Western Cape Government

Western Cape Education Department
Curriculum (FET)

REVISION 2026
Term 1

ACCOUNTING

Grade 12

ACTIVITIES

SUCCESS IN ACCOUNTING

In order for you to be successful in Accounting you **MUST**:

1. **Ensure that you know the formats or layouts of the**:
   - Statement of Comprehensive Income (Income Statement)
   - Statement of Financial Position (Balance Sheet) with notes
   - Cash Flow Statement
   - Production Cost Statement
   - General Ledger accounts, e.g. Asset disposal, etc.
   - Bank reconciliation statement
2. **UNDERSTAND and KNOW:**
   - basic Accounting concepts, e.g. income, expenses, assets, liabilities, etc.
   - rules for AOL
   - basic calculations, e.g. interest on loan/investment, depreciation, etc.
3. **Work through as many past examination papers and other resources (e.g. Telematics material) as you can. Do it over and over.**
4. Your success in the final exam will depend on **how much EXTRA time** you put into your preparation.

BASIC ACCOUNTING PRINCIPLES (RULES)

Dr	ASSETS (A)	Cr
Increase with a debit entry +		Decrease with a credit entry -

Dr	LIABILITIES (L)	Cr
Decrease wit a debit entry -		Increase with a credit entry +

Dr	OWNERS' EQUITY (OE)	Cr
Decreases with a debit entry -		Increases with a credit entry +

INCOME ACCOUNTS	
	Credited (Income ***increases*** OE)

EXPENSE ACCOUNTS	
Debited (Expenses ***decrease*** OE)	

CLASSIFICATION OF ACCOUNTS

NON-CURRENT ASSETS

Tangible/fixed assets

- Land and buildings
- Equipment
- Vehicles

Financial assets

- Fixed deposit (longer than 12 months)

CURRENT ASSETS

Inventories

- Trading stock
- Consumable stores on hand

Trade and other receivables

- Debtors' control
- Accrued income/income receivable
- Prepaid expenses

Cash and cash equivalents

- Bank (DR)
- Petty cash
- Cash float
- Fixed deposit (less than 12 months)

OWNER'S EQUITY

EXPENSES	INCOME
• Cost of sales • Interest expense • Rent expense • Salaries and wages • Stationery • Fuel • Packing material • Repairs • Insurance • Advertising • Discount allowed • Telephone • Water and electricity • Loss on sale of asset • Bad debts • Depreciation • Trading stock deficit • Provision for bad debts adjustment (+)	• Sales • Current income • Interest income • Rent income • Discount received • Bad debts recovered • Profit on sale of asset • Trading stock surplus • Provision for bad debts adjustment (–)

NON-CURRENT LIABILITIES

(to be paid over more than 12 months)

- Mortgage bond
- Loans

CURRENT LIABILITIES

(to be paid in less than 12 months)

- Trade creditors
- Bank overdraft (CR)
- Short term portion of loan
- Accrued expenses/ expenses payable
- Income received in advance/deferred income

OWN NOTES:

Activities Solutions: https://wcedeportal.co.za/eresource/109441

PRE-TEST

TOTAL: 25 **TIME: 20 minutes**

QUESTION 1

Choose the correct **GAAP principle** from the given list that best fits each statement. Only write down the chosen principle in the ANSWER column.

going-concern; matching; business entity; materiality; prudence; historical cost

	STATEMENT	ANSWER
1.1	Assets are recorded at the original cost price and not at replacement value.	
1.2	Financial information important to decision making must be shown separately, e.g. Interest expenses are separated from operating expenses	
1.3	Income and expenditure must be reported in the correct financial period.	
1.4	Financial statements are prepared on the assumption that a business will continue operating in the near future.	
1.5	Figures should be realistic and conservative, e.g. net debtors after provided for bad debts	

QUESTION 2

Match the term in COLUMN A with the description in COLUMN B. Only write the correct letter (A - F) in the ANSWER column.

	COLUMN A	COLUMN B		ANSWER
2.1	Fixed/Tangible Assets	**A**	Amounts owing that will be paid off over periods longer than 12 months	
2.2	Current Assets	**B**	The financial result of a business's buying and selling activities	
2.3	Owner's Equity	**C**	Amounts owing that will be paid off within 12 months.	
2.4	Operating Profit	**D**	Assets kept for longer than one year to generate income and profits.	
2.5	Non-current Liabilities	**E**	The net worth (value) of the business at any point (Total Assets - Total Liabilities)	
		F	Assets converted into cash within 12 months.	

