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**MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA**

GERT SIBANDE DISTRICT

GRADE 12

ACCOUNTING

MARCH CONTROL TEST - 2025

FINANCIAL REPORTING & EVALUATION

MARKS: 100

TIME: 80 MINUTES

This question paper consists of 8 pages, 1 formula sheet and a 7-page answer book.

Please turn over

**INSTRUCTIONS AND INFORMATION**

Proudly South African

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Workings must be shown to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.
8. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 50 marks; 40 minutes	
Topic:	This question integrates:
Financial statements	Balance Sheet Notes to Financial Statement: Retained Income

QUESTION 2: 30 marks; 24 minutes	
Topic:	This question integrates:
Notes to Financial Statements and Cash Flow Statement	Cash Flow Statement Notes to Financial Statements Interpretation of financial information

QUESTION 3: 10 marks; 08 minutes	
Topic:	This question integrates:
Interpretation of financial information	Interpretation of financial information

QUESTION 4: 10 marks; 08 minutes	
Topic:	This question integrates:
Audit Report and Corporate Governance	Audit Report and Corporate Governance


QUESTION 1: COMPANY FINANCIAL STATEMENTS (50 marks; 40 Minutes)
BREYTEN LIMITED

The information relates to the financial year ending on 28 February 2025.

REQUIRED:

- 1.1. Retained Income Note on 28 February 2025. (12)
- 1.2. Prepare Statement of Financial Position for the year ending 28 February 2025. (38)

Note: (Where notes are NOT required, show your workings in brackets to earn part marks)

INFORMATION

A.

List of balances, before considering all adjustments below:		
	2025 R	2024 R
Fixed Assets (Balancing Figure)	?	?
Ordinary share capital	?	9 600 000
Retained Income (8 February 2025)	1 155 000	?
Loan: Mswati Bank	1 750 000	2 000 000
Interest on Fixed Deposit (12% p.a.)	90 000	
Fixed Deposit	?	
Trading stock	1 500 000	
Net trade debtors	1 020 000	
Petty Cash, Cash Float and Bank (Dr)	2 101 000	
Creditors control	750 000	
Accrued income	20 500	

B. **Shares and dividends**

1 September 2024 Interim dividends of 45 cents per share was paid

08 February 2025 160 000 shares were repurchased at R1.20 above the average share price. This transaction was properly recorded. These shares do not qualify for final dividends.

28 February 2025 A final dividend of 70 cents per share was declared on all shares on the share register on 29 February 2025.

28 February 2025 1 340 000 shares were in issue.

NB: No new shares were issued during the financial year.

C. **Loan: Mswati Bank**

Balance at the beginning	2 000 000
Month repayment instalment (incl. interest)	30 000
Interest on loan	?
Balance at the end	1 750 000

NOTE: Loan repayment will remain the same in the next financial year.

**OTHER ADJUSTMENTS:****1. Rent Income**

Rent of R109 000 was received from a tenant for the period 1 March 2024 to 30 April 2025. This has been recorded.

NOTE: The monthly Rent was decreased by R2 000 from 1 December 2024.

2. Directors' Fees

Directors' fees paid for the year amounted to R2 665 000. The company has four directors who received the same fee.

Two directors received their fees in full for current year.

One director did not receive his fees for February 2025.

Last director requested a company to pay him for March, April and May 2025.

3. Fixed deposit

20% of fixed deposit is expected to mature on 30 June 2025.

4. Provision for bad debts

Provision for bad debts must increased by R9 000.

5. Debtors control

Debtor with a credit balance of R22 000 must be transferred to creditors ledger.

6. Trading Stock

Physical stock count revealed:

Trading Stock on Hand	R1 500 0000 (There was no surplus or deficit)
Consumable Stores on hand	R380 800

7. SARS – Income tax

- SARS – Income tax for previous year (2024) indicate a credit balance (Cr) – which amounted to R80 000
- Tax paid for 2024 amounted to R650 200
- Income tax for the year amounted to R658 000 (28% of Net Profit).

