Grant bought through the rights issue on 31 October 2023.	
WORKINGS	**ANSWER**
$\frac{1\ 620\ 000\ \checkmark}{50\ \checkmark}$ x 10 32 400 two marks Check numerator / denominator	324 000 shares ☑ If x 10

3

Grant's % shareholding after the rights issue on 29 February 2024.	
WORKINGS	**ANSWER**
$\frac{(1\ 620\ 000\ \checkmark + 324\ 000\ \text{☑})}{3\ 600\ 000\ \checkmark\checkmark}$ x $\frac{100}{1}$ see above [3 000 000 + 600 000] **OR** $\frac{(1\ 380\ 000 + 276\ 000)}{3\ 600\ 000}$ x $\frac{100}{1}$ = 46% one mark one m. mark two marks 100% - 46%	54% ☑ one part correct

5

The total amount that Grant spent on the shares he acquired through the rights issue. **NOTE: No shares were repurchased during the financial year.**	
WORKINGS	**ANSWER**
324 000 ☑ x R4,95 ✓☑ see above see 3,4 2 970 000 / 600 000 **OR** 2 970 000 – 1 366 200 see 3,4 (276 000 x 4,95) one m. mark one mark one m. mark Note: award method mark if calculations are provided for R4,95.	R1 603 800 ☑ one part correct

4

Grant intends to convince the board of directors to repurchase shares from him in the next financial year at R12 per share. Explain why the other board members would probably vote against this transaction proposed by Grant. Provide TWO points (with figures).

Any TWO valid points ✓ □ Figures ✓ □ part mark for unclear/incomplete answers.

- The repurchase price of (R12 / 1 200 cents) exceeds the market value per share of 950 cents / by 250 cents.
- The repurchase price of (R12 / 1 200 cents) exceeds the NAV per share of 564 cents / by 636 cents.
- He is taking advantage of his status as the majority shareholder. 54% (see above) / This constitutes self-enrichment due to his position as the majority shareholder by 54% (see above).

4

3.6 Role of the CEO:

Explain TWO characteristics that shareholders would expect of a good CEO.

Any TWO valid explanations □□ □□

- Ability to set and communicate a clear vision of the company / have strong communication skills to effectively convey important information.
- Maintain transparency with all stakeholders.
- Ability to deliver consistent financial performance / understand financial management.
- Ability to attract, develop and retain top talent.
- Committed to ethical business practice with high standard of integrity.
- Adapt quickly to change / respond to unexpected challenges.
- Ability to identify and address the needs of various stakeholders / Make well informed decisions to manage risk and drive positive outcomes.
- Creative in identifying new opportunities / allocate resources effectively to remain competitive in the market.

4

Apart from the factors and financial indicators covered in the previous questions, identify and explain TWO other points indicating that the company is well managed by the CEO. Quote figures.

Financial indicators (with figures and trend) □ □ Explanation □ □

- Solvency ratio increased / improved (from 2,8 : 1) to 3,8 : 1, the business has a stronger financial position.
- Current ratio increased / improved (from 1,6 : 1) to 2,5:1 and the business ability to pay its short-term debts has strengthened.
- Acid test ratio increased / improved (from 1,2 : 1) to 1,9 : 1 and the business has enough cash to cover its short-term debts.

Do not accept mark-up %

4

TOTAL MARKS
45

QUESTION 4

4.1 **Explain the role of an independent external auditor. Provide ONE point.**

Any suitable relevant response ✓✓

- Provides an unbiased audit report on the financial statements of the company.
- Presents an opinion on the fair presentation of the financial statements.
- protects the interest of the shareholders/public.

2

4.2 **Choose the correct word from those in brackets. Write the answer and explain your choice.**

Valiant Ltd received a/an (qualified/unqualified/disclaimer of opinion) audit report.

AUDIT REPORT	EXPLANATION
Unqualified ✓	Any suitable relevant response ✓ • No errors / problems / irregularities were discovered. • Opinion indicates that the financial statement fairly present the financial situation of the company.

2

4.3 **What kind of audit evidence does the independent external auditor examine to verify the fixed assets of a company? Provide TWO points.**

Any suitable relevant response ✓✓ ✓✓

- confirm the physical existence of items listed on the fixed assets register.
- check if calculations of depreciation are correct / check the correct depreciation rate was used.
- Check the invoice/receipt against the cost price written on the fixed asset register if they are the same.
- Check if correct procedure followed in procurement of new fixed assets/ check if correct procedures were followed in disposing of fixed assets.
- Check the registration certificate / title deed to confirm ownership.

Response for one mark:
- Check the fixed asset register.
- Check the logbook.
- Verify source documents.

4

4.4 **What are the implications of this audit report for the following:**

- **Directors**
- **Shareholders**

State ONE point in each case.

	IMPLICATIONS
Directors	Any suitable relevant response ✓✓ • Will be reappointed by the shareholders. • Improves their credentials / reputation.
Shareholders	Any suitable relevant response ✓✓ • Satisfied that their investment is safe. • It will encourage further investment in the company.

4

Note: 1. Check the type of audit report identified in 4.2 and mark 4.4 accordingly.
2. Disregard the audit report chosen in 4.2, if the candidate's answer in 4.4 matches the MG above.

4.5 **State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.**

Any suitable relevant response ✓ ✓ ✓
Accept one-word answers

Possible consequences for auditor as employee:

- deregistered / struck off the roll by IRBA (Accounting body) / loss of professional license / revocation of his certificate.
- Disciplinary hearing / suspended (during investigation) / fired by his employer / fined / imprisonment (arrested)
- sued by shareholders (company) for negligence (financial loss) / Bad reputation to his name.

Possible consequences for company (auditor's employer):

- Lose clients / removed as auditors by clients / loss of employment to staff as number of client base decreases / Acquiring contracts will be challenging in the future / Bad image of the company.

3

TOTAL MARKS
15

TOTAL: 150

QUESTION 1

1.1 FIXED ASSETS

(i)

Calculate: Cost price of buildings at the beginning of the year	
WORKINGS	**ANSWER**
9 421 300 + 420 000 Concession: 9 421 300 + 420 000 one mark; for candidates who did not provide a final answer	9 841 300 ✓✓

2

(ii)

Calculate: Depreciation on vehicles	
WORKINGS	**ANSWER**
(786 000 – 260 000) two marks Old 526 000 ✓✓ x [15% x 12/12] ✓ or 15% 78 900 three marks New 260 000 ✓ x [15% x 5/12] ✓ 16 250 two marks	78 900 three marks + 16 250 two marks 95 150 ☑ one part correct both parts to be added

6

(iii)

Calculate: Carrying value on equipment sold	
WORKINGS	**ANSWER**
57 600 x [20% x 3/12] 57 600 ✓ – 2 880 ✓☑ one component (of workings above) correct **OR** (8 000 + 14 400 + 2 880) 80 000 – 25 280 one mark one mark one m mark	54 720 ☑ one part correct

4

1.2 CORRECT NET PROFIT AFTER TAX FOR YEAR

Incorrect net profit before tax		**1 150 000**
Audit fees		– 45 600 ✓
Donation	100 x R 402 ✓✓ (603 000 ÷ 1500)	– 40 200 ☑* If x 100
Rent income	286 000 /11 26 000 ✓☑ + 1 300 ✓	+ 27 300 three marks If wrong, mark workings. Cannot get full marks if there is superfluous working
Directors fees	852 800 ✓ x [200 /1 640] ✓ **OR** 52 000 x 2 (one mark, one mark) **OR** 852 800 x [2 ÷16,4] (one mark, one mark) **OR** 83 200 x [100 ÷ 80] (one mark, one mark)	+ 104 000 ☑*
Net profit before tax	operation, one part correct Must include R1 150 000	1 195 500 ☑
Income tax	accept if no brackets	– 351 000 ✓
Net profit after tax	NPbT – Income tax	844 500 ☑

13

*one part correct, with correct sign; accept brackets for negative amounts
If sign incorrect, award two marks for workings

1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024

ASSETS		
NON-CURRENT ASSETS	**10 377 480**	
Fixed assets	**9 952 480**	
Investment: Fixed deposit	**425 000**	
CURRENT ASSETS operation, one part correct	3 848 020	☑
Inventories 1 064 200 ✓ – 40 200 ☑ see 1.2	1 024 000	☑*
Trade and other receivables see 1.2 see 1.2 744 900 ✓ + 27 300 ☑ + 104 000 ☑ – 8 400 ✓ Rent inc. Dir. fees	867 800	☑*
Cash and cash equivalents	**1 956 220**	
TOTAL ASSETS **10** NCA + CA	14 225 500	☑
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS' EQUITY TE & L – CL – NCL	12 164 650	☑
Ordinary share capital	11 151 000	✓✓
Retained income **4** Balancing figure accept negative amount	1 013 650	☑
NON-CURRENT LIABILITIES	608 000	
Loan: PTA Bank 564 000 two marks – 168 000 one mark 1 004 000 ✓ – 396 000 ✓✓✓ **5**	608 000	☑*
CURRENT LIABILITIES operation	1 452 850	☑*
Trade and other payables audit fees 518 950 ✓ + 45 600 ☑ – 8 400 ✓	556 150	☑*
Shareholders for dividends	472 500	✓✓#
Current portion of loan see NCL	396 000	☑ #
SARS Income tax	28 200	✓✓#
TOTAL EQUITY AND LIABILITIES **11** See Total Assets	14 225 500	☑

*one part correct

30

Inspect: if included in T&OP

- 1 foreign item (max -2); presentation -1 (max -1); misplaced items, award marks for workings only

Note Principle 11 when awarding method marks: Operation as per candidate's operation, unless specified.

TOTAL MARKS	**55**

QUESTION 2

2.1

2.1.1	Liquidity	✓
2.1.2	Outflow	✓
2.1.3	Inflow	✓

3

2.2 RETAINED INCOME NOTE *one part correct

Balance at the beginning of the year		**2 819 000**
Net profit after tax	(1 950 000 x 70/30) OR 6 500 000 – 1 950 000	4 550 000 ✓☑*
Buy back of shares	ignore brackets	(111 000) ✓☐
Dividends	Int Div + Final Div ignore brackets	(5 746 000) ☑
Interim dividend	(5 728 000 – 2 320 000)	3 408 000 ✓☑*
Final dividend		**2 338 000**
Balance at the end of the year	Inspect operation from top, must subtract SBB and OSD	1 512 000 ☑*

8

2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024

Be aware of signs reversed & use of brackets or ledger account formats

Cash effects of operating activities		
Cash generated from operations		
Interest paid		**(966 000)**
Dividends paid		**(5 728 000)**
Income tax paid (86 000 ✓ + 1 950 000 ✓ – 115 000 ✓) **OR** – 86 000 – 1 950 000 + 115 000	**(i)** **4**	(1 921 000) ☑*#
Cash effects of investing activities		
Fixed assets purchased 43 095 000 ✓+ 232 000 ✓ + 1 620 000✓ – 39 365 000 ✓ **OR** – 43 095 000 – 232 000 – 1 620 000 + 39 365 000	**(ii)** **5**	(5 582 000) ☑*#
Proceeds of sale of fixed assets		**232 000**
Change in investments		
Cash effects of financing activities		
Proceeds of shares issued	**(iii)**	4 300 000 ✓✓
Shares repurchased (30 000 x 15,80) (30 000 x 3,70) 474 000 ✓✓ + 111 000 ☑ see 2.2 **OR** (30 000 x 19,50) three marks	**(iv)** **6**	(585 000) ☑*
Change in loans		
Net change in cash & cash equivalents		
Cash & cash equivalents on 1 March 2023		**1 030 000**
Cash & cash equivalents on 29 February 2024	**(v)** **2**	(3 219 000) ✓✓ one mark if figure correct but no brackets

17

*One part correct and in brackets; if no brackets, award marks to workings only

2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

Acid-test ratio	
WORKINGS	**ANSWER**
[9 623 000 – 4 190 000] two marks 5 433 000 ✓✓ : 18 310 000 ✓	0,3 : 1 ☑ one part correct In the form x : 1 Accept 0,29 : 1

4

Interim dividend per share (in cents)	
WORKINGS	**ANSWER**
See 2.2 3 408 000 ☑ / 1 420 000 ✓✓ x 100 (1 450 000 – 30 000) two marks	240 cents ☑ one part correct cents is not necessary accept R2,40

4

% return on average shareholder's equity (ROSHE)	
WORKINGS	**ANSWER**
See 2.2 4 550 000 ☑ / ½ (28 248 000 ✓ + 25 729 000 ✓) x 100 53 977 000 two marks 26 988 500 two marks	16,9% ☑ one part correct, must use average (½) % sign not necessary; Accept 17% Do not accept 0,169 or 0,17

4

All calculations

- The 'x 100' is not deemed as 'one part correct'
- Numerators and denominators must be marked as such.
- Do not award marks for any operations done to stand-alone figures e.g. no tick if anything else added to R3 408 000 or R4 550 000.

TOTAL MARKS	**40**

QUESTION 3

3.1 **Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.**

TWO valid points (with figure) □□ ✓✓ part marks for incomplete or unclear response

- Average spending of clients increased (from R120 000) to R160 000 / by R40 000.
- Sales revenue increased (from R33,6m) to R39,2m.
- Customers still supported the business although the % mark-up increased (from 40%) to 60%.
- Drop in customer numbers (from 280) to 245 / by 35 / by 12,5%.

4

3.2 **Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.**

TWO financial indicators □ □ □ figures and trends ✓

- % operating expenses on sales improved/decreased (from 28%) to 22% / by 6% points / by 21,4%.
- % operating profit on sales improved/increased (from 10,2%) to 15,6% / by 5,4% points / by 52,9%.
- % net profit on sales improved/increased from 8,8% to 13,5% / by 4,7% points / by 53,4%.

Do not accept mark-up %

4

3.3.1 **One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide an explanation for him.**

Reason ✓✓

The company increased the share capital / The company increased the loan.

2

3.3.2 **The chief financial officer (CFO) is of the opinion that the increase in loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion including ONE relevant financial indicator.**

Financial indicator □figures and trend ✓
Explanation (comparing interest) ✓✓

POINT 1	• % ROTCE improved / increased from 11% to 19,7% / by 8,7% points / by 79%.