QUESTION 3

Identify the correct **Note to the Financial Statement** to which item will be placed. Choose from the list below and write your choice in the ANSWER column.

Cash & cash equivalents; Trade & other receivables; Inventories; Fixed assets; Trade & other payables; Ordinary Share Capital

	Items	Answer
3.1	Rates and taxes paid one month in advance	
3.2	Packing material on hand at the end of the financial year	
3.3	Declaration of a final dividend	
3.4	Fixed deposit matures within nine (9) months	
3.5	Disposal of a fixed asset at carrying value	

QUESTION 4

Complete the sentences below by choosing the correct term given in brackets. Write the term in the ANSWER column.

	Statements	Answer
4.1	Interest on bank overdraft is a/an (operating / financing) expense.	
4.2	Current Assets less Current Liabilities is (total / working) capital	
4.3	The Audit report states: "*With the exception of a few aspects, shareholders can rely on the figures and results in the financial statements*". This will be regarded as a/an (qualified / disclaimer) audit report.	
4.4	The Statement of Comprehensive Income reflects the financial (position / result) of the company	
4.5	The (Cash Flow Statement / Bank Statement) reflects the effect of business activities on the CASH resources of a company.	

QUESTION 5

Complete the sentences below by choosing the correct term given in the block. Write the term in the ANSWER column.

retained income; tax assessment; Companies and Intellectual Property Commission (CIPC); authorised share capital; shareholders earnings; issued share capital; provisional tax

	Statements	Answer
5.1	The ..... is the portion of company profits after tax which cannot be shared amongst shareholders.	
5.2	The net profit after tax that is available to share with shareholders is called	
5.3	The .... issues a registration number to companies.	
5.4	The amount of income tax for the year is confirmed by SARS when they issue the	
5.5	The number of shares actually sold to shareholders	

ACTIVITY 1 (Buy Back of shares: Calculations, Ledger & Notes to Fin Statements)

(30 marks; 20 min)

The information below relates to BAC Ltd. Their financial year ends annually on 28 February.

Show the following calculations and entries in your ANSWER BOOK.

1.1 Show the calculations for the average share price BEFORE the buy back of the shares on **1 March 2025**. (4)

1.2. Show the required calculations FOR the buy-back of the shares on **1 June 2025.** (4)

1.3 Calculate the Average share price and Net Asset Value (NAV) per share AFTER the repurchase of the shares on **28 February 2026**. (4)

1.4 Show the necessary entries in the General Ledger for the year ending **28 February 2026**. (14)

1.5 Complete the Retained Income Note on **28 February 2026**. (4)

Information:

Balances on 1 March 2025:

Ordinary Share Capital	R4 500 000 (750 000 shares in issue)
Retained income	R1 200 000
Bank	R1 100 000 (Dr)

1 June 2025

The directors decided to pay R800 000 for the buy-back of 100 000 shares.

28 February 2026

Net profit before tax	R1 300 000
Income tax for the year	R 390 000
Dividends declared and paid	R 260 000

TOTAL: 30

ACTIVITY 2: (50 marks; 40 min)

You are provided with information relating to Cedar Ltd for the year ended 28 February 2026.
Cedar Ltd has a registered share capital of 200 000 ordinary shares. 40% of the shares had not yet been issued on 1 March 2025.

Required:

2.1 Show the effect of the transactions below on the Accounting Equation. Bank is f**avourable** at all times. Use the table in the ANSWER BOOK.

2.2 Prepare the Notes to Financial Statements for the year ended 28 February 2026:

- Ordinary Share Capital
- Retained Income

2.3 The directors are not sure whether the price of the new shares issued on 1 November 2025 was appropriate or not.

- Calculate the net asset value (NAV) per share on 28 February 2026.
- In your opinion, were the directors correct in issuing shares at R6.50 per share? Bear in mind that the NAV per share for the 2025 financial year was 600 cents. Provide TWO reasons for your answer.