**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS****(30 minutes; 30 minutes)****POSH LTD**

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

REQUIRED:

- 2.1** Complete the section of the Cash Flow Statement for 'Cash Effects of Operating Activities'. Show all workings. (8)
- 2.2** Calculate the following amounts for the Cash Flow Statement:
- 2.2.1 Purchase of fixed assets. (5)
 - 2.2.2 Proceeds from shares issued. (5)
 - 2.2.3 Repayment of loan. (2)
 - 2.2.4 Net change in cash and cash equivalents.
- Complete the table in the Answer Book.** (4)
- 2.3** Calculate the following financial indicators on 28 February 2025:
- 2.3.1 % Net profit after tax on sales. (4)
 - 2.3.2 Debt equity ratio (2)

INFORMATION:**A. Extract: Statement of Comprehensive Income on 28 February 2025:**

Sales	R 4 050 000
Cost of sales	2 600 000
Depreciation	440 560
Interest expense	246 000
Income tax	253 500
Profit before income tax	845 000

**B. Extract: Information from the Statement of Financial Position on 28 February:**

	2025 R	2024 R
Fixed assets (carrying value)	9 768 900	7 886 780
Ordinary shareholders equity	6 315 500	5 015 000
Ordinary share capital	5 900 000	4 845 000
Retained income	415 500	170 000
Non-current liabilities	1 400 000	2 500 000
Cash and cash equivalent	5 000	490 000
Bank(unfavourable)	55 000	-
SARS: Income tax	(Cr) 10 400	(Cr) 6 780
Shareholders for dividends	195 000	100 000

C. Fixed assets:

- Old equipment was sold for cash at the carrying value of R195 200.
- Fixed assets to the value of R? were purchased during the year.

D. Share capital and dividends:

- The company is registered with an authorised share capital of 1 000 000 shares.
- On 1 March 2024 there were 60% of the authorised shares in issue.
- On 1 April 2024 a further 500 000 shares were issued.
- An interim dividend of R140 000 was paid on 31 August 2024.
- On 28 February 2025, 100 000 ordinary shares were repurchased from the estate of a deceased shareholder at R10 000 more than the average price per share.
- On 28 February 2025 there were 1 000 000 shares in issue.

**QUESTION 3: INTERPRETATION OF FINANCIAL STATEMENTS****(10 marks; 08 minutes)****3.1 NOMNDENI LOYAL LTD**

The company trades in electrical equipment. The information relates to the past two financial years, ended 28 February 2025.

JT Khoza is the CEO and there are three other directors in the company.

REQUIRED:

NOTE: Provide figures, financial indicators or calculations in EACH case to support your answer

3.1.1 LIQUIDITY:

Khoza has been concerned about the company's working capital over the years. He proposed a new approach to the directors of converting assets into cash quickly. Quote TWO financial indicators and explain why his concern is justified.

(4)**3.1.2 RISK AND GEARING:**

A shareholder has proposed that Khoza acquires a loan from his wife, who is a bank consultant. Khoza did not agree with this proposal. Explain why you agree with him. Quote TWO financial indicators.

(6)**INFORMATION:****A.**

	2025	2024
Debt/Equity ratio	0,8 : 1	0,4: 1
Acid-test ratio	0,4: 1	0,9: 1
Stock turnover rate	3,2 times	8 times
Trading stock deficit as % of cost of sales	6%	2%
% returns on total capital employed	13%	20%
% returns on shareholders' equity (ROSHE)	5%	9,2%
Interest rate on loan	14%	14%

10

**QUESTION 4: CORPORATE GOVERNANCE****(10 marks; 08 minutes)**

- 4.1 Given the TWO types of reports which can be issued after the financial statements of a company had been audited.

Disclaimer of opinion

Unqualified report

- Which type of audit report will discourage shareholders to buy shares in a company and briefly explain that audit report. (2)
 - Provide ONE reasons why shareholders will not be interested to buy shares in such a company. (2)
- 4.2 Explain why a company's financial statements must be audited by independent auditors. Provide ONE points. (2)
- 4.3 The following was reported to the company.

One of the directors, the Chief Financial Officer (CFO) and the Independent Auditor of the company seems to be good friends as they meet socially every second week.

As a shareholder, why would you be concerned by this kind of relationship? Explain TWO points (one for each person involved as indicated in the ANSWER BOOK).

(4)

10

TOTAL: 100

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities
(Trade & other receivables + Cash & cash equivalents) : Current liabilities		$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average debtors}}{\text{Sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
Non-current liabilities : Shareholders' equity	$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average Non-current liabilities}} \times \frac{100}{1}$		$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Total Fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$