



Initial Assessment of Competence

Professional Paper 2

June 2026

Copyright, proprietary rights and permitted use

© The South African Institute of Chartered Accountants (SAICA). All rights reserved.

The SAICA Initial Assessment of Competence (IAC) questions, solutions and examiners comments ('these documents') constitutes proprietary intellectual property and professional know-how of SAICA. It has been developed and is maintained as part of SAICA's mandate to uphold the quality, integrity, and high professional standards of the Chartered Accountant profession, which underpin public confidence and the value and attractiveness of SAICA membership and designation.

Access to, or use of, these documents does not confer any right, licence, or interest in the intellectual property contained herein. Except where expressly permitted by SAICA in writing, no part of these documents may be copied, reproduced, adapted, published, distributed, or used for commercial, quasi-commercial, or third-party standard-setting purposes.

These documents may be used solely for legitimate educational, regulatory, or professional purposes, in a manner that preserves their integrity, acknowledges SAICA as the owner and source, and does not undermine SAICA's role as custodian of professional standards or dilute the value associated with SAICA's membership and designation.

Any authorised access to or use of these documents is subject to, and must be exercised in accordance with, SAICA's Intellectual Property Management Policy, as amended from time to time.

Disclaimer clause: All names of persons, places and business entities mentioned in these documents are fictitious and any resemblance to real persons, living or dead, places and business entities are purely coincidental.

Part (a) Prepare, using the direct method, the operating and investing activities sections of the consolidated statement of cash flows of the Med4Me Group in accordance with IFRS® Accounting Standards for FY2025. • Comparative amounts are not required. • Notes are not required. • The financing activities section and the reconciliation of the cash and cash equivalent balances are not required. • Round all amounts to the nearest rand.	Marks		
	Ref.	R	
Cash flows from operating activities			
Cash receipts from customers	W1	73 390 568	1P
Cash paid to suppliers and employees	W2	(39 103 041)	1P
Cash generated from operations		34 287 527	
Interest income received (given)		800 000	1
Finance costs paid	W3	(1 213 873)	1P
Taxation paid	W4	(5 886 000)	1P
Net cash inflows from operating activities		27 987 654	
Cash flows from investing activities			
Additions to property, plant and equipment for expansion (5 400 000 (1) + 5 500 000 (1) + 167 000 (1))		(11 067 000)	3P
Additions to property, plant and equipment for maintenance	W5	(8 855 490)	1P
Proceeds from disposal of property, plant and equipment (given)		50 000	2
Net cash outflows in investing activities		(19 872 490)	
WORKINGS			
W1: Cash receipts from customers			
Revenue per SPLOCI (given)		68 961 000	1
Decrease in trade receivables (11 390 000 (0.5) – 6 921 000 (0.5))		4 469 000	0.5 + 0.5
Expected credit losses on trade receivables (given)		(3 000)	1
Decrease in contract liabilities on payments received in advance (449 000 (0.5) – 553 000 (0.5))		(104 000)	0.5 + 0.5
Increase in contract liability on patient loyalty programme		67 568	
<i>SASP of products sold</i>	500 000		1
<i>SASP of HealthMulas</i>	425 000		1
	925 000		
<i>Transaction price allocated to HealthMulas (500 000 (1) x 425 000 / 925 000 (1))</i>	229 730		2
<i>Contract liability at year end (229 730 x 125 000 / 425 000)</i>	67 568		1P
		73 390 568	