POINT 2	• The degree of gearing has moved (from negative) to positive. Now exceeds the interest rate on loans (13% p.a.).	4

3.4.1

Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE relevant financial indicator.	
Financial indicator □ figures and trend □ Explanation (compare alternative investment) ✓□	
POINT 1	% ROSHE improved significantly from 8% to 15,6% / by 7,6% points / by 95%.
POINT 2	This greatly exceeds the returns on most other investments (7% p.a.).

4

3.4.2

Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.	
EPS: figures and trend □ Explanation on EPS □ DPR: figures and trend □ Explanation on DPR □	
EARNINGS PER SHARE	• EPS increased (from 113 cents) to 224 cents / by 111 cents / by 98%. • This shows improved profits in the company.
DIVIDEND PAY-OUT POLICY	• The dividend pay-out rate decreased from 80% to 40% / by 40% points / 100%. • The business retained more earnings that would be used to benefit the business in the future.

4

3.5

Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.	
POINT 1	• The market price of the share improved from 1 342c to 1 610c / by 268c.✓ • due to the good returns earned / positive image of the company.✓
POINT 2	• In 2024 the market price (1 610c) exceeded the NAV of (1 543c) by 67c ✓ indicates good demand for shares.✓ **OR** • In 2023 NAV (1 413c) was higher than the market price (1 342c) by 71c; This indicates poor demand for shares **NB: Do not award marks if only the NAV for both years were compared.**

4

3.6.1 **Allan Ashwin owns shares in Britesun Ltd. He is pleased with his investment in the shares of this company. Provide TWO points with figures or calculations to support his opinion.**

Be aware of combined explanation with figures/calculations

TWO valid points ✓ ✓ with figures □ □

POINT 1	• His return (dividends) is 11,5% of the price he paid for the shares; (90 / 780) / He earned R324 000 (360 000 x 90/100).
POINT 2	• He paid 780c per share that is now worth 1 610c. This is 830c more than he paid for the shares, or 106,4%. • His return increased from 8% to 15,6% / by 7,6% points / by 95%.
NOTE:	**Contact the DBE IMs if candidates used Dividend Yield (DPS/MP) as an answer.**

4

3.6.2 **The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding and provide a calculation or figures to support your explanation.**

Be aware of combined explanation with figures/calculations

Part marks for incomplete or unclear response

CALCULATION figures or calculation	• He is currently a majority shareholder as he owns 51,4% □□ (360 000/700 000) of the shares. • His % shareholding will drop to 42,9% □□ (360 000/840 000).
EXPLANATION Any ONE point □□ Be alert to valid explanations in calculations column	• He will no longer be the majority shareholder in the company. • He cannot fully influence decision-making in the company. • He cannot make a difference in the company anymore.

6

3.7 **Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.**

Any TWO valid points ✓✓ ✓✓ Part marks for incomplete or unclear response;
Figures not required.

POINT 1	• Liquidity / working capital is more efficiently controlled (CR 1,8:1 & ATR 0,9:1). • Unproductive fixed assets were sold (R1 100 000) and this will improve the cash flow in the company.	
POINT 2	• Cash generated from operations has improved (by R2 921 500 / by 75,6%). • Performance of the company improved with lesser employees and directors as compared to 2023 (from 43 to 38).	**4**

TOTAL MARKS	**40**

QUESTION 4

4.1 **The three Board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors were able to each avoid by selling their shares on 13 April 2023.**

WORKINGS	ANSWER
(R105 – R8) 150 000 ✓ x R97 ✓ **OR** 15 750 000 – 1 200 000 **OR** (47 250 000 – 3 600 000) / 3 Be alert to alternative arrangements for workings	R14,55-million ☑ **OR** R14 550 000

3

4.2 **Explain why the text message is so important to the investigators.**

Any valid point ✓✓

It provided evidence that a crime had been committed / they would know which directors to charge / the person who leaked the information can be easily traced / It will provide evidence of parties involved / Investigators will establish the intent knowledge / It provides consistency between different sources of evidence which strengthens the case against individuals implicated.

Explain why you think this crime is referred to as 'insider trading'.

Any valid point ✓✓

Part marks for incomplete or unclear response

Because it is fraud based on private information regarding the trading (buying / selling) of shares which is not yet known to others who affected / The directors (insiders) did have access to this privileged information / Using of sensitive information to one's benefit – abuse of power.

4

4.3 **Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers.**

Existing shareholders ✓✓	They will lose their investment in the company / loss of life savings (Financial loss) / loss of dividends / will be likely to sell their shares / there may not be a demand for shares.
Workers ✓✓	Employees would be retrenched / lose their jobs / no job security (job insecurity) / increase in unemployment in the country / Employee's morale and productivity / Change on compensation and benefits (reduced salary/benefits/bonus) / Cost cutting measures (layoffs).

4

4.4 **If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points.**

Any TWO valid points. ✓✓ ✓✓

POINT 1	• Were any checks done into the background of culprits before they were appointed to the Board? • What disciplinary action will be taken by the company or the Board against the culprits? • Is it possible to rescue the company / who will take over the running of the company? • Is there any way in which the losses can be recovered from the culprits e.g. confiscate and sell their possessions? • How will the board intervene to rectify this situation? • What action will be taken against the directors? • How will this impact on the image of the company and the share price in long term?
POINT 2	• Will the matter be reported to the relevant professional bodies for disciplinary action against these directors? • What specific actions is the company taking to address the allegations of false financial statements / Disclaimer report? • Can the board provide a detailed explanation for the circumstances leading to the disclaimer report? • What measures are being implemented to ensure the accuracy and transparency of future financial reporting? • Can shareholders expect timely and transparent communication regarding the investigation's progress and findings? • What impact, if any, do the allegations and investigation have on the company's long-term strategic plan?

4

TOTAL MARKS	**15**

TOTAL: 150

PAPER 2: SOLUTIONS

MAY/JUNE 2026 MARKING GUIDELINES

QUESTION 1

1.1 BANK RECONCILIATION

1.1.1 Entries that must be recorded in the Cash Journals on 31 October 2025.

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
R 334 700		**R 232 900**	
11 000 one mark – 1 100 one mark 9 900	✓✓	9 000	✓
400	✓	5 900	✓
8 800 one mark + 8 800 one mark 17 600	✓✓	7 500	✓
		13 000	✓
		1 400	✓

10

foreign (max -2) (only if marks are scored elsewhere for the same figure)
-1 superfluous items (max -1); ensure that the candidate do not get full marks for including any incorrect figure/s.
E.g. R36 900; R42 100

1.1.2 CHOOSE ONLY ONE TEMPLATE BELOW TO ANSWER THIS QUESTION.

TWO COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2025

	Debit	Credit	
Balance as per bank statement		116 500	✓
Outstanding deposit		33 000	✓
Outstanding EFT's No 4 317	12 200	✓	
No 4 318	6 300	✓	
Incorrect debit order		5 900	✓
ATM withdrawal on 30 October 2025	7 500	✓	
Balance as per bank account	129 400 □ Could be Cr	Dr and Cr totals must be the same	
	155 400	155 400	

7

-1 presentation (max -1) (inappropriate/no details
-1 for foreign items (max -2) if marks awarded elsewhere. For the 2-Column method, candidates must place figures in the correct column to earn marks.
In awarding the method mark for the balancing bank account figure, ensure that the candidates do not get full marksfor including any incorrect figure/s. Indicate with a □. If candidates duplicate amounts on both sides -1 per line.

OR

ONE COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2025

Balance as per Bank Statement	R 116 500	✓
Outstanding deposit	33 000	✓
Outstanding EFT's No. 4 317	(12 200)	✓
No. 4 318	(6 300)	✓
Incorrect debit order	5 900	✓
ATM withdrawal on 30 October 2025	(7 500)	✓
Balance as per bank account	129 400 □	

7

-1 presentation (max -1) (inappropriate/no details)
-1 for foreign items (max -2); if marks awarded elsewhere For the 1-Column method, candidates must present the appropriate sign i.e. positive or negative.
*Be alert to candidates who start with the bank account balance or vice versa.

1.1.3 **What action should Nozi take against Bheki (without dismissing him) and XPS Suppliers? State ONE point for each.**

Bheki Sadler (bookkeeper) ✓✓	**XPS Suppliers (supplier)** ✓✓ part marks for incomplete answers
• Disciplinary hearing on him for potential fraud • Suspend him temporarily while an investigation into the misconduct is conducted. • Hand Bheki over to the police for prosecution for theft or fraud • Issue a final written warning. • Demand that he pays back the money obtained through the fraudulent transaction. • Demote or remove him from processing supplier payments. • Transfer him to duties with limited financial responsibilities. • Place his work under increased supervision. • Conduct regular audits of his captured transactions.	• Report the supplier to police to investigate potential fraud or theft. • Consider civil action against the supplier / Institute legal action against them for attempted fraud. • Request a written explanation for issuing an invoice when no goods were supplied. • Blacklist XPS Suppliers to ensure they are never considered as a supplier of Primrose Traders in the future. • Recover any losses or costs incurred for the fraudulent invoice resulted in a payment.

4

1.2 DEBTORS' AGE ANALYSIS

1.2.1 **Calculate the total percentage of all debtors who do not adhere to the credit terms.**

WORKINGS	ANSWER
$\frac{72\,000}{288\,000} \times \frac{100}{1}$ OR 13% + 12%	25% ✓✓

2

1.2.2 **Explain TWO other strategies the business can implement to improve collection from debtors. In each case, explain how the strategy will improve the collection from debtors.**

	STRATEGY ✓ ✓	REASON ✓ ✓
1	Implement stricter credit control measures / Conduct credit checks before granting credit.	Ensures only reliable customers with good credit histories are given credit.
2	Reduce credit limits or shorten terms for repeated late-payers / Set clear credit limits for each debtor.	This reduces the risk of accounts becoming overdue / Prevents customers from owing more than they can realistically repay, reducing bad debts.
3	Send reminders (email or sms or statement) before due dates to encourage early payments.	Keeps debtors informed of amounts owed and due dates, encouraging timely payment.
4	Customer must sign debit order authorisation forms	Reduce risk of late or missed payments
5	Stop or suspend further credit sales to overdue customers	Prevents debtors from increasing their debt, forcing them to settle existing balances.

4

1.2.3 **How can poor management of debtors negatively affect a businesses' cash flow? Explain ONE consequence.**

Any ONE valid point ✓✓ part marks for incomplete answers

- Business will need to borrow money (increasing interest expense)
- Business will not have enough money to pay its own expenses and other commitments.
- Some debts may never be recovered causing financial losses.

2

1.3 VALUE ADDED TAX (VAT)

1.3.1

NO.	WORKINGS	EFFECT	
	Opening balance	**267 500**	
(i)	**(10 350 – 9 000)**	**+ 1 350**	
(ii)	**325 000** x 15/100	- 48 750	✓✓
(iii)		- 7 800	✓
(iv)	**(458 850** – 25 530 ✓) x 15/115 ✓ 433 320 one mark	+ 56 520	☑#
(v)		- 9 750	✓
(vi)		+ 1 200	✓
	VAT PAYABLE	260 270	☑*

9

*one part correct; must include opening balance + (i) Accept brackets for -sign; if no sign assume +ve
If negative, award marks for the workings.

1.3.2 **Give ONE reason why this action is unethical and unacceptable.**

Any ONE valid point ✓✓ part marks for incomplete answers

- This is fraud and can get the business into serious trouble / Inflating VAT amount is a form of financial fraud.
- Overstating it is illegal and can result in penalties or criminal charges.
- VAT claims must be based on the actual VAT portion of the debt that has been written off.
- Deliberately trying to pay less VAT than it legally owes to SARS is unethical (Tax evasion).
- It damages the business's reputation / If discovered, stakeholders may lose trust in the business.
- Financial records must be prepared with honesty and integrity

2

TOTAL MARKS
40

QUESTION 2

2.1

2.1.1	Selling and distribution cost	SDC	✓
2.1.2	Direct materials cost	DMC	✓
2.1.3	Administration cost	AC	✓

3

2.2 STAY-FIT MANUFACTURERS

2.2.1

Calculate: Direct labour cost

WORKINGS	ANSWER
(80 x 1 960 x 45) [90 000 + 54 000] [2 000 x 72] (GW x 1%) 7 056 000 ✓☑ + 144 000 ✓✓ + 72 000 ☑	7 272 000 ☑ one part correct

6

2.2.2

Calculate the correct factory overhead cost for the year.

Incorrect total	**1 068 200**
Factory: Indirect materials	- 1 000 ✓
Telephone	- 28 200 ✓✓
Insurance	+ 9 000 ✓✓
Inspect must include incorrect total amount	1 048 000 ☑*

6

*one part correct

Accept brackets for -sign; if no sign assume +ve

2.2.3

Calculate the unit cost of production for the financial year ended 28 February 2026.

WORKINGS	ANSWER
DMC DLC see 2.2.1 FOHC see 2.2.2 3 200 000 ✓ + 7 272 000 ☑ + 1 048 000 ☑ 64 000 ✓	R180 ☑ one part correct must divide by 64 000

5

2.2.4

Explain how this will affect the business. State ONE point.

Any ONE valid point ✓✓

- Price increases may lead to a decrease in demand or loss of customers.
- Decrease in profits earned due to the decrease in demand.
- Workers may have to be retrenched due to decrease in production.

2

State ONE strategy the business can implement to maintain current exports to this country.

Any ONE valid point ✓✓ part marks for incomplete answers

- Reduce mark-up % to keep price increases as low as possible.
- Improve efficiency and cut unnecessary expenses to keep selling prices competitive.
- Establish a distribution point in another country to avoid higher export costs.