Information

Balances on 1 March 2025:

Ordinary Share Capital	R400 000
Retained Income	R 30 000
Shareholder for dividends	R 60 000

Transactions

25 March 2025
Electronic fund transfers were made to shareholders in respect of final dividends owing from the previous financial year.

31 August 2025
The directors declared and paid an interim dividend of 25c per share.

1 November 2025
All the unissued shares were issued at 650c per share. All the shares were applied, and the money received was deposited.

28 February 2026

- The directors declared a final dividend of 35 cents per share. All the shareholders are to receive final dividends.
- The buy-back of 20 000 shares from existing shareholders at R7,50 per share was authorised. The necessary EFTs were issued to the shareholders.
- **Net profit after tax** for the year was calculated at R420 000. Income tax is calculated at 28% of the net profit.

TOTAL: 40

ACTIVITY 3: (SARS (income tax)) (16 marks ; 12 min)

The SARS (income tax) account of Somerset Ltd was drawn up for the financial year ended 28 February 2025.

REQUIRED:

Answer the questions in the ANSWER BOOK:

3.1 Supply a reason for the debit entry on 25 March 2024. (2)

3.2 Give a possible transaction for the debit entry on 31 August 2024. (2)

3.3 What was the total income tax expense of Somerset Ltd for the current financial year? (2)

3.4 Calculate the balance of SARS (income tax) on 28 February 2025. Show your workings. (5)

3.5 Refer to the balance calculated in Question 3.4 above. Indicate whether this balance is a Current Asset or a Current Liability. (1)

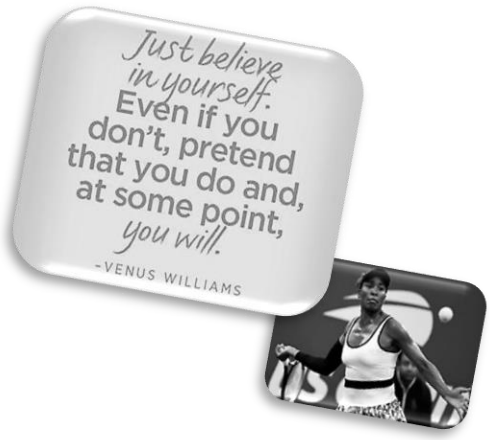
3.6 Show the effect on the accounting equation of the transaction on 28 February 2025 for R75 500. Complete the table in the answer book. (4)

INFORMATION:

GENERAL LEDGER OF SOMERSET LTD
BALANCE SHEET SECTION

Dr		**SARS (Income Tax)**				**B8**	**Cr**
2024 March	25	Bank	12 000	2024 March	1	Balance	12 000
2024 Aug	31	Bank	30 000	2025 Feb	28	Income Tax	75 500
2025 Feb	27	Bank	55 000				

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ACTIVITY 4 (Adjustments and Financial Statements)

The information below relates to Toni Ltd, that was registered with an authorised share capital of 1 500 000 shares. The financial year ended on **30 June 2026**.

REQUIRED:
Indicate how each adjustment (in the Answer Book) will influence the relevant financial statement. Use the table provided in the ANSWER BOOK. Show your calculations clearly.

TONI LTD
Extract from the PRE-ADJUSTMENT TRIAL BALANCE ON 30 JUNE 2026

Balance Sheet accounts	Debit	Credit
Ordinary share capital (900 000 shares)		1 870 000
Retained income		120 000
Mortgage loan: South Bank		644 000
Land and buildings	2 076 000	
Equipment	256 000	
Accumulated depreciation on equipment		184 000
Trading stock	438 000	
Debtors control	80 000	
Fixed deposit: Star Bank	100 000	
Provision for bad debts		10 400
Bank	63 100	
Creditors control		59 000
SARS (Income tax)	47 000	
SARS (PAYE)		6 210
Pension fund		7 600
Nominal accounts		
Sales		1 942 000
Debtors allowances	24 000	
Cost of sales	1 080 000	
Discount received		1 530
Salaries and wages	307 300	
Directors' fees	120 500	
Advertising	11 700	
Audit fees	36 000	
Interest on mortgage loan	31 200	
Bad debts	2 800	
Interest on fixed deposit		9 000
Interest on current bank a/c		1 600
Rent income		78 400
Insurance	29 040	
Sundry expenses	9 200	
Dividends on ordinary shares	60 000	

ACTIVITY 5 (Financial Statements) (follow on Activity 4)

NOTE: Activity 5 is a continuation of Activity 4, so it should be COMPLETED in detail before attempting Activity 5.

