basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MAY/JUNE 2026

MARKS: 150

TIME: 2 hours

This question paper consists of 14 pages, a formula sheet and a 12-page answer book.

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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Company Financial Statements	50	45
2	Cash Flow Statement and Financial Indicators	40	30
3	Interpretation of Financial Information	45	35
4	Corporate Governance	15	10
TOTAL		**150**	**120**

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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.

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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.

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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%

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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.

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TOTAL: 150

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GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets **:** Total liabilities	Current assets **:** Current liabilities
(Current assets – Inventories) **:** Current liabilities	Non-current liabilities **:** Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) **:** Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	

NOTE:
1. Trading stock at the end of a financial year may be used if required in a question. 365 days is applicable only if relevant to the whole year.
2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).
3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.

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