2.3 BAGS GALORE MANUFATURERS

SCHOOL BAGS

2.3.1 **Calculate the selling price per unit for the year ended 28 February 2026.**

WORKINGS			ANSWER
[R794 880/8 280] R96 ✓✓ + 358 ✓	**OR**	one mark one mark 794 880 + 2 964 240 8 280 one mark	R454☑ one part correct

4

2.3.2 **Identify the variable cost that caused the biggest problem. Quote figures. Give a valid solution for the problem identified.**

VARIABLE COST	SOLUTION
Direct labour cost ✓ Increased (from R150) to R197/by R47/by 31,3% ✓	Any ONE valid solution ✓ • Reduce overtime to prevent unnecessary wage expense. • Improve supervision to ensure better productivity. • Set targets for workers to achieve during normal time. • Service equipment to avoid breakdowns. • Train workers to increase efficiency.

3

LAPTOP BAGS

2.3.3 **Comment on the break-even point and profit made for the year ended 28 February 2026. Quote figures. Give a different reason for the improvement in each case.**

	COMMENT ✓ ✓ FIGURES ✓ ✓	REASON Any ONE valid reason ✓ ✓
Break-even point	The BEP has decreased (from 6 476) to 5 763 by 11% / by 713 units	More efficient production methods implemented
Profit	The business made a profit on 5 862 units (2 588 or 79% more compared to previous year) / Units sold 11 625 is greater than BEP of 5 763	Selling price has increased / profit made on higher number of units

6

2.3.4

Cyril made deliberate decisions to export laptop bags. This has led to an increase in all the variable costs per unit. Give a different reason for the increase in each case.	
COST	**REASON** Any ONE valid reason ✓ ✓ ✓
Direct material cost	Increased wastage of material / An improvement in the quality of raw materials used / Sourcing material from different or new suppliers / Increase in transport cost
Direct labour cost	Increase in overtime hours worked / Higher skilled workers employed / remuneration packages increased
Selling and distribution cost	Increase in export charges incurred / Additional delivery costs incurred / increase in advertising costs.

3

TOTAL MARKS
40

QUESTION 3

3.1 INVENTORIES:

3.1.1 **Calculate the value of the closing stock on 28 February 2026, using the FIFO stock valuation method.**

WORKINGS		ANSWER
1 610 ☑ x 1 690 ✓ (1 700 – 90)	2 720 900 one m mark one mark (2 543 800 + 177 100)	3 740 600 ☑ one part correct both amounts added
660 ☑ x 1 545 ✓ (2 270 – 1 610)	1 019 700 one m mark one mark (957 000 + 62 700)	

5

3.1.2 **Calculate the stockholding period (in days) on 28 February 2026. Use the closing stock figure.**

WORKINGS	ANSWER
See 3.1.1 $\frac{3\ 740\ 600\ ☑}{14\ 524\ 000\ ✓} \times \frac{365}{1}$ **OR** $\frac{2\ 270 \text{ one mark}}{7\ 490 \text{ one mark}} \times \frac{365}{1}$	94 days ☑ **OR** 110,6 days one part correct must be x 365

3

x '365' does not constitute 'one part correct'. Numerator and denominator must be marked as such.Do not award marks for any operations done to stand-alone figures

3.1.3 **Comment on your calculation in QUESTION 3.1.2. State TWO points. The stockholding period on 28 February 2025 was 72 days.**

Any TWO relevant points ✓✓ ✓✓ part marks for incomplete answers

- The SHP has increased (from 72 days) to 94 or 110,6 days or 38,6 days. (see 3.1.2) / by 22 (Note: SHP may decrease; see 3.1.2)
- Stock can become outdated or obsolete and therefore irrelevant to customers as SHP increased.
- Poor purchasing strategies as the total value of November 2025 purchases has not been sold / negative impact on the cash flow.
- Cost of storage / lack of storage space / More stock may raise security expenses.

4

3.2 FIXED ASSETS:

3.2.1 State TWO points for good internal control over movable fixed assets.

Any two relevant points ✓ ✓

- Terms and conditions must be agreed on with the person to whom item is assigned to on signed documents.
- Assign asset codes for identification.
- Use locks or instal tracking system as security.
- Conduct regular physical asset counts.
- Perform regular maintenance to preserve asset value.
- Restrict access to authorised personnel only.
- Maintain a fixed asset register and regular audit.
- Instal camera to monitor usage and possible fraud.
- All movable fixed assets must be insured.
- Separate duties for asset purchasing, recording and controlling.

2

3.2.2 CALCULATE:

Cost price of land and buildings on 28 February 2026	
WORKINGS	**ANSWER**
5 600 000 + 438 000	6 038 000 ✓✓

2

Loss on the old fridge that was sold on 30 September 2025.	
WORKINGS	**ANSWER**
23 400 x [20% x 7/12] 23 400 ✓ – 2 730 ✓☑ – 17 500 ✓ Be alert of alternative calculations, such as 20 670 – 17 500 **OR** – 23 400 + 2 730 + 17 500	3 170 ☑ one part correct if R17 500 is offset against CV

5

Accept the use of ledger account

Total of the depreciation on the new cash register bought on 1 December 2025 and the remaining old equipment for the year ended 28 February 2026.		
WORKINGS		**ANSWER**
New: 65 000 x [20/100 x 3/12]	3 250 ✓☑	100 970 ☑ one part correct both amounts added
Old: [512 000 – 23 400] 488 600 x 20%	97 720 ✓☑	
OR 102 400 – 4 680		

5

3.2.3

(i)	Depreciation for year ended 28 February 2026	
	WORKINGS	**ANSWER**
	75 000 – 1	74 999 ✓✓
(ii)	**Accumulated depreciation on 28 February 2026**	
	WORKINGS	**ANSWER**
	see (i) 375 000 + 74 999 **OR** 450 000 – 1	449 999 ☑ one part correct
(iii)	**Carrying value on 28 February 2026**	
	WORKINGS	**ANSWER**
	see (ii) 450 000 – 449 999 **OR** 75 000 – 74 999	1 ☑ one part correct

4

TOTAL MARKS
30

QUESTION 4

4.1.1

DEBTORS' COLLECTION SCHEDULE		
	Credit sales	**July 2026**
April 2026	**204 750**	
May 2026	**364 000**	29 120 ✓
June 2026	**409 500**	204 750 ✓
July 2026	500 500 ✓✓	188 188 ☑☑*$ *If x 40% x 94%

6

$ If the credit sales of R1 522 500 is not shown but the R438 480 is correct, award three marks

4.1.2

Calculate: Discount allowed in July 2026	
WORKINGS	**ANSWER**
see 4.1.1 [500 500 x 40/100] 188 188 x 6/94 **OR** 200 200 x 6/100 **OR** 200 200 – 188 188	12 012 ✓☑

2

Calculate: Bad debts to be written off in July 2026	
WORKINGS	**ANSWER**
204 750 x 2% **OR** 204 750 – 200 655	4 095 ✓✓

2

4.2

(i)	Rent expense for June 2026	
	WORKINGS	**ANSWER**
	39 960 / 111% **OR** 39 960 – 3 960	36 000 ✓✓

2

(ii)	Additional loan taken on 1 June 2026	
	WORKINGS	**ANSWER**
	[2 625 – 1 365] 1 260 ✓✓ x [100/9 x 12/1] ✓ **OR** 350 000 – 182 000 (two marks / one mark)	168 000 ☑ one part correct

4

(iii)	Payment to creditors in July 2026	
	WORKINGS	**ANSWER**
	[409 500 x 100/65] 360 000 three marks 378 000 three marks 630 000 ✓✓ x 100/175 ✓ x 60/100 ✓ **OR** 630 000/1,75 x 0,6	216 000 ☑ one part correct

5

(iv)	Salaries of sales assistants in July 2026	
	WORKINGS	**ANSWER**
	[22 400 x 105%] 23 520 ✓✓ + [11 200 x 80%] 8 960 ✓✓	32 480 ☑ one part correct both amounts added

4.3.1

Calculate the percentage change between the budgeted and actual amounts in May 2026.

WORKINGS	ANSWER
$\frac{5\ 000}{10\ 000} \times \frac{100}{1}$	50% ✓✓

5

State ONE point why Grace decided to spend more than the budgeted amount for advertising.

Any ONE valid point ✓

To increase number of customers / to increase the sales / to respond to strong competition / to promote new products.

2

Grace is of the opinion that spending more on advertising was a wise decision.

- **State ONE point (with figures) why you will agree with her.**
- **State ONE point (with figures) why you will disagree with her.**

	Reason (with figures) ✓✓ ✓✓
Agree	Actual number of customers is more than the budgeted customers by 73 / 36,5%
Disagree	Sales of dresses are less than budgeted by R56 000 / by 10%

1

4.3.2

Competitors have complained of cash flow challenges that they are experiencing due to tough economic times. Explain how Dazzling Outfitters has been negatively affected by the average amounts spend by customers on buying dresses. State ONE point (with figures).

Any ONE valid reason ✓ comparative figures ✓✓

The actual average purchases per customer was under the budgeted amount by R2 200 per customer (budgeted R7 000; actual R4 800).

4

4.3.3

Grace feels that the consumable stores and wages (for alteration) have been well controlled. Give relevant calculations/figures to support her opinion for each item.

Consumable stores Comment ✓ Comparative Figure/s ✓	Budgeted was 28% of fee income but actual is 24% of fee income. Consumable stores was overspent by 12,6% while fee income was 31,3% more than budgeted.
Wages of alteration staff Comment ✓ Comparative Figure/s ✓	Wages of R9 600 remains the same but the fee income has increased by R5 000. Wages were budgeted at 60% of fee income; actual wages was 45,7%.

3

1

TOTAL MARKS
40

TOTAL: 150

NOVEMBER 2025 MARKING GUIDELINES

QUESTION 1

1.1 BANK RECONCILIATION

1.1.1 CASH JOURNALS ON 31 JULY 2025:

Cash Receipts Journal	Cash Payments Journal
R162 000	**R55 200**
2 160 ✓✓	10 000 ✓
16 500 one mark + 16 500 one mark	2 700 one mark + 2 700 one mark
33 000 ✓✓	5 400 ✓✓
	13 000 ✓
	975 ✓
	605 ✓

10

-1 foreign (max -1) (only if marks are scored elsewhere for the same figure)
-1 superfluous items (max -1); ensure that the candidate do not get full marks for including any incorrect figure/s.

1.1.2 Choose only ONE template below to answer this question.

TWO-COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 JULY 2025			
		Debit	**Credit**
Balance as per Bank Statement			119 080 ✓
Outstanding deposit			41 850 ✓
Outstanding EFTs	No. 207	7 650 ✓	
	No. 208	10 800 ✓	
Incorrect EFT			11 000 ✓
Debit card on 29 July 2025		13 000 ✓	
Balance as per bank account		140 480 ☑ Could be Cr	DR and CR totals must be the same
		171 930	171 930

7

-1 presentation (max -1) (inappropriate/no details
-1 for foreign items (max -2) if marks awarded elsewhere
For the 2-Column method, candidates must place figures in the correct column to earn marks.
In awarding the method mark for the balancing bank account figure, ensure that the candidates do not get full marks for including any incorrect figure/s. Indicate with a □.

OR

ONE-COLUMN METHOD:

BANK RECONCILIATION STATEMENT ON 31 JULY 2025		
Balance as per bank statement		119 080 ✓*
Outstanding deposit		41 850 ✓
Outstanding EFT's	No. 207	(7 650) ✓
	No. 208	(10 800) ✓
Incorrect EFT		11 000 ✓
Debit card on 29 July 2025		(13 000) ✓
Balance as per bank account		140 480 ☑*

7

-1 presentation (max -1) (inappropriate/no details)
-1 for foreign items (max -2); if marks awarded elsewhere
For the 1-Column method, candidates must present the appropriate sign i.e. positive or negative.
*Be alert to candidates who start with the bank account balance or vice versa In awarding the method mark for the balancing bank account figure, ensure that the candidates do not get full marks for including any incorrect figure/s. Indicate with a □.

1.1.3 **Identify TWO problems (with figures) with the management of cash in Duma Stores. In EACH case, provide a different solution on how these problems can be prevented in future.**

Problem with figures Problems ✓ ✓ figure/s ✓ ✓	**Solution** ✓ ✓
Missing cash of R10 000	Outsource the collection of cash by security companies / encourage EFT or card payments by customers / implement dual authorisation for cash deposits / separation of duties / conduct unannounced cash counts or surprise check / request bank notification.
Incorrect recording of transactions in Cash Journals, R16 500/R5 310.	Double check the recording of financial transactions / daily cash reconciliation.
Poor budgeting for debit orders / cash flow problems / Unpaid debit order, R2 700.	Keep sufficient cash to pay debit orders / automate alerts and reminders for debit orders.
Ineffective keeping of financial records, R13 000.	Submit financial documents timeously to the bookkeeper.

6

1.2 CREDITORS' RECONCILIATION

1.2.1

	Creditors' Ledger Account of Matsulu Suppliers		Statement of Account	
Incorrect balance	**270 140**		**287 600**	
(i)	[– 17 280 + 13 680] – 3 600	✓✓		
(ii)			[100 500 – 40 500] + 60 000	✓✓
(iii)	– 16 200 one mark – 32 400	– 16 200 one mark ✓✓		
(iv)	+ 1 410	✓	+ 330	✓
(v)			+ 42 000	✓
(vi)			– 154 380	✓
	235 550	□*	235 550	

*one part correct for both totals; must include opening balances; could be different amounts
Accept brackets for negative sign; if no sign assume positive.
Accept correct identifiable amounts presented in wrong line/s. Foreign entries, -1 per line if a mark has been scored on that line.