Use the information and your answers in Activity 4 to prepare the following in the ANSWER BOOK:

5.1 Statement of Comprehensive Income (Income Statement) NOTE: Start with the Gross Profit **(40)**
5.2 Fixed Assets Note
5.3 Trade and other receivables
5.4 The EQUITY and Non-Current Liabilities section of the Statement of Financial Position

NOTE: Show calculations clearly in brackets.

ACTIVITY 6 (Statement of Financial Position [Balance sheet] – format

Fill in the missing amounts to complete the Statement of Financial Statement in the **ANSWER BOOK.**

ACTIVITY 7 (Statement of Financial Position - Notes) (40; 35 min)

The information relates to **MERRY LTD** on 28 February 2025, the last day of their financial year.

REQUIRED:

Prepare the following notes to the Statement of Financial Position:

7.1 Fixed Assets (25)
7.2 Ordinary Share Capital (8)
7.3 Trade and other payables (7)

EXTRACT FROM THE POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 2025	
	R
Ordinary share capital	?
Land and Buildings	3 394 860
Vehicles at cost	740 000
Accumulated depreciation on vehicles (1 March 2024)	82 000
Equipment	380 000
Accumulated depreciation on equipment (1 March 2024)	325 000
Fixed Deposit: Stark Bank	225 000
Bank (Dr)	122 950
SARS: Income tax (Dr)	50 000
Loan: Spark Bank	360 000
Creditors control	393 400
Creditors for wages	10 538
SARS: PAYE	25 280
Pension fund	38 750
Accrued Income	14 000
Accrued Expenses	12 000
Income Received in advance	19 800
Shareholders for Dividends	?

ADJUSTMENTS and other information:

1. Ordinary Share Capital:

- The authorised share capital comprises of 5 000 000 ordinary shares
- There were 2 500 000 ordinary shares in issue on 1 March 2024 at R1,15 per share
- A futher 500 000 new ordinary shares were issued on 25 March 2024 at R1,75 each. This issue of shares was properly recorded.
- The directors decided to buy back 312 000 shares from shareholders at R2,00 per share. An EFT was made on 31 August 2024. They will not be entitled to final dividends at the end of the year.

2. Fixed Assets

- **Land and Buildings** was purchased on 31 August 2024 for R1 000 000. It was properly entered on this date.
- **Vehicles**
  - A new vehicle was purchased on 31 December 2024 for R450 000 and properly recorded.
  - Depreciation is calculated at 20% p.a. on the diminishing balance method.
- **Equipment**
  - Some equipment is old and will have to be replaced soon.
  - Depreciation is calculated at 15% p.a. on the cost price.

3. Loan from Stark Bank

R90 000 is expected to be paid in the next financial year

4. Income Tax

R10 482 is still owing to SARS for the annual income tax.

5. Dividends

- Interim dividends declared and paid on 1 September 2024, R300 000
- A final dividend of 15 cents per share was declared on 28 February 2025

ACTIVITY 8 (Balance sheet + notes) (50 marks; 40 minutes)

You are provided with information relating to BOB TAYLOR Ltd for the year ended 28 February 2025.

REQUIRED:

8.1 Complete the **Retained Income Note** to the Statement of Financial Position. (10)

8.2 Complete the **Statement of Financial Position** (Balance Sheet) on 28 February 2025. (Show workings in brackets). (40)

INFORMATION:

A. Extract from the Pre-adjustment Trial Balance on 28 February 2025

	Debit	Credit
Ordinary share capital (900 000 shares)		R 4 050 000
Retained income (1 March 2024)		345 000
Loan: Vida Bank (1 March 2024)		750 000
Fixed assets at cost	R 4 350 000	
Accumulated depreciation		650 520
Trading stock	258 740	
Debtors Control	195 000	
Provision for bad debts		4 000
Fixed deposit: Santa Bank	**?**	
Bank	464 000	
Creditors' Control		101 000
SARS (Income tax)	364 000	
Rent Income		80 150

B. Additional information:

(i) **Share Capital**

600 000	Shares were in issued at the beginning of the current financial year (average share price: R4,00).
300 000	Additional shares were issued on 1 May 2024 at R5,50 per share.
75 000	On 28 February 2025, shares were bought back R450 000. This **was not** recorded yet. These shareholders are entitled to a final dividend.