W2: Cash paid to suppliers and employees			
Operating expenses and ECL (given)		(46 973 000)	1
Add: IFRS 2 staff costs for 2025 expense		642 100	
31 December 2025 SARs liability (14 directors (1) x 400 (1) x 146 (1))	817 600		3
31 December 2024 SARs liability (13 directors (1) x 200 (1) x 135 (1) x 1 / 2 (1))	(175 500)		4
	642 100		
Less: Settlement of share appreciation rights		(817 600)	1
Add: Depreciation – right of use asset		218 053	
$N (5 \text{ years} + 3 \text{ years}) = 8$			1
$I/YR = 9\%$			0.5
$PMT = 285\,000$			1
$Comp\ PV = 1\,577\,423$	1 577 423		
Initial direct costs	167 000		1
	1 744 423		
Depreciation (1 744 423 / 8 years)	218 053		1P
Add: Depreciation – rest of PPE (given)		5 713 000	1
Less: Profit on sale of old vehicle (given)		(1 000)	1
Add: Provisions expense on lawsuit		19 407	
Opening balance – other current liabilities	729 000		0.5
Decrease in contract liabilities on payments received in advance (449 000 – 553 000)	(104 000)		1P
Increase in contract liabilities on patient loyalty programme (67 568 / 125 000 x 100 000)	54 054		1P
Decrease in share appreciation rights liability (175 500 – 0) or (817 600 – 642 100)	(175 500)		1P
Increase in current portion of lease liability			
$N (8 \text{ years} - 1 \text{ year}) = 7$			0.5P
$I/YR = 9\%$			0.5
$PMT (285\,000 \times 1.065) = 303\,525$			0.5
$Comp\ PV = 1\,527\,627$			
Current portion (P1 Amrt Princ)	166 039		0.5P
Closing balance – other current liabilities	(689 000)		0.5
Increase in provision for lawsuit (bal figure)	19 407		
Decrease in inventories (18 125 000 (0.5) - 20 409 000 (0.5))		2 284 000	0.5 + 0.5
Decrease in trade payables (9 271 000 (0.5) – 9 459 000 (0.5))		(188 000)	0.5 + 0.5
		(39 103 041)	
W3: Finance cost paid			
Interest expense (given)		651 968	1
Interest expense capitalised to PPE (265 095 + 296 810) *		561 905	1P
		1 213 873	
* Could also present borrowing cost as separate line in investment activities			

W4: Taxation paid			
Opening balance – current tax liability		206 000	0.5
Opening balance – deferred tax liability		11 813 000	0.5
Current year tax expense		6 876 000	1
Closing balance – current tax asset		637 000	0.5
Closing balance – deferred tax asset		419 000	0.5
Closing balance – deferred tax liability		(14 065 000)	0.5
		5 886 000	
W5: Replacements / Maintenance of PPE			
Opening balance of PPE		49 156 000	0.5
Add: Acquisition of right-of-use asset		1 744 423	1P
Add: Capitalisation of lease reassessment (1 527 627 (0.5) – 1 434 392 (0.5) (P1 Amrt Bal))		93 235	1P
Add: Purchase price paid of the properties (2 000 000 (1) + 3 400 000 (1))		5 400 000	2
Add: Renovation costs paid in cash (3 000 000 (1) + 2 500 000 (1) (5 000 000 x 6/12))		5 500 000	2
Add: Borrowing costs capitalised - <i>Newcastle</i>		265 095	
$N = 60$			1
$PMT = 29\,375$			1
$FV = 3\,000\,000$			1
$PV = 2\,993\,750$ (3 000 000 – 6 250)			1
$Comp\ I = 0.98\%$			
Interest capitalised (Amrt P1 – P9 Int)	265 095		1P
Add: Borrowing costs capitalised - <i>QwaQwa</i>		296 810	
$N = 60$			1
$PV = R5\,000\,000$			1
$I (12.25\% / 12) = 1.02\%$			1
$Comp\ PMT = 111\,858$			
Interest capitalised (Amrt P1 – P6 Int)	296 810		1P
Less: Depreciation (5 713 000 + 218 053)		(5 931 053)	1P
Less: Carrying amount of old vehicle (50 000 – 1 000)		(49 000)	1
Less: Closing balance of PPE		(65 331 000)	0.5
		(8 855 490)	
		Available	67
		Maximum	67
<i>X1: Communication: for presentation format</i>			1
<i>Y2: Integrative thinking (For disapplying integrative thinking)</i>			1
<i>Y3: Problem solving (for identifying cash flow vs. non-cash flow items)</i>			1
Total for part I			70