11

1.2.2	**Explain how the business can prevent this problem from happening in the future, excluding separation of duties. Provide TWO points.** Any TWO valid points ✓✓ ✓✓ Do not accept separation of duties • Orders and payment to be authorised by senior personnel. • Establishment of procurement committee / obtain multiple quotations per order to enhance the procurement process / ensure supplier reliability and fair pricing through a proper vetting process. • Regularly compare competitor prices using updated catalogues. • Conduct frequent audits of purchasing transactions. • Employees must disclose personal ties with suppliers to avoid biasness.	4
	What action should be taken against the purchasing manager, besides dismissing him? Provide ONE point. Any ONE valid point ✓✓ Do not accept dismiss the purchasing manager • Disciplinary hearing / verbal or written warning / temporary suspension / lay charges against him. • Recover the excess amount added during the purchase of chairs / deduct money from his salary to recover financial loss. • Reassign the purchasing manager to a different section or department / demote him to another department. • Limit the purchasing manager's contact with suppliers to prevent misconduct. • Blacklist the purchasing manager from future employment of similar position.	2

TOTAL MARKS
40

QUESTION 2

2.1 SUPERSAVERS SUPERMARKET

2.1.1 Calculate the value of the closing stock on 28 February 2025, using the FIFO method.

WORKINGS	ANSWER
[850 – 32] [980 – 818] **OR** [150 + 12] (*818 ✓✓ x 42 ✓) + (*162 ☑☑ x 37 ✓) 34 356 three marks 5 994 two m marks one mark *For two method marks; both figures must add up to 980. **OR** (35 700 – 1 344) + (5 550 + 444) one mark two marks one mark two m marks Ensure that only one option is marked consistently.	R40 350 ☑ one part correct Both amounts added

7

2.1.2 Bryan has noticed that some of the stock of flavoured juices has exceeded their shelf life (sell-by date) of 65 days. Identify the value of stock that Bryan is referring to, using the FIFO stock valuation method.

WORKINGS	ANSWER
12 x 37 **OR** 96 200 – 95 756 **OR** 5 994 – 5 550	444 ✓☑ one part correct

2

2.1.3 How can Bryan manage the stock of flavoured juices to avoid losses incurred by the business? Provide TWO points.

Any TWO relevant points ✓✓ ✓✓

- Purchase stock more frequently instead of buying in bulk.
- Identify old stock close to expiry date and offer it to customers at a reduced price / use inventory software to monitor sales and expiry dates of stock / perform routine inventory checks regularly to reconcile records.
- Train employees to understand proper rotation of stock / arrange stock in the supermarket to position new stock correctly.

4

2.2 BANDURA PRINTERS

2.2.1 Rotrim model:

Calculate the value of the closing stock on 30 June 2025, using the specific identification method.	
WORKINGS	**ANSWER**
(30 + 90 – 79) [79 x 15 500] 41 ✓☑ x 15 500 ✓ **OR** 465 000 + 1 395 000 – 1 224 500 one mark one mark one mark Ensure that only one option is marked consistently.	635 500 ☑ one part correct If x by R15 500

4

2.2.2 Punchies model:

Calculate the stockholding period (in days) using the closing stock.	
WORKINGS	**ANSWER**
$\frac{780\ 500\ ✓}{(557\ 500\ ✓ + 2\ 453\ 000\ ✓ – 780\ 500\ ✓)}$ x $\frac{365}{1}$ 2 230 000 three marks **OR** $\frac{35 \text{ one mark}}{365\ 100 \text{ three marks}}$ x $\frac{}{1}$ (25 + 110 – 35) 'x 365' does not constitute 'one part correct'. Numerator and denominator must be marked as such. Do not award a mark for any operation done to R780 500 or 35 units. Ensure that only one option is marked consistently.	127,8 days ☑ one part correct must x 365 days not necessary accept 128 days/127 days

5

Comment on the stockholding period. Provide ONE point, with figures.
The stockholding period for the year ended 30 June 2024 was 69 days.

Comparison with figures ✓ Comment ✓

- It has increased (from 69 days) to 127,8 days see 2.2.2 / by 58,8 days.
- Other printer models may become outdated due to an improved technology on Clear View printer / stock moving slow (pilling) due to delayed sales / there will be increased storage costs decreasing profitability / increased risk of printers becoming stolen / cash tied up in stock instead of being available for other expenses.

2

2.2.3 Clear View model:

Although the Clear View model had units returned, Moses is very pleased with his decision to introduce it as a new model. Provide TWO points (with figures) to explain why Moses is pleased.

Compare Clear View printer with other printers ✓ ✓ Figures ✓ ✓

- Each printer is sold at a profit of R14 000 (total gross profit R910 000), higher than that of the other two printers.
- Sold an average of 13 printers per month, surpassing Rotrim (7) and Punchies (8).
- Sold 86,7% of available printers, compared to (65,8%) of Rotrim or (74,1%) of Punchies / sold 65 units in 5 months, compared to Rotrim (79 units) and Punchies (100 units) over 12 months.
- Achieved the highest sales of R3 185 000, exceeding Rotrim (R1 714 300) and Punchies (R3 108 000).
- Only 10 (R350 000) units left, compared to (41 units) (R780 500) for Rotrim and (35 units) (R635 500) for Punchies.
- Stock holding period is only 23,1 days compared to (127,8 days) of Punchies and (124,7 days) of Rotrim.

4

Moses wants to reduce the number of units being returned to the suppliers. Give ONE suggestion on how this can be achieved.

Any relevant suggestion ✓✓

- Ensure that the printer is in working condition when it is bought.
- Change supplier to boost reliability and customer satisfaction of Clear View.
- Request guarantee / warranty terms from suppliers.
- Train staff on handling procedures / store printers correctly to prevent damages.

2

2.3 MANAGEMENT OF INVENTORIES

2.3.1 Electric fans:

Identify the decision that Robin implemented about the electric fans.

Decision ✓ (figures not required)

- Increased the mark-up % (from 60% to 80%)/by 33,3%/by 20% points
- Increased the selling price per unit (from R200) to R270/by R70/by 35%

1

Explain how this decision had a positive result for the business. Provide ONE point, with figures.

Any relevant point ✓ figure/s ✓

- Gross profit has increased (from R42 000) to R61 200/R19 200/by 45,7%
- Despite selling fewer units (510 vs. 560), total sales increased (from R112 000) to R137 700/by R25 700/by 22,9%, showing that the price increase boosted overall revenue.

2

2.3.2 Fridges:

Robin changed the brand of fridges that he was selling. Provide ONE point, with figures, to show that this was not a good idea.

Any relevant point ✓ figures ✓

- Number of units sold has decreased (from 740) to 430/by 310/by 41,9%
- Sales has decreased (from R5 161 500) to R2 418 750/by R2 742 750 / by 53,1%
- Gross profit has decreased (from R1 720 500) to R806 250/by R914 250/by 53,1%
- Units on hand/ unsold increased (from 80) to 530/by 450/by 562,5%
- Sold 90,2% (740 out of 820) in 2024 as compared to 44,8% (430 out of 960) in 2025.

2

TOTAL MARKS
35

QUESTION 3

3.1 LOCKSMITH MANUFACTURERS

3.1.1 FACTORY OVERHEAD COST NOTE

* one part correct

Water and electricity	686 250 ✓✓	
Insurance [78 000 – 8 100] one mark one mark (69 900 ✓ x 3/5 ✓) **OR** 46 800 – 4 860 **OR** 69 900 – 27 960 one mark one mark	41 940 ☑*	
Rent expense two marks two marks (240 400 ✓ x 2 525 ✓ / 3 005 ✓✓) **OR** 112 000 + 90 000 **OR** 240 400 one mark – 38 400 three marks	202 000 ☑*	
Depreciation: factory equipment 684 000 x [20/100 x 4/12] [3 036 000 x 20/100] (45 600 ✓☑ + 607 200 ✓✓)	652 800 ☑*	
Other factory expenses	**737 010**	
#one part correct; must include OFE If advertising is included; lose mark on final total	2 320 000 ☑#	**16**

3.1.2 Calculate the cost of production of finished goods for the year ended 28 February 2025.

WORKINGS	ANSWER	
6 025 000 ✓ + 2 320 000 ☑ + [125 000 – 93 000] ✓ see 3.1.1 32 000 one mark	8 377 000 ☑ one part correct	**4**

PICASO MANUFACTURERS CELLPHONE CASES

3.2.1 **Calculate the break-even point on 31 August 2025.**

Workings	Answer
[28 750 x R80] 2 300 000 ✓ 265 ✓ – 146 ✓ 119 two marks Numerator and denominator must be marked as such.	19 328 units☑ one part correct Do not accept (< 1) Accept 19 327,7

4

3.2.2 **Comment on whether Dawn should be satisfied with the number of units produced and sold. Provide ONE point, with figures.**

Valid explanation ✓✓ comparison of units produced and BEP with figures

- Units produced 28 750 above BEP of 19 328 see 3.2.1/exceeds BEP by 9 422/making profit on 9 422 units (R1 121 218).
- More units were produced and sold, resulting in a higher profit of 9 422 units in 2025 compared to 5 000 units in 2024

FOR ONE MARK:

- Units produced increased (from 25 000) to 28 750/by 3 750 units / BEP decreased (from 20 000) to 19 328 see 3.2.1 / by 672 units.

2

3.2.3 **Identify the fixed-cost item (with figures) that has been poorly controlled. Give a possible reason for this concern.**

COST ITEM Cost ✓ Trend (with figures) ✓	REASON FOR CONCERN ✓
Administration cost per unit increased by R4,00 (R42,00 – R46,00)/by 9,5%.	Abuse of administration cost items / increase in office or administrative expenses / additional administrative staff.

3

CELLPHONE SCREEN COVERS

3.2.4 **Variable-cost item (with figures) that has been poorly controlled. Give advice on how to improve control over this cost item.**

COST ITEM Cost ✓ Trend (with figures) ✓	ADVICE ✓
Direct materials cost per unit increased by R14,00 (R24,00 – R38,00)/by 58,3%.	• Train workers to minimise wastage • Reduce wastage by buying quality materials / use accurate cutting machinery to ensure precise phone cover shapes. • Change to cheaper supplier / buy from local suppliers / buy in bulk to earn discount. • Increase supervision

3

Variable-cost item (with figures) that has been well controlled. Explain how this item was well controlled.

COST ITEM Cost ✓ Trend (with figures) ✓	REASON ✓
Direct labour cost decreased by R2,00 (R22,00 – R20,00)/by 9,1%	Do not accept "no overtime worked" or retrenchment. • Due to proper supervision workers were more efficient / labour hours were scheduled according to production needs. • Better trained / qualified workers • There were no power interruptions e.g. load shedding.

3

TOTAL MARKS
35

QUESTION 4 3

4.1 VIVAN TRADERS

4.1.1 DEBTORS' COLLECTION SCHEDULE:

MONTHS	CREDIT SALES R	DECEMBER 2025 R	JANUARY 2026 R
October 2025	**1 417 500**	**198 450**	Superfluous entry; Lose method on total
November 2025	**1 443 750**	**721 875**	202 125 ✓
December 2025	**1 496 250**	**430 920**	748 125 ✓
January 2026	1 522 500 ✓*		438 480 ✓☑*$ * if x 30% x 96%
RECEIPTS FROM DEBTORS		**1 351 245**	1 388 730 ☑*

6

*one part correct

$ If the credit sales of R1 522 500 is not shown but the R438 480 is correct, award three marks

Calculate:

WORKINGS	ANSWER
(i) Bad debts in January 2026 1 417 500 x 6% **OR** 1 417 500 – 1 332 450	85 050 ✓☑ one part correct
(ii) Salary: sales manager for January 2026 (29 000/20 x 4) one mark two marks 29 000 ✓ – 5 800 ✓✓ **OR** 29 000 x 16/20	23 200 ☑ one part correct
(iii) Salaries: assistants for December 2025 see salaries [80 000 x 60%] 80 000 ✓+ 48 000 ☑ **OR** 80 000 x 1.6 **OR** 88 000 x 160/110 **OR** 88 000 x 100/110 one mark one mark	128 000 ☑ one part correct **OR** 80 000 one m mark
(iv) Advertising for December 2025 [182 700 / 2 030 000 x 100] 1 995 000 ✓ x 9% ✓✓	179 550 ☑ one part correct

13

4.1.3 Calculate

WORKINGS	ANSWER
Cash purchases of trading stock in January 2026 [100/160 x 20/100] one mark one mark 2 030 000 ✓ x 20/160 ✓ **OR** 1 268 750 – 1 015 000	253 750 ☑ one part correct
Payments to creditors in January 2026 1 203 125 x 80% **OR** 1 925 000 x 80/160	962 500 ✓☑ one part correct;

.1.4 **Calculate the amount of the fixed deposit which will mature on 31 January 2026.**

WORKINGS	ANSWER
one mark two marks 5 440 ✓ x 12/3 ✓ x 100/8 ✓ **OR** 5 440 / 2% **OR** x 4 **OR** 5 440 x 12/1 x 100/8 one mark one mark one mark	272 000 ☑ one part correct **OR** 816 000 one part correct one m mark

4

4.2 WARMBAD TRADERS

4.2.1 **Explain why it is important to compare the budgeted figures with the actual figures. Provide ONE point.**

Any valid point ✓✓

- To check if the budget is realistic / it helps to refine and create more realistic future budgets.
- Detecting variance on receipts and payments.
- Anticipate how the bank balance will be affected.
- Assessing how well the business achieved its financial targets.
- To encourages responsible financial behaviour by monitoring how funds are used / ensures spending and income are managed within limits and prevents overspending.

2

4.2.2 **Loss of sales:**

The number of units sold in October has decreased. Give a reason, with figures, for this decrease.

Any valid point ✓✓

- The selling price increased (from R1 600) to R2 480/by R880/by 55%

2

Provide a calculation to show the amount of cash that was lost in October 2025 sales when compared to September 2025 sales.

WORKINGS	ANSWER
[124 – 61] 2 480 x 63 **OR** 307 520 – 151 280	156 240 ✓☑ one part correct

2

4.2.3 **State TWO benefits that Warmbad Traders will forfeit by failing to meet its financial obligations with suppliers in October 2025.**

Any TWO valid points ✓ ✓

- Forfeit the early repayment discount.
- Lose advantage of trade discounts for loyal customers / forfeit bulk-buying discounts and priority deals.
- Credit score or rating will decrease which will affect future credit applications / reputation of the business will be tarnished.
- Future credit limit will be affected.
- Suppliers might switch to a cash-only policy, affecting the business's cash flow.

2

4.2.4 **Remuneration to employees:**

Give ONE reason for Dozer awarding his employees with commission during September 2025. Quote figures.