(ii) **Loan agreement with Vida Bank:**

Opening balance: 1 March 2024	R 750 000
Repayment during the year, including interest	192 300
Closing balance: 28 February 2025	615 000

- The interest on loan is capitalised.
- R125 000 of the loan will be repaid in the next financial year.

(iii) **Dividends:**

- An interim dividend of R240 000 was paid on 31 August 2024.
- A final dividend of 28c per share was declared on 28 February 2025 and must still be brought into account.

(iv) **The following adjustments must be taken into consideration for the drafting of the Statement of Financial Position only:**

- Audit fees still outstanding on 28 February 2025, R19 000.
- A debtor owing R6 500 was declared insolvent, was not recorded.
- The provision for bad debt must increase BY R1 500.
- Consumable stores on hand, R2 180.
- The rent for February 2025 was not received yet. Note that the rent was increased by 15% on 1 November 2024.

(v) **SARS (income tax):**

- Income tax for the year is calculated at 28% of the net profit.
- Net profit before tax (after all adjustments) amounted to **R1 250 000**.

AUDIT REPORTS

ACTIVITY 9 (Audit Reports - concepts)

9.1 Choose the audit opinion from COLUMN B that best describes the audit report in COLUMN A. Write the letter (A – C) in the Answer column in the **ANSWER BOOK**.

	COLUMN A	COLUMN B (opinion)	
9.1.1	Qualified audit report	**A**	In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Shabba Ltd as at 28 February 2023.
9.1.2	Unqualified audit report	**B**	We have not been able to obtain sufficient audit evidence to provide for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Khothule Ltd for the year ended 28 February 2023.
9.1.3	Disclaimer report	**C**	In our opinion, except for the effect of the unauthorised interest-free loan to the Chief Executive Officer, the annual financial statements present fairly, in all material respects, the financial position of Dai Ltd.

9.2 Complete the following sentences in Column A by choosing the correct concepts from Column B. Write only the letter (A – F) in the ANSWER column in the **ANSWER BOOK**.

COLUMN A		COLUMN B	
9.2.1	The ……. expresses an opinion on whether the financial statements are correct and is a fair reflection of the company's financial results	**A**	International Financial Reporting Standards (IFRS)
9.2.2	The…….set guidelines for the preparation of financial statements of companies to ensure a degree of consistency	**B**	SARS report
9.2.3	The…….comments on the financial position and the current status of the company.	**C**	Audit sampling
9.2.4	…….is when auditors choose certain items to audit from all the available financial information.	**D**	Directors report
		E	Independent audit report

9.3 Read the extract from the independent audit report of Sumba Ltd and answer the questions in the **ANSWER BOOK.**

EXTRACT FROM THE AUDIT REPORT OF SUMBA LTD

We found that internal control procedures were not adhered to and documentation did not exist for a significant portion of the transactions tested.
Because of the significance of the matter described in the previous paragraph, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the year ended 28 February 2025.

9.3.1 Explain why the Companies Act makes it a requirement for public companies to be audited by an independent auditor. Give ONE reason.

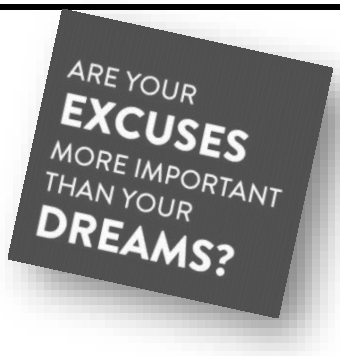
9.3.2 The audit report is an example of a/an (qualified/unqualified/disclaimer of opinion) audit report.

9.3.3 Who is the audit report addressed to? Give ONE reason for your answer.

9.3.4 Explain why it is likely that this audit report will have a negative effect on the value of the shares of this company on the JSE.