Any ONE valid point ✓ figure/s ✓

- Number of units sold increased (from 90) to 124/by 34/by 37,8%
- Sales increased by R54 400 (34 x R1 600)/by 37,8%
- Cash surplus increased (from R63 800) to R98 950/by 55,1%

2

Give ONE reason why the employees will not be satisfied with the revised remuneration policy. Quote figures.

Any ONE valid point (with figures) ✓✓

- Total earnings for October R31 500 (R10 500 per employee) is lower than September salaries of R38 400 (R12 800 per employee) / by R6 900 (by R2 300 per employee) / by 18%.
- Total salaries and commission in September of R42 300 is more than total salaries and commission in October of R31 500 / by R10 800 (R3 600 per employee).

2

TOTAL MARKS
40

TOTAL: 150

MAY/JUNE 2025 MARKING GUIDELINES

QUESTION 1

1.1 VAT

1.1.1

NO.	WORKINGS	EFFECT		
	Opening balance	**51 500**		
Example	**6 900 – 6 000**	**+ 900**		
(i)	**221 720** x 15/115	- 28 920	✓✓	
(ii)	**12 000** x 15/100	- 1 800	✓✓	
(iii)	(187 795 ✓ – 21 275 ✓) x [15/115]✓ 166 520 two marks **OR** (163 300 – 18 500) x [15/100] one mark one mark one mark 144 800 two marks **OR** 24 495 – 2 775 two marks one mark	+ 21 720	☑*#	#if final answer is shown with incorrect sign, award all working marks only; not final mark
(iv)		- 765	✓	
	VAT PAYABLE	41 735 Accept 42 635	☑*	**10**

*one part correct Accept brackets for negative amounts. Total must include the opening balance.

1.1.2 **Karen wants to deregister her business as a VAT vendor as she is unable to meet VAT deadlines for submissions.**

What advice would you give to Karen? State ONE point.

Any ONE valid point ✓✓ Part-marks for partial/unclear answer

- If the business's turnover exceeds R1m p.a., it is compulsory to be registered and submit VAT returns.
- If submission deadline is not met, the business will have to pay penalties to SARS.
- She will not be able to claim back the VAT paid to suppliers.
- Karen should have a tax consultant who can remind her of tax period to file on time.
- Set up automated reminders through eFiling system.

2

1.2 CREDITORS' RECONCILIATION

1.2.1

	CREDITORS LEDGER ACCOUNT OF EPSON TRADERS	STATEMENT OF ACCOUNT FROM CANON SUPPLIERS
BALANCES	**101 900**	**88 900**
(i)	+ 400 ✓	
(ii)	– 2 700 ✓✓	
(iii)		one mark (– 1 600 – one mark 1 600) – 3 200 ✓✓
(iv)	+ 2 000 ✓✓	– 5 000 ✓
(v)	– 13 800 ✓	
(vi)		– 1 900 ✓✓
(vii)		+ 9 000 ✓
BALANCES	87 800 ☑*	87 800 ☑*

14

Balances may be different; must include the opening balances.
-1 for foreign items per line provided a mark is scored on that line; (i.e. max could be -6).

1.2.2

It was discovered that the purchasing manager, Senzo, had signed a fictitious invoice received from Prime Suppliers. The banking details of his son appeared on this invoice. The relevant payment was processed by the financial department.

Other than dismissing Senzo, provide: Do not accept division of duties

ONE action to be taken against him	*ONE valid point* ✓✓ • Conduct a disciplinary hearing / Issue a written warning. • Lay criminal charges against him. • Launch civil charges to pay back the money. • Temporary suspend him while investigating. • Liable for demotion / transfer to another department. • Conduct forensic audit to check for other possible fraud.
ONE suggestion on how to prevent this problem in future	*ONE valid suggestion* ✓✓ • Validation of the existence of suppliers. • Ensure goods received are supported by order form and a valid invoice. • Proper authorization of payments. • Financial department should verify banking details before making payment. • Regular training on ethics and consequences of misconduct. • Conduct regular surprise checks or internal audits to detect fraud early.

QUESTION 2

2.1

2.1.1	indirect ✓
2.1.2	fixed ✓
2.1.3	administration ✓

3

2.2 WOLLIES' WINTER GLOVES

2.2.1 **Calculate the direct material cost for the year ended 28 February 2025.**

WORKINGS	ANSWER
two marks [1 770 000/30 000] 26 000 ✓ x R59 ✓✓ **OR** [1 440 000 + 330 000] [4 000 x 59] 1 770 000 – 236 000 one mark two marks **OR** 1 770 000 x [26 000/30 000] one mark two marks	1 534 000 ☑ one part correct

4

2.2.2 **Calculate the correct factory overhead cost for the year ended 28 February 2025.**

Incorrect total	**966 360**
Telephone	- 27 000 ✓✓
Indirect materials	- 2 800 ✓✓
Cleaner's wages [48 000/2] x [6/100 x 2 /12]	+ 240 ✓☑*
Water and electricity 28 800 – 25 600 **OR** 32 000 – 28 800 **OR** 25 600 x 5/40	+ 3 200 ✓✓
	940 000 ☑*

9

*one part correct

Final amount must include the opening total.

2.2.3

Calculate the gross profit earned for the year ended 28 February 2025.	
WORKINGS	**ANSWER**
see 2.2.1 see 2.2.2 4 600 000 ✓ – 1 534 000 ☑ – 876 000 ✓ – 940 000 ☑ **OR** 4 600 000 – (1 534 000 + 876 000 + 940 000) 3 350 000 three marks Be alert to alternative workings such as ledger account or use of brackets	1 250 000 ☑ one part correct

5

2.2.4

Jerry was satisfied with the performance during the current year and plans to increase production by 30% in the next financial year. He is confident that the demand will increase due to changing weather patterns.

Comment on the level of production and the break-even points comparing the results for the current financial year with his plan for the next financial year. Provide TWO points, with figures.

Comparison of BEP to level of production ✓✓ comparative figures ✓✓

Expected responses for 4 marks:

- He made profit on 2 000 units (40 000 – 38 000) for the current financial year and expect more profit on 13 600 units (52 000 – 38 400) next financial year.
- He produced 2 000 units above the BEP (current financial year) and he expects to produce 13 600 units above the BEP (next financial year).
- He is anticipating an increased profit on 11 600 units, as BEP is expected to increase by 400 units (1,1%), while production is projected to increase by 12 000 units (30%).

Expected response for 2 marks: Max two marks in total **(mark one optional response only).**

Comparison of BEP to BEP and production to production

- Production will increase (from 40 000 units) to 52 000 units / by 12 000 units.
- BEP will increase (from 38 000 units) to 38 400 units / by 400 units.

4

Calculate the increase in profits Jerry expects to earn from the year ended 28 February 2025 to the next financial year.

WORKINGS	**ANSWER**
[13 600 x 47,5] [2 000 x 40] 646 000 ✓✓ – 80 000 ✓✓	566 000 ☑ One part correct

5

2.2.5 **Give TWO possible reasons for the proposed increase in direct labour cost in the next financial year. Quote figures.**

Any TWO valid points ✓ ✓ figures and trend ✓✓

- DLC will increase (from R876 000) to R1 300 000 / by R424 000 / by 48%. Provision made for overtime / Production incentive bonuses set to be implemented which may be necessary to meet targets.

- Unit costs will increase (from R21,90) to R25,00 / by R3,10 / by 14%. He has accommodated annual inflationary increases or salary increase or introduced improved fringe benefits.

4

2.2.6 **Jerry has projected an increase of R304 000 for the total fixed costs.**

Provide TWO possible expense items he may have considered when making his projections. Provide a different reason for each item identified.

EXPENSE ITEM ✓ ✓	REASON ✓ ✓
• Depreciation on factory machinery	• Additional machinery may be required for increased production.
• Indirect labour	• The workload of the foreman/supervisor will increase/increase minimum wage of cleaners.
• Water and electricity	• Increased usage due to overtime hours.
• Indirect materials / consumable stores	• More units must be cleaned or maintained / Increased office cleaning or packaging materials.
• Rent expenses	• More rental space to accommodate the increase in production.
• Insurance	• An increase in assets will require additional coverage.
• Repairs and maintenance	• An increased production will lead to regular repairs and maintenance.
• Security	• There will be a need of more security personnel / an improved or more advanced security system.
• Administration cost	• Need to hire more office staff / Increased office work to manage increased production
• Telephone	• Frequent communication with customers and suppliers.

4

Explain why Jerry should not be concerned about this proposed increase in the total fixed costs. Provide ONE point with figures.

Any ONE valid point ✓ figures ✓

The fixed cost per unit decreased (from R38,00) to R35,10 / by R2,90 / by 7,6% while the units produced increased.

OR

Fixed cost per unit decreased (from R38,00) to R35,10/ by R2,90 / by 7,6% and he took advantage of economies of scale

2

TOTAL MARKS	40

QUESTION 3

HEADPHONES

3.1 **Calculate the value of the closing stock on 28 February 2025, using the FIFO method.**

WORKINGS	ANSWER
[320 – 80] [140 + 20] [350 – 240] [135 + 20] (240 ✓ x 160 ✓) + (110 ☑ x 155 ✓) 38 400 17 050 two marks one m mark one mark **OR** (33 600 + 4 800) + (14 850 + 2 200) one mark one mark one m mark one mark	55 450 ☑ one part correct two batches must be added

5

3.2 **Helen decided to change suppliers in September 2024 after receiving advice from her sister, the store manager.**

Provide TWO points that show her customers are unhappy with the quality of the headphones purchased from the new suppliers. Quote figures.

Any TWO relevant points ✓ ✓ Figures ✓ ✓

- 80 units were returned/R11 200 had to be refunded.
- Closing stock has increased (from 170 units) to 350 units / by 180 units / by 106%.
- 350 of the 620 (56%) units available for sale remains unsold.
- 310 new units sold (R68 200) compared to 680 old units sold (R149 600) / customers had negative reviews reflected on website or suggestion box, therefore sales decreased by 370 (R81 400).

4

What advice would you give to Helen about changing the supplier in the future? Provide ONE point.

Any ONE relevant point ✓✓

- Ensure that the quality of the headphones is not going to be compromised.
- Her decision must not be influenced by family or employees, but should be based on an informed decision by herself or her own research.
- Do background checks on new suppliers before changing.
- Compare warranty of new suppliers with that from current supplier.
- Conduct market research to ensure new headphones meets market demand.
- Evaluate product performance through customer response before buying in bulk.

2

TELEVISION SETS

3.3 Calculate the value of closing stock of the television sets on 28 February 2025.

TV MODEL	WORKINGS	ANSWER	
Quantum			
Crystal	[72 + 186 – 225] 6 500 ✓ x 33 ✓✓ **OR** 1 677 000 one mark – 1 462 500 two marks [468 000 + 1 209 000] [2 193 750 x 6 500/9 750]	214 500 ☑*	
Limpid	[115 – 94] 7 200 ✓ x 21 ✓✓ **OR** 828 000 – 676 800 one mark two marks [987 000 x 7 200/10 500]	151 200 ☑*	
TOTAL	Award one method mark for 54 if shown as final answer.	365 700 ☑*	**9**

*one part correct Superfluous entry; lose method on total.

3.4

Calculate the cost of sales of the Limpid TVs.

WORKINGS	ANSWER	
see 3.3 828 000 ✓ – 151 200 ☑ **OR** 94 x 7 200 **OR** 987 000 x [7 200/10 500] one mark one m-mark one mark one m-mark	676 800 ☑ One part correct	**3**

Calculate how long (in days) it will take Helen to sell the closing stock of the Limpid TVs.

WORKINGS	ANSWER	
see 3.3 151 200 ☑ x 90 ✓ 676 800 ☑ see 3.4 **OR** 21 one m-mark x 90 one mark 94 one m mark	20,1 days ☑ Accept 20 days One part correct	

Helen feels that she has made a wise decision by replacing the Quantum TVs with the Limpid TVs. Give ONE possible reason (with figures) to substantiate her opinion. **4**

Any ONE reason ✓ Figures ✓

- Higher profit earned per unit. (Quantum: R1 150 / Limpid: R3 300)
- Higher average monthly sales. (Quantum units: 11,7 (8,8) / Limpid: 31)
- Unsold stock of Quantum (18 units) had to be donated.

3.5 **Explain how this will have a positive effect on her business. Provide ONE point.**

Any ONE relevant point ✓✓

- Corporate social responsibility / increased support from the community / increase customer loyalty / increase in sales.
- Creates a positive image as latest technology is sold/ it will enhance brand perception.
- Increase reputation as a business that cares for the community/ increase opportunity to gain positive publicity.
- Can result in tax benefits / result in lower taxable income.

2

VACUUM AND PRESSURE CLEANERS

3.6 VACUUM CLEANERS

Identify ONE problem with vacuum cleaners. Quote figures.
What advice would you give? State ONE point.

PROBLEM (with figures) ✓ ✓	**ADVICE** ✓
• Decrease of 80 units (22,2%) in cash sales / increase of 40 (21,1%) units in credit sales.	• Encourage more cash sales by increasing discounts on cash sales / Launch targeted in-store deals that favour cash transactions. • Reduce current payment terms / review the process to check credit records of potential debtors / revise credit limit regularly.
• Returns increased by 7 units (46,7%)	• Supply quality goods / check the product before dispatching it to customers / Offer customers store voucher rather than full refund / Upgrade to a newer and more advanced vacuum cleaner / change the supplier

3

3.7 PRESSURE CLEANERS

Explain TWO good decisions that Helen has taken in respect of pressure cleaners. Quote figures.
Explain how each decision improved the results on 28 February 2025.
Provide ONE different point for EACH decision.

	DECISION (with figures) ✓ ✓ ✓ ✓	IMPROVEMENT IN RESULTS ✓ ✓
Decision 1	Increased the trade discount on cash sales (from 5%) to 10% / 5% points.	Increase in cash sales
Decision 2	Changed the credit policy (from 150 days) to 120 days / Interest rate decreased (from 18%) to 15%	Better debtors' collection / reduce bad debts (defaulters)
Decision 3	Decrease in mark-up % (from 60%) to 40%.	Increase in total number of units sold

	6

TOTAL MARKS	**40**

QUESTION 4

4.1 **Explain how the preparation of the Cash Budget serves as a management tool in assisting the business to manage its cash resources. State ONE point.**

Any ONE valid point ✓✓ Part-marks for partial/unclear answer

- Can be used as a control measure to see if spending and receipts are going according to plan and to make necessary changes timeously.
- Management will use it for planning cash purchases to see what they can afford and in what month to make purchases.
- It also alerts them to the need to cut down expenditure / to take out a loan / invest more capital / apply for an overdraft facility.
- Indicate fraud by comparing the actual to the budgeted amounts.

2

4.2 **Identify TWO items in the payment section of this Cash Budget, which will not appear in the Projected Statement of Comprehensive Income.**

Any TWO items ✓✓

- Loan repayment
- Deposit for vehicle
- Payment to creditors
- Cash purchase of stock

2

4.3 **CREDITORS' PAYMENT SCHEDULE**

MONTH	CREDIT PURCHASES	JUNE	JULY
APRIL	**96 000**	**9 600**	Superfluous entry; Lose method on total
MAY	**108 000**	**16 200**	10 800 ✓✓
JUNE	120 000 ✓✓ If not shown, award full marks to the correct answer.	**85 500**	18 000 ☑☑ Credit purchase x 15%
JULY	**144 000**		102 600 ✓✓
		111 300	131 400 ☑*

*one part correct

9

4.4 CALCULATE:

	WORKINGS	ANSWER
(i)	**Cash sales for July 2025** R270 000 x 40% **OR** 144 000 x 60/80 **OR** 270 000 – 162 000 **2**	R108 000 ✓✓
(ii)	**Salaries and wages for June 2025** [35 280/3] 11 760 ✓ x [100/105] ✓ x 2 ✓ **OR** (11 760 – 560) x 2 one mark one mark one mark **OR** 35 280 x [200/315] one mark two mark **4**	22 400 ☑ one part correct
(iii)	**Repayment of loan on 1 July 2025** [3 150 – 2 250] 900 ✓ x [100/15] ✓ x 12 ✓ 6 000 two marks **OR** 252 000 – 180 000 one mark two mark **4**	72 000 ☑ one part correct
(iv)	**Deposit for vehicle on 31 July 2025** one mark one mark (36 months x 10/90) R6 875 ✓ x 4 ✓✓ **OR** 247 500 x [100/90 x 10/100] two marks one mark **4**	R 27 500☑ one part correct

14

4.5 Calculate the reduction in the floor space (in m^2) being rented during July 2025.

WORKINGS	ANSWER
[59 940 – 47 952] R11 988 ✓✓ 333 ✓✓ [59 940 / 180] **OR** [47 952 / 333] 180 m^2 – 144 m^2 one mark three marks **OR** [(11 988/59 940) x100] 180 m^2 x 20% one mark three marks	36 m^2 ☑ One part correct

4.6 Refer to Information H

4.6.1 **Explain the effect of the new competitor on any TWO items in the budgeted and actual information for April 2025. Quote figures.**

TWO valid points ✓ ✓ figures and trend ✓ ✓

- Number of units sold 540 is less than budgeted (720) / 180 (25%) below budget.
- Actual sales R135 000 is less than budgeted R180 000 / R45 000 (25%) below budget.
- Gross profit R45 000 is less than budgeted R60 000 / R15 000 (25%) below budget.

4

4.6.2 **Identify TWO changes Daisy implemented in May 2025 in response to the new competitor. Quote figures.**

TWO valid changes ✓ ✓ figures and trend ✓ ✓

- Advertising increased (from 5%) to 9%
- Delivery expenses increased (from 4%) to 5%.
- Introduced commission, 2% of sales (R4 050)
- Decreased the selling price by 10% / (from R250) to R225

4

TOTAL MARKS	**40**

TOTAL: 150

NOVEMBER 2025 MARKING GUIDELINES
QUESTION 1

1.1

1.1.1	True ✓
1.1.2	False✓
1.1.3	True ✓

3

1.2.1 **Calculate the correct balance of the Debtors' Control on 31 August 2024.**

Balance before errors and omissions	**R359 100**
(i)	+ 4 500 ✓
(ii)	0
(iii)	- 11 000 ✓
(iv)	0
(v)	+ 2 700 ✓✓ [+5 200 – 2 500] two marks for Both figures; R2 700 must be +ve.
(vi)	0 Superfluous entry; lose method on total
Correct balance of Debtors' Control Account Should include R359 100	355 300 ☐ one part correct

5

1.2.2 **Complete the correct Debtors' List on 31 August 2024.**

N. Naidoo	**63 000** + 4 500	67 500 ✓✓
S. Sibiya	**69 000** + 18 000	87 000 ✓✓
V. Esterhuizen	**114 000** – 18 000 ✓ + 2 700 ☑ See 1.2.1(v)	98 700 ☑*
J. Nyoka	**95 700** – 3 450 ✓ – 3 450 ✓ – 6 900 two marks	88 800 ☑*
W. du Plessis	**11 500** + 7 500 ✓ – 5 700 ✓ 1 800 two marks	13 300 ☑*
Correct total of Debtors' List		355 300 ☑*

*one part correct

14

1.3.1 **Provide a calculation or figures to show why Timo Traders should not be satisfied with the figures in the Debtors' Age Analysis.**

WORKINGS	ANSWER
[240 000 – 48 000] **OR** [118 000 + 36 000 + 38 000] 192 000 □□ x 100 **OR** 49,2% + 15% + 15,8% 240 000 □ 1 **OR** [29 200 + 18 800] 48 000 two marks x 100 **OR** 12,2 % + 7,8% 240 000 one mark 1	80% □* one part correct Accept 10% below target Do not accept 'R' **OR** 20% one part correct Do not accept 'R'

'x 100' does not count as one part correct

4

1.3.2 **Explain TWO points of advice that you will offer to the owner.**

Any TWO valid point ✓✓ ✓✓ Part marks for partial or unclear responses.

- Encourage customers to pay using debit order to avoid delayed payments.
- Implement automated reminder system (SMS, email and phone calls) to notify customers of upcoming due dates, overdue accounts and payment confirmation.
- Proper screening of debtors or background check to assess debtors' financial status before credit is offered.
- Decrease credit limit of customers who are not adhering to credit terms / Assess creditworthiness (credit score / credit history) regularly and adjust credit limits accordingly.
- Offer various payment options available / payment plans to debtors not adhering to credit terms.
- Suspend / block / freeze the accounts of debtors who fail to pay on time.
- Utilise debt collection service / hand over debtors to debt collectors / legal action.

Do not accept:
Offer discounts / charge interest

1.4 **Analyse the transactions under the headings below. Indicate the effect of EACH answer on the amount payable to SARS.**

4

NO.	CALCULATIONS	VAT AMOUNT	EFFECT ON VAT PAYABLE TO SARS (Increase/Decrease)
E.g.	***5 200 x 15/100***	***R780***	***Increase***
A.	17 250 x 15/115	2 250 ✓	Increase / + ✓
B.	[139 200 x 15/100] [9 200 x 15/100] 20 880 ✓ – 1 380 ✓ **OR** [139 200 – 9 200] 130 000 two marks x 15/100 **OR** 149 500 one mark – 130 000 one mark	19 500 ☑* *one part correct If x 15/100	Increase / + ✓
C.	23 000 ✓ x [90/100 x 15/115] ✓ one mark one mark **OR** 20 000 x [90/100 x 15/100] one mark one mark **OR** 20 700 – 18 000	2 700 ☑* *one part correct	Decrease / – ✓

Allow the use of +/- sign for effects; + (increase) / - (decrease)

TOTAL MARKS	40

QUESTION 2

Calculate:

Workings in square brackets constitute one part, cannot be separated

2.1.1 The weighted average cost of ONE pair of sunglasses

WORKINGS	ANSWER
[1 719 000 + 8 781 000] 10 500 000 ✓✓ 3 000 ✓✓ [620 + 2 380] Numerator and denominator must be marked as such / all amounts are stand-alone. Do not award marks for any operation done on 10 500 000 and 3 000.	R3 500 ☑ one part correct

5

2.1.2 The number of sunglasses stolen

WORKINGS	ANSWER
[620 + 2 380] 3 000 ✓ – 2 050 ✓ – 840 ✓	110 ☑ one part correct

4

The rand value of the sunglasses stolen, using the weighted-average stock valuation method

WORKINGS	ANSWER
R3 500 x 110 see 2.1.1 see 2.1.2 above	R385 000 ☑☑ two m. marks or nothing. If amount calculated in (2.1.1 x 2.1.2) above.

2.1.3 The value of the closing stock using the first-in-first-out (FIFO) method

WORKINGS	ANSWER
[745 – 20] (840 – 725) *725 ✓ x 4 200 ✓ + *115 ☑ x 3 750 ✓ 3 045 000 431 250 two marks one m. mark one mark *For method mark; both figures must add up to 840.	R3 476 250 ☑ one part correct Both figures must be added

2

2.1.4 **Explain how Nosisa could have proven Jack and Micha guilty of the theft of the stock. Provide ONE point.**

Any valid comment ✓✓ Part marks for partial or unclear responses.

- Use whistle-blower's statement as evidence and confirm the findings.
- Compare the supplier's invoice with order forms / delivery notes to check for discrepancies.
- Verify stock records through physical stock count upon delivery.
- Request tracking evidence of route and compare with delivery dates.
- Check CCTV footage for unusual activities when stock is delivered.

2

What action should have been taken against Micha and Jack? Provide ONE point for each person.

Micha (salesperson) ✓✓	Jack (supplier's driver) ✓✓
• Conduct a fair disciplinary hearing / Suspend Micha pending the outcome of hearing. • Audit / Investigate supplier's past transactions for other possible misconduct / fraud. • File criminal complaint against him. • Deducting the money from his salary / demand repayments from Micha to recover losses. • Demote the salesperson / restrict him from working in similar roles within the business.	• Inform the owner of his involvement and request action be taken against him. • Jack should not be assigned to deal with the business anymore / Prohibit Jack from entering the business property. • File criminal charges against him. • Pursue compensation from him if evidence confirms his involvement. • Update contracts with the supplier to include penalties for future unethical behaviour.

4

2.2.1 **TROUSERS**

Workings in square brackets constitute one part, cannot be separated.

Calculate the mark-up percentage achieved for trousers.

WORKINGS	ANSWER
[920 – 500] / 420 ✓ / 500 ✓ x 100/1 **OR** one mark [515 200 – 280 000] / 235 200 / 280 000 x 100/1 one mark Numerator and denominator must be marked as such / all amounts are stand-alone. Do not mix rands with units.	84% ☑ one part correct 'x 100' does not count as one part correct.

3

Comment on whether the mark-up percentage would benefit the business or not.	
Any valid explanation ✓✓ Part marks for partial or unclear responses. • Customers will not buy / pay higher price for the product. • Price sensitive customers may choose competitors offering similar trousers for less, leading to lower sales. • Regular customer may be discouraged from making repeated purchases. • A decrease in sales volume could negatively affect cash flow. • SHP of 186 days / 6,2 months indicates lower demand which resulted in high stock levels / slow sales can lead to stock being out of fashion.	2

2.2.2 CASUAL SHIRTS

Comment on how the return of 120 casual shirts would affect the business negatively. Provide ONE point.	
Any valid explanation ✓✓ • High returns will make the business lose revenue / High return rate may lead to decreased future sales (customers). • Lead to lower sales revenue / decrease in demand / lower gross profit. • This can negatively affect the business reputation (image). • Preparing returned shirts for reselling at original selling price can lead to additional cost.	2

2.2.3 FORMAL SHIRTS

Workings in square brackets constitute one part, cannot be separated.

Calculate how long (in days) it will take Mike to sell the closing stock of the formal shirts.		
WORKINGS		**ANSWER**
125 □ x 120 days □□ **OR** 121 days 855 **OR** [R680 x 125] 85 000 one-mark x 120 days two mark **OR** 121 days 581 400 Numerator and denominator must be marked as such / all amounts are stand-alone. Do not mix rands with units.		17,5 / 17,7 days ☑ one part correct accept 18 days
		4

Comment on ONE other point that might concern Mike about the formal shirts.	
Any valid comment □□ • No online sales for formal shirts / formal shirts are not currently available for online sales. • He is charging low mark-up % which may need to increase, risking the loss of customer. • They can suffer losses in profits, if suppliers increase their prices and the business still maintains low mark-up%. • There will be stock shortage in future as the closing stock could be sold out quicker.	2

TOTAL MARKS
35

QUESTION 3

3.1

	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	**PAYMENT**	**INCOME**	**EXPENSE**
E.g.		***5 000***		***5 000***
3.1.1	132 000 ✓		132 000 ✓ **OR** 31 000 two marks (net effect)	101 000 ✓
3.1.2		34 000 ✓		
3.1.3	264 600 ✓		19 600 ✓	

6

-1 per line for superfluous entry (max -2); only if a mark is earned on that line.

3.2 JESARY SUPERSPARES

Workings in square brackets constitute one part, cannot be separated.

3.2.1

Calculate the credit purchases for November 2024.	
WORKINGS	**ANSWER**
172 000 two marks 103 200 ✓ x 100/60 ✓ x 100/125 ✓ **OR** [103 200 x 100/125] 82 560 two marks x 100/60 one mark	137 600 ☑ one part correct

4

CREDITORS' PAYMENT SCHEDULE FOR DECEMBER 2024			
MONTH	**CREDIT PURCHASES**	**NOVEMBER**	**DECEMBER**
September	**147 200**	**36 800**	Superfluous entry; lose method on total
October	**132 800**	**96 612**	33 200 ✓
November	137 600 ☑		100 104 ☑☑
	See 3.2.1		must be x [75% x 97%] three marks if credit purchase not shown.
		133 412	133 304 ☑*
			*one part correct

5

Workings in square brackets constitute one part, cannot be separated.