CASH FLOW STATEMENTS

Main purpose	to reflect the EFFECT of business activities on the CASH resources of the company
Information needed to prepare the CFS are obtained from	• Statement of Comprehensive Income (IS), and • Statement of Financial Position (BS)
	The information / figures are re-organised into the CFS.
	The IS is prepared FOR a financial year- amounts can be used as given
	The BS is prepared ON a certain date - effect on cash has to be CALCULATED [current year - previous year] e.g. 2025 figures - 2024 figures for Cash & Cash Equivalents = NET change
ALL business activities can be divided into THREE types of activities	• Operating Activities - should be positive if co. is successful • Investing Activities - depends on directors' decisions • Financing Activities - depends on directors' decisions
Operating Activities	○ Main income-earning activities that indicates the company's success as it relates to the <u>main</u> reason for starting the company (e.g. selling shoes at a profit) ○ **Examples**: Buying & selling stock; paying creditors; receiving payments from debtors; paying operating expenses (wages, etc.); paying SARS for income tax; paying the shareholders for dividends
Investing Activities	○ Activities involved in establishing infrastructure in the company in order to be in a better position to earn income ○ **Examples**: buying/disposal of land & buildings / vehicles / equipment; fixed deposits (to earn 'extra' income through interest)
Financing Activities	○ Activities involved in funding the company's infrastructure (acquisition of capital). ○ **Examples**: new issue of shares; repurchase of shares; raising a loan; repayment of a loan



ACTIVITY 10 (Basic knowledge of the activities in the CFS)

Complete the following table. Place a tick in the correct column. The first one has been done for you.

	Description of transaction	Operating activity	Investing activity	Financing activity
1	Buy goods on credit	✓		
2	Sell goods to a debtor			
3	Debtor settles his account			
4	Company raises funds by issuing new shares			
5	Place surplus funds in a fixed deposit			
6	Purchase more fixed assets			
7	Pay a creditor			
8	Raise a loan from a bank			
9	Repay part of the loan			
10	Pay salaries			
11	Pay income tax			
12	Withdraw funds from a fixed deposit when it matures			
13	Receive fee income for services rendered			
14	Sell fixed assets that are not needed			
15	Company buys back shares from an existing shareholder			

ACTIVITY 11 **(Cash Flow Statement)**

11.1 What is the main purpose of a Cash Flow Statement?

11.2 Refer to the fixed asset note under **Information C**.

Calculate the missing amounts (indicated by **a, b, c** and **d**) in the Fixed/Tangible Asset Note for the year ended 31 October 2025.

11.3 Complete the Cash Flow Statement for the year ended 31 October 2025. Show ALL workings in brackets.

11.4 The directors issued more shares and sold fixed assets in order to improve the cash flow. A shareholder, John Smith, has criticised them for these decisions.

In each case:

- Provide a reason to support John's opinion.
- Other than improving the cash flow, provide a reason to support the directors' decision.

INFORMATION:

A. The following information was extracted from the Statement of Comprehensive Income (Income Statement) for the year ended 31 October 2025:

Interest on loan (all capitalised)	175 500
Income tax	375 000
Net profit after tax	975 000

B. Information extracted from the Balance Sheet:

	31 October 2025	31 October 2024
Current assets	**4 804 000**	**2 820 000**
Inventories	1 437 500	1 656 250
Trade and other receivables (see D)	1 075 000	956 250
Cash and cash equivalents	2 291 500	207 500
Ordinary shareholders' equity	**4 450 000**	**4 000 000**
Ordinary share capital (see F)	3 450 000	3 150 000
Retained income	1 000 000	850 000
Loan: Freeport Bank (12% p.a.)	**2 000 000**	**1 375 000**
Current liabilities	**1 450 000**	**1 262 500**
Trade and other payables (see E)	1 450 000	1 262 500

C. Fixed/Tangible assets:

	Land and buildings	Vehicles	Equipment
Carrying value - beginning of fin. year	**3 000 000**	**660 000**	**?**
Cost	3 000 000	900 000	?
Accumulated depreciation	0	(240 000)	(52 500)
Movements			
Additions at cost	0	0	48 000
Disposals at carrying value	**(a)**	**(c)**	0
Depreciation	0	**(b)**	(55 500)
Carrying value - end of fin. year	**2 500 000**	**446 000**	**(d)**
Cost	2 500 000	750 000	258 000
Accumulated depreciation	0	(304 000)	?

Additional information in respect of fixed assets:

- A vehicle was sold at its carrying value on the LAST day of the financial year. Depreciation is written off on vehicles at 20% p.a. on the diminishing-balance method.
- Land and buildings were sold at cost during the financial year.