3.2.2 **Calculate:**

(i)	Rent expense for December 2024	
	WORKINGS	**ANSWER**
	$29\,000 \times \frac{1{,}06}{100}$	30 740 ✓✓
OR		two marks or nothing
	$29\,000 + \underset{(29\,000 \times 6\%)}{1\,740}$	

2

(ii)	Interest on loan for December 2024	
	WORKINGS	**ANSWER**
	60 000 x [14/100 x 1/12] 3 500 ✓ – 700 ✓☑ **OR** [300 000 – 60 000] 240 000 x [14/100 x 1/12] one mark one m. mark one mark	2 800 ☑ one part correct

4

(iii)	Deposit to be paid on 30 November 2024 for the new computers installed	
	WORKINGS	**ANSWER**
	[9 800 x 36] [100/80 x 20/100] 352 800 ✓ x 20/80 ✓ **OR** [352 800 x 100/80] [9 800 x 36] 441 000 – 352 800 one mark one mark **OR** 441 000 x 20/100 one mark one mark	88 200 ☑ one part correct

3

(iv)	Insurance for December 2024	
	WORKINGS	**ANSWER**
	[4 500 x 28/100] 17 500 ✓ + 1 260 ✓ **OR** [4 500 x 128/100] [17 500 – 4 500] 5 760 + 13 000 one mark one mark	18 760 ☑ one part correct

3

(v)	Salaries for November 2024	
	WORKINGS	**ANSWER**
	$\frac{143\ 750}{1}$ ✓ x $\frac{9}{12,5}$ ✓ **OR** [8 050 x 5] 143 750 – 40 250 one mark one mark **OR** [143 750 x 4/12,5] 46 000 x 9/4 one mark one mark	103 500 ☑ one part correct

3

3.2.3 **Explain the change in the sales policy effected by Bluey in compiling his budget for October 2024. Provide ONE point with figures.**

Change in cash sale / change in credit sales ✓✓

Cash sales changed (from 40%) to 60% / (from R58 000) to R96 000 / by R38 000 / by 65,5% / by 20 % points.

OR

Credit sales changed (from 60%) to 40% / (from R87 000) to R64 000 / by R23 000 / by 26,4% / by 20 % points.

2

The actual credit sales were higher than the budgeted credit sales for October 2024. Explain why Bluey should not be concerned. Provide TWO points with figures.

Any valid explanation ✓ ✓ Figures ✓ ✓

- The number of customers grew (from 540) to 729 / by 189 / by 35%.
- Gross profit has improved (from R60 000) to R82 875/ by R22 875 / by 38,1%.
- Total sales has improved (from R160 000) to R221 000 / by R61 000 / by 38%.

Do not accept comparison to September figures.

4

Comment on the control over delivery expenses and packing materials for October 2024. Quote figures.

Delivery expenses	Any valid comment (with figures) ✓✓ ✓✓ Must be compared to sales. Do not accept comparison to September figures. • Effective control budgeted at 15% of sales; actual is 15% of sales. (100% utilised). • Overspent by R9 150 / (from R24 000) to R33 150 / by 38,1%, while total sales also increased by 38,1% only / actual sales of R221 000 exceeds the budgeted sales (R160 000).
Packing material	• Not well controlled; actual exceeded budgeted by 33,3% / budgeted for 9% on sales and 12% has been spent. • Overspent by R12 120 (from R14 400) to R26 520 / by 84,2%, while total sales increased by 38,1% only.

4

TOTAL MARKS
40

QUESTION 4

4.1 FLOWERPOTS MANUFACTURERS

Workings in square brackets constitute one part, cannot be separated.

4.1.1

Calculate the direct/raw material cost.	
WORKINGS	**ANSWER**
[4 800 x 1,4] 6 720 ✓✓ x 1,1 ✓ x R125 7 392 three marks **OR** (6 720 two marks + 672 one mark) x R125 **OR** 4 800 one mark x 1,54 two marks x R125	924 000 ☑ if x 125

4

4.1.2

Calculate the direct labour cost.	
Direct labour budgeted for the year	**1 117 200**
Resigned worker 1 117 200 x 4/84 **OR** 159 600 x 4/12 [1 117 200 / 7] [159 600 x 8 / 12] **OR** 159 600 – 106 400 **OR** [1 680 x 4/12] [(1 117 200 ÷ 1 680 / 7] 560 x 95	(53 200) ✓☑* Ignore bracket
Overtime (3 x 60) 180 ✓ x 95 ☑ x 1,6 ✓ see above **OR** (3 x 60 x 1,6) x 95 288 two marks one m. mark	27 360 ☑*
Check operation; resigned worker (subtracted) and overtime (added); must include R1 117 200	1 091 360 ☑*

*one part correct

7

4.1.3

Complete the Factory Overhead Cost Note				
Incorrect factory overheads				**1 132 700**
Factory indirect labour				88 320 ✓✓
Factory rental	[157 500 x 600/800] 118 125 ✓✓	–	[126 000 x 400/600] 84 000 ✓✓	34 125 ☑
Should include R1 132 700				1 255 145 ☑*

8

*one part correct

4.2 TIMEPIECE MANUFACTURERS

4.2.1 **Comment on the level of production and break-even point on 31 August 2024.**

Any valid point ✓✓ figures ✓✓

For FOUR marks:

- Produced and sold 3 640 units below the BEP 6 868 / made a loss on 3 228 units.
- Loss on 3 228 (1 845) units has improved compared to 2023 loss on 5 073 units.

For TWO marks (max):

- BEP decreased by 1 115 units / (from 7 983) to 6 868 / by 14%.
- Units produced increased by 730 units / (from 2 910) to 3 640 / by 25%.

4

4.2.2 **Comment on the gross profit earned by the business and the price charged for the watches. In your opinion, explain if Jabu's customers found the 2024 price reasonable. Provide figures.**

Comparison of GP figures comparison of SP figures

- Gross profit has increased (from R960 300) to R1 237 600 / by R277 300 / by 28,9%.
- Number of units sold increased (from 2 910) to 3 640 / by 730 units / by 25% / Total sales increased (from R2 880 900) to R3 712 800 / by R831 900 / by 28,9%.
- Selling price increased (from R990) to R1 020 / by R30 / by 3% which is reasonable for the customers and is within the inflation rate.

For FOUR marks: Be aware of comments being combined.

- Price increased with 3%, 25% more units sold, and GP increased with 28,9%.

4

4.2.3 **Identify the TWO main costs that would have a positive effect on the selling price. In each case, provide a strategy that Jabu would have implemented.**

Main costs □ □	Strategies □ □
Direct material cost	• Change to a cheaper supplier / local suppliers / bulk purchase at lower price. • Less wastage due to improved supervision / better trained workers / technology used.
Total fixed cost	• Economies of scale, total fixed cost remained the same (R1 820 000) even though more units were produced.
Selling and distribution cost	• Offer more reliable distribution systems to increase customer satisfaction. □ additional advertising / free delivery contributed to increased sales

4

4.2.4 **Jabu wishes to increase his profit by R300 000 during the next financial year while maintaining the costs. Calculate the price that he would have to charge his customers in order to produce 400 extra units.**

WORKINGS	ANSWER
[300 000 / 400] 750 ✓✓ + 755 ✓ **OR** [400 x 755] R300 000 one mark + R302 000 one mark 400 one mark	R1 505 ☑ one part correct

4

TOTAL MARKS
35

TOTAL: 150

MAY/JUNE 2024 MARKING GUIDELINES

1.1 BANK RECONCILIATION

1.1.1 Calculate the correct bank account balance on 31 May 2024.

WORKINGS	ANSWER
one mark one mark; both figures must be entered in CRJ & CPJ (5 480 – 4 580) 9 050 – 5 000 ✓✓ + 900 ✓✓ – 310 ✓ – 1 780 ✓ + 1 060 ✓ CRJ CPJ **OR** 9 050 + (900 + 1 060) – (5 000 + 310 + 1 780) 1 960 three marks 7 090 four marks **OR** Bank Account format 9 050 5 000 900 310 1 060 1 780 **Bal c/d 3 920** Be alert to alternative presentations for calculations	3 920 ☑ one part correct ignore sign Inspect whether DR or CR for Recon (1.1.2)

8

1.1.2 Bank Reconciliation Statement on 31 May 2024

	ONE-COLUMN METHOD	OR: ONE-COLUMN METHOD	DEBIT	CREDIT
Balance as per bank statement Do not accept R1 550 & R4 170	21 520	(21 520)	DR and CR totals must be the same	21 520 ☑* Could be Dr
Outstanding deposit	17 500	(17 500)		17 500 ✓
Error on statement	(25 000)	25 000	25 000 ✓	
Outstanding EFT No. 819	(11 880)	11 880	11 880 ✓	
Error on statement	1 780	(1 780)		1 780✓
Balance as per bank account Do not accept R4 170 & R1 550	**3 920**	**(3 920)**	3 920 ☑# See 1.1.1 Could be Cr	
			40 800	40 800

6

***** balancing figure # check 1.1.1 to assess if candidate has calculated a favourable or overdraft balance

-1 Presentation (inappropriate / no details provided);
-1 foreign items / superfluous items, (only if mark/s are earned in 1.1.1 for the same figure) max -1 If candidate presents one-column & two-column reconciliation, mark version that benefits candidate

For the 2-Column method, candidates must place figures in the correct column to earn marks For the 1-Column method, candidates must present the appropriate sign i.e. positive or negative

1.1.3 **Explain TWO important instructions that Scot should give to Kiki to ensure that corruption does not occur with regards to the processing of EFTs.**

Any TWO control measures □□ □□ part marks for incomplete or unclear response
Be alert to other valid answers

- Before processing EFTs, Kiki must check that the bank details and amounts due are correct by referring to appropriate documents and records of service providers / Bank confirmation letter to verify bank details.
- She must monitor the bank transaction records continuously provided on the business electronic statement.
- She must protect all the passwords and codes that are necessary for using the online application and computer system.
- Authorisation by supervisor: She must report daily to her supervisor (or Scot) on the daily transactions (especially for suspicious transactions).
- One Time Pin (OTP) must be authorised by the supervisor (or Scot) for processing all EFTs or for certain transactions or payments over a specific amount / Only assigned individuals are allowed to initiate, authorise and reconcile EFTs.
- Set daily limits on the banking app which can be altered by user if necessary.
- Regular check of all notifications on banking app to verify movements of cash.
- She must review and cross-reference banking app messages with the corresponding documents to confirm if payments requests are legitimate.

If an EFT is received e.g.
- If payer notifies business that payment has been made, then Kiki must check to the electronic bank statement before recording the receipt.

4

1.2 **EXTRACT: LIST OF DEBTORS**

DEBTORS	WORKINGS		BALANCE
A. Judy	**27 750**	– 9 000 ✓	18 750 ✓
B. Benior	**(400)**	+ 9 000 ✓	8 600 ✓
C. Oliver	**19 300**	one mark one mark 3 000 + 3 000 + 6 000 ✓✓	(2 400 x 25/75) OR (3 200 – 2 400) – 800 ✓☑ Do not mark R3 000 in the 2nd adjustment	24 500 ☑* *one part correct
D. Fiery	**2 900**	Both figures required – 6 390 ✓✓ (or – 7 100 + 710)	(3 490) ☑ *operation

12

TOTAL MARKS	30

QUESTION 2

2.1.1 **Calculate the VAT amount on the goods sold by the business.**

WORKINGS	ANSWER
[182 000 x 90%] two marks (839 800 ✓ – 163 800 ✓✓) x 15% OR 125 970 – 24 570 676 000 three marks one mark two marks	101 400 ☑ one part correct if x15%

4

2.1.2 **Calculate the amount payable to or receivable from SARS on 30 April 2024.**

WORKINGS	ANSWER
See 2.1.1 – 5 340✓ – 82 200 ✓ + 101 400 ☑ – 4 110 ✓✓ + 4 800 ✓ (31 510 x 15/115) **OR** 5 340 + 82 200 – 101 400 + 4 110 – 4 800 **OR** **VAT Control** 5 340 101 400* 82 200* 4 800* 4 110* **Bal c/d 14 550** **OR** **VAT Control** 101 400* 5 340 4 800* 82 200* 4 110* **Bal c/d 14 550** Mark one option only; inspect option that benefits the candidate. Be alert to alternative presentations for calculations. If no sign provided, assume the figure is positive. *Amounts may be in brackets in the opposite column (side).	14 550 ☑ one part correct

7

INVENTORY VALUATION

2.2 **Calculate the expected cost price of one LITCHI phone in Rands per unit.**

WORKINGS	ANSWER
[5 488 two marks] [($280 x R17,50) ✓ x 1,12 ✓] + (R303 600 ✓ ÷ 300 ✓) 4 900 one mark +588 one mark +1 012 two marks **OR** [($280 x 17,50 x 300) (1 470 000 x 12%)] (1 470 000 + 176 400 + R303 600) ÷ 300 one mark one mark one mark one mark **OR** 1 950 000 three marks 1 646 400 two marks one mark [($280 x R17,50 x 1,12) x 300] + R303 600 300 one mark	R6 500☑ one part correct

2.3 **Calculate the total value of the closing stock of the CLEO and BRUMA phones on 29 February 2024, using the specific identification method.**

MODEL	WORKINGS	ANSWER
CLEO	(270 + 2 265 – 2 180) 355 ✓✓ x R8 000 OR 20 280 000 – 17 440 000	2 840 000 ☑ If x 8 000
BRUMA	920 x R2 500	2 300 000 ✓✓ Accuracy marks only
TOTAL		5 140 000 ☑*

5

2.4 **Calculate the average stock turnover rate for the CLEO phone for 2024.**

WORKINGS	ANSWER
2 160 000 +18 120 000 – 2 840 000 24 416 000 x 100/140 **OR** 6 976 000 x 100/40 **OR** 2 180 x 8 000 **OR** 24 416 000 – 6 976 000 two marks 17 440 000 ✓✓ ½ (2 160 000 +2 840 000 see 2.3) 5 000 000 two marks 2 500 000 three marks if units are used: $\frac{2\ 180}{½\ (270 + 355)}$ 312,5	7 times ☑ one part correct; Accept 6,9 times

6

2.5 **The directors took decisions to adjust the mark-up % on the CLEO and BRUMA phones for the 2024 financial year. Explain how these decisions impacted on the gross profit and cash flow of the company as well as on the stock turnover rates of each model.**

Assume that points on gross profit, units sold or sales revenue will all have an impact on cash flow. Any one point per block is sufficient for 2 marks (explanation for one mark & figures for one mark). Mark each product globally i.e. do not simply repeat figures. Be alert to other responses or figures that are valid for each point.