D.

Trade and other receivables include:	**31 October 2025**	**31 October 2024**
SARS: Income tax	R22 500	0

E.

Trade and other payables include:	**31 October 2025**	**31 October 2024**
SARS: Income tax	0	R27 500
Shareholders for dividends	R450 000	R385 000

F. Details of ordinary share capital:

- Ordinary share capital at the beginning of the 2025 financial year consisted of 700 000 ordinary shares with a total value of R3 150 000.
- On 1 November 2024, 50 000 additional shares were issued at R6,00 each.
- There were no further changes to share capital.

G. The dividends (interim and final) for the financial year ended 31 October 2025 amounted to R825 000.

ACTIVITY 12 (Cash Flow Statement; Appropriation account; calculation and interpretation of financial indicators

You are provided with information relating to Cobra Ltd, a company listed on the JSE.

REQUIRED:

12.1 Use the information provided to prepare the following:
- The note for Cash generated from operations
- The Cash Flow Statement for the year ended 30 April 2025
(Where notes are not required show workings in brackets)

12.2 Prepare the **Appropriation account**.

12.3 Calculate the financial indicators denoted by **(a) to (e)**.

12.4 Explain why the shareholders will or will not be satisfied with the dividends, earnings and returns earned. Quote appropriate financial indicators to support your answer.

12.5 Comment on the liquidity of the company. Quote and explain FOUR financial indicators to support your answer.

12.6 Comment on the financial gearing of the company. Explain and quote financial indicators to support your answer.

INFORMATION:

FINANCIAL INDICATORS

	2025	**2024**
Current ratio	1,1 : 1	1,6 : 1
Acid test ratio	**(a)**	0,7 : 1
Stock turnover rate	**(b)**	2,3 times
Debtors collection period	24 days	43 days
Creditors payment period	30 days	43 days
Debt-equity ratio	**(c)**	0,7 : 1
Net asset value per share	**(d)**	79 cents
Earnings per share	19,9 cents	12,5 cents
Dividends per share	21 cents	12 cents
Return on shareholders' equity	**(e)**	19,6%
Return on total capital employed	24,5%	17,1%
Interest rate on loans	14%	14%

COBRA LTD
STATEMENT OF FINANCIAL POSITION (BALANCE) ON 30 APRIL

	2025	2024
ASSETS	2 237 500	1 714 400
Non-current assets		
Fixed assets	1 917 500	1 514 400
Investments	320 000	200 000
Current assets	854 300	999 600
Inventories (all stock)	575 000	650 000
Trade and other receivables (including SARS)	276 300	244 600
Cash and cash equivalents	3 000	105 000
TOTAL ASSETS	**3 091 800**	**2 714 000**
EQUITY AND LIABILITIES		
Shareholders' equity	1 564 800	1 286 000
Ordinary share capital (see info no. 4 below)	1 344 000	960 000
Retained income	220 800	326 000
Non-current liabilities	740 000	800 000
Mortgage loan: Bukha Bank	740 000	800 000
Current liabilities	787 000	628 000
Trade and other payables	372 000	404 000
Shareholders for dividends	273 000	224 000
Bank overdraft	142 000	
	3 091 800	**2 714 000**

ADDITIONAL INFORMATION

1. **The Statement of Comprehensive Income (Income Statement) for 2025 reflects the following**:

Sales	R3 500 000
Cost of sales	R2 200 000
Interest expense	R 104 000 (all interest due has been paid)
Depreciation	R 207 300
Income tax	R 151 200
Net income after tax	R 388 800

2. **Fixed Assets:**
Obsolete fixed assets were sold at book value during the year for R145 000

3. **Income Tax:**
For the past two years, the provisional tax payments exceeded the tax for the year. The amount owed by SARS is included in Trade & other receivables. SARS owed R11 600 on 30 April 2024, and R7 300 on 30 April 2025.

4. **Ordinary share capital:**

1 600 000 shares in issue on 1 May 2024	R960 000
800 000 shares were issued on 1 November 2024	R576 000
300 000 shares were repurchased on 28 February 2025 at 95 cents per share	?

5. **Dividends:**
- An interim dividend of 8c per share was paid on 1 October 2024.
- A final dividend of 13c per share was declared on 30 April 2025.