	CLEO	BRUMA
Explanation on gross profit & cash flow	Explanation Figures Accept any TWO different points Do not accept mark-up • Gross profit increased (from R5 900 000) to R6 976 000 / by 18,2% / by R1 076 000 • Units sold increased from 1 475 to 2 180 / by 705 / 47,8% • Sales revenue increased (from R17 700 000) to R24 416 000 / by R6 716 000 / by 37,9% contributing to better cash	Explanation Figures Accept any TWO different points Do not accept mark-up • Gross profit increased (from R2 540 000) to R3 027 500 / by R487 500 / 19% despite the higher mark-up % • Units sold dropped from 2 540 to 1 730 / 810 units / 33% • Sales decreased by R267 500 / from R7 620 000 to R7 352 500 / by 3,5%

Explanation on stock-turnover rates	flow. • STR increased / improved (from 4,4) to 7 times see 2.4 • Customers prefer a better quality phone / On average 182 CLEO phones. are sold p.m. (increased from 123 in previous year) • Appropriate stock on hand 355 units or 2,5 months	• STR decreased / slower (from 10,2) to 3,1 times. • On average 144 BRUMA phones sold p.m. (declined from 212 in previous year) • High closing stock of 920 / overestimated demand and overstocked for 4 months	8

2.6 **If the directors go ahead with the LITCHI phones and order a lot more in the future and sell it at a mark-up of 40% on cost, how could this impact on the sales of the CLEO and BRUMA phones. Explain, quoting figures to support your opinion.**

Any valid explanation ✓✓ part marks for incomplete or unclear answer

Figure/s or calculations ✓✓

Be alert to other valid explanations

- This would place the selling price between the Cleo (R11 200) and the Bruma (R4 250); which could negatively affect the sales of both models (Cleo may drop due to a cheaper alternative; Bruma sales may drop due to a less expensive quality phone)
- The directors should be aware that they might lose out on the high gross profit earned on the Cleo models (R3 200) against (R2 600) [6 500 see 2.2 x 40%] on the Litchi.

4

TOTAL MARKS	**40**

QUESTION 3

3.1

3.1.1	B ✓ selling & distribution
3.1.2	D ✓ administration
3.1.3	A ✓ factory overheads

2

NARDO MANUFACTURERS

3.2 FACTORY OVERHEAD COST NOTE

Incorrect amount calculated by bookkeeper	**258 200**
Water and electricity	+ 28 800 □□ Accuracy marks
Rent expense –142 800 + 74 800 OR 13 600 X 5	– 68 000 ✓□*
Insurance – 48 000 + 52 500 OR 12 000 – 7 500 OR 12 000 x 3/8	+ 4 500 ✓□*
TOTAL # one part correct, must include 258 200	223 500 □

7

do not mark workings *if final figure correct; award 1 mark if sign is incorrect

3.3 PRODUCTION COST STATEMENT ON 29 FEBRUARY 2024

*workings in square brackets constitute one part, cannot be separated.
Mark one option only; inspect option that benefits the candidate.

Direct material cost [84 000 + 495 600] 579 600 □ + 115 900 □□ OR [84 000 + 739 600] 823 600 – 128 100 one mark two marks	695 500 ☑*
Direct labour cost DMC Balancing figure PC – Must be DLC for this line	710 300 ☑
Prime cost	**1 405 800**
Factory overhead cost see 3.2	223 500 ☑
Total manufacturing cost Operation PC + FOH	1 629 300 □
Work-in-progress (1 March 2023)	**30 700**
	1 660 000
Work-in-progress (29 February 2024) Balancing figure accept a positive figure must be WIP for this item	(64 200) ☑
Cost of production of finished goods	1 595 800 ✓✓ Accuracy marks

10

HIKING BAGS

3.4 **Comment on the control over direct material cost of hiking bags. Quote figures.**

Explanation on control (one mark) Figures and trend (one mark; can be implied)

Not well controlled ✓ (above the inflation rate of 6%) as DMC increased (from R230) to R320 / by R90 / by 39% □.

Provide TWO reasons that may have contributed to the change in the unit cost.

Any TWO valid reasons ✓✓

- Wastage / theft of material in production.
- Scarcity of material caused increase in price / market conditions.
- Change of supplier.
- Additional transport / storage costs / import duties / exchange rate.
- Poor quality of materials / cutting of material OR better quality materials therefore more expensive.
- Lack of supervision / poor internal control / unskilled workers (re-cutting)
- Faulty equipment / poor technology

4

3.5 **Explain whether the decision to increase the selling and distribution cost of hiking bags was beneficial to the business or not. Quote figures.**

Figures □ Comment on production or profitability ✓✓ part marks for incomplete answers

each bullet counts for 3 marks

- An increase in BEP (from 2 273 units) to 4 328 units / by 2 055 units / by 90%.
- A very small increase in production (from 4 000 units) to 4 200 units / by 200 units / by 5%.
- A loss on 128 bags in 2024 against a profit of 1 727 bags in 2023 / A loss of R21 120 for 2024 against a profit of R531 916 in 2023.

Response for one mark:
Selling & distribution increased (from R80) to R160 / by R80 / by 100% (doubled)

3

3.6 **Kyla plans to increase production of hiking bags by an additional 2 500 units over the next financial year. Assuming no change to the current cost structure, calculate the additional net profit that she could expect to earn in 2025.**

*workings in square brackets constitute one part, cannot be separated.

WORKINGS	ANSWER

[780 – 615] (2 500 □ x 165 □□) – 21 120 □ (accept 21 000 / 20 999,55 / 412 500 three marks 127,3 or 127,27 x 165) **OR** 1 105 500 – 714 120 two marks two marks **OR** 2 372 two marks two marks (4 200 + 2 500 – 4 328) x 165 OR Let the expected profit = y 714 000 + y = (4 328 + 2 372) 714 000 + y = 6 700 x 165 780 – 615 714 000 + y = 1 105 500 y = 1 105 500 – 714 000 = 391 500	391 380 □ *one part correct Accept R391 500 If 412 500 is final answer award 3 marks	**5**

HIKING JACKETS

3.7 **Comment on the fixed cost per unit of hiking jackets and explain the major cause for the change in this unit cost.**

Be alert to the two explanations being combined in one response. Part-marks for incomplete responses.

General explanation ✓Figures and trend ✓

Although the fixed cost per unit increased (from R130) to R196,50 / by R66,50 / by 51,1%, the total fixed cost is relatively constant and well controlled; and fixed costs are not related to the level of production.

Explanation on major cause of dis-economies of scale □□ figures are not necessary for this part

- A decrease in production (from 6 000 units to 4 000 units) contributed to the increase in the fixed cost per unit / Resulted in less units produced to carry the fixed cost i.e. dis-economies of scale.
- Inefficiency in manufacturing process due to equipment breakdowns or wastage of resources.

[Do not accept increase of R6 000 in total fixed cost for this question]

4

3.8 **Identify the production cost of hiking jackets that should be of serious concern to Kyla.**

Direct labour cost □ [Do not accept any other alternatives for this question]
DLC increased (from R110) to R175 / by R65 / by 59%. □

Provide TWO valid solutions to this problem.

Any TWO points ✓ ✓ Be alert to alternative valid responses

- Monitor overtime usage to identify area of concern / control overtime
- Monitor / better supervision of work during normal time
- Have back-up plans for load-shedding (disruptions)
- Set targets to be completed at regular intervals / performance incentives must be tied to productivity targets / pay according to units produced
- Training / cross-training of employees to perform multiple tasks
- Recruit skilled employees
- Adopt new technology (advanced machinery) to complete hiking jackets in less time / ensure greater accuracy and consistency

4

TOTAL MARKS	**40**

QUESTION 4

4.1 DEBTORS' COLLECTION SCHEDULE

MONTHS	CREDIT SALES	MAY	JUNE
MARCH	**712 800**	**171 072**	If superfluous entry, lose method on total
APRIL	**792 000**	**356 400**	190 080 ✓✓
MAY	**871 200**	**206 910**	392 040 ✓✓
JUNE	**950 400**	950 400 x [25% x 95%] OR 237 600 – 11 880	225 720 ✓✓☑
CASH FROM DEBTORS		**734 382**	807 840 ☑ one part correct

8

If figures have been shifted up, -1 for presentation

4.2 Calculate:

(i) Cash sales for June 2024

WORKINGS	ANSWER
950 400 ✓ x 55/45 ✓ OR (950 400 x 100/45) one mark 2 112 000 – 950 400 one mark	1 161 600 ☑ one part correct

3

(ii) Payments to creditors in June 2024

WORKINGS	ANSWER
(1 936 000 x 100/160) 1 210 000 ✓✓ x 70% ✓ OR (5 500 x 70%) 3 850 x 220 two marks one mark	847 000 ☑ one part correct

4

(iii) Hire of delivery vehicle expense for May 2024

WORKINGS	ANSWER
34 810 ✓ x [100/118] ✓ OR (34 810 x 18/118) 34 810 – 5 310 one mark one mark	29 500 ☑ one part correct

3

4.3 Calculate: % increase in salaries of office workers from 1 June 2024

WORKINGS	ANSWER
$\frac{64\ 480 - 62\ 000}{62\ 000}$ ✓ x 100 (2 480 ✓✓)	4% ☑ one part correct % sign not necessary Must be x 100

4

4.4 **Explain how the competitor affected the sales and cash flow of the business in <u>April 2024</u>. Provide TWO different points, with figures.**

Be alert to the two explanations being combined in one response. Part marks for incomplete answers
Any TWO valid responses □□ □□

- **Number of units** sold is 52 units (26%) less than budgeted / budgeted to sell 200 units, only sold 148 units
- **Total sales** are less than budgeted by R457 600 (26%) / budgeted for total sales of R1 760 000, actual was R1 302 400
- **Credit sales** is above by 35% / budgeted for 45% of total sales, actual is 70% of total sales / budgeted 90 units while actual was 104 units
- **Cash sales** is less than budgeted by 25% / budgeted cash sales was 55%, actual cash sales amounted to 30% of total sales / budgeted 110 units while actual was 44 units

Example of a complete response for 4 marks:
- Cash sales were R577 280 less than budget / budgeted R968 000 actual R390 720 / difference 59,6%. Credit sales is R119 680 more than budgeted / actual R911 680 while budget is R792 000 / difference 15,1% more

4

4.5 **Explain whether Dan would be satisfied with the number of units sold in <u>May 2024</u> as a result of his decision to adjust the selling price of the product. Provide TWO points, with figures.**

TWO valid points (with figures) □□ □□
Yes / No must be implied in the figures given part marks for incomplete / unclear responses

- Reducing the mark-up (from 60%) to 35% resulted in more units sold
- Number of units sold is more than budgeted by 25 units (from 220 to 245 / by 11,4%)
- Total sales budgeted amount of R1 936 000 is more than the actual of R1 819 125 / difference R116 875 / by (6%)
- Maintaining the higher level of credit sales at 70% of total sales still contributes to the cash-flow problem created in April 2024.

4

4.6 **Dan is aware that not all salespersons would be satisfied with the decisions he has taken regarding their earnings. Salesperson John was satisfied whereas Sally was not. Provide ONE reason to support John's opinion and ONE reason to support Sally's opinion. Quote figures.**

Yes / No must be implied in the figures given part marks for incomplete / unclear responses

REASON TO SUPPORT JOHN ONE valid point (with figure) ✓✓

- Commission is budgeted at 15% of sales, they received 20% of actual sales.
- They expected average is R24 200 per person but received R45 478 each (R363 825/8).
- They received and average of R16 280 each in April 2024, compared to R45 478 in May 2024.
- Commission increased from R1 320 per unit to R1 485 per unit / by R165 per unit / by 12,5% per unit

REASON TO SUPPORT SALLY ONE valid point (with figure) ✓✓

- Reducing the number of salespersons from 12 to 8 persons may have increased their workload.
- Sally may have been shifted to a new job which she must still learn losing on 15% commission / she has to settle for a fixed salary (which could be lower than the commission) / she might be worried about being retrenched (4 less salespersons).

Calculate the total loan amount including interest.

WORKINGS	ANSWER
13 800 x 12 x 10 If deposit of R220 000 is added, ignore the figure Award marks on R1 656 000 or on the R13 800 x 12 x 10	1 656 000 ✓✓ Accuracy marks

4

4.7 **The owner is unsure about purchasing or renting the property. Explain ONE point in favour of purchasing the property and ONE point against this proposal.**

Be alert to alternative valid responses Part marks for incomplete or unclear responses

IN FAVOUR OF PURCHASING THE PROPERTY ✓✓	• The owner would benefit from capital gains (due to appreciation of the value of the property). • Property owner has tax benefit on returns (on value of property).
4.8	• It provides stability and control over property expenses / (can save on rent expenses) & rather pay off mortgage. • The owner can borrow future loans against the value of the building as security for the loan.
AGAINST PURCHASING THE PROPERTY ✓✓	• Rent would be tax-deductible. • Not responsible for repairs and maintenance. • Avoid mortgage costs / municipal rates / transfer duties. • It provides the flexibility to move to another place without any commitment of a long-term mortgage. • He will not be directly affected by fluctuations in interest or real estate market / avoids the financial risk associated of being a property owner.

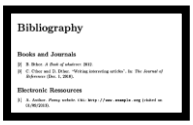
2

4

TOTAL MARKS	40

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{100 \text{ Cost of sales}} \times \frac{}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{1}{0}\frac{}{0}\frac{}{1}$
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)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{100 \text{ Number of issued shares}} \times \frac{}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{100 \text{ Number of issued shares}} \times \frac{}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{100 \text{ Number of issued shares}} \times \frac{}{1}$

$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
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.	



BIBLIOGRAPHY

1	DoE May/Junev 2026
2	DoE November 2025
3	DoE May/June 2025
4	DoE November 2024
5	DoE May/June 2024
6	DoE November 2024