



NATIONAL SENIOR CERTIFICATE

GRADE 12

JUNE 2022

ACCOUNTING P1 MARKING GUIDELINE

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise indicated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answers. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). NOTE: if figures are stipulated in marking guidelines for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
9. 'Operation' means 'Check operation'. 'One part correct' means 'Operation and one part correct'. NOTE: Check operation must be +, –, x or ÷ or as per marking guidelines.
10. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒
12. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 11 pages.

QUESTION 1

1.1

Statement of Comprehensive Income for the year ended
28 February 2022

Sales 8 085 500 ✓ + 4 500 ✓✓		8 090 000	✓*	
Cost of sales	Sales x 100/200	(4 045 000)	✓	
Gross profit	S – COS	4 045 000	✓	6
Other income	operation	134 360	✓	
Discount received		23 190		
Bad debts recovered 11 760 ✓ + 2 240 ✓		14 000	✓	
Provision for bad debts-adjustment 34 120 – 29 660		4 460	✓✓	
Rent income 85 100 ✓ + 7 610 ✓✓		92 710	✓*	
Gross income	GP + OI	4 179 360	✓	10
Operating expenses	GI – OP	(2 577 170)	✓	
Advertising		404 500		
Salaries and wages		956 180		
Audit fees		89 970		
Depreciation		123 220		
Trading stock deficit		18 500		
Consumable stores 33 900 ✓ – 5 900 ✓		28 000	✓	
Bad debts 33 260 ✓ + 2 240 ✓		35 500	✓	
Insurance 48 750 ✓ – 7 500 ✓✓		41 250	✓*	
Directors' fees 825 000 ✓ + 25 000 ✓✓		850 000	✓*	
Sundry expenses	balancing figure	30 050	✓	16
Operating profit		1 602 190		
Interest income		11 090	✓	
Profit before interest expense	OP + Int inc	1 613 280	✓	
Interest expense 703 800 – 610 320		(93 480)	✓✓*	
Net profit before income tax	Pbie – Int exp	1 519 800	✓	
Income tax	NPbt X 30%	(455 940)	✓✓	
Net profit after tax	NPbt – Inc tax	1 063 860	✓	8

– 1 foreign items (Max. -2)

misplaced: mark workings only

*one part correct

40

1.2 RETAINED INCOME

Balance on 1 March 2021	balancing figure	507 140	<input checked="" type="checkbox"/>
Net profit after tax	see 2.1	1 063 860	<input checked="" type="checkbox"/>
Shares repurchased 40 000 x 80c	ignore brackets	(32 000)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Ordinary share dividends	ignore brackets	(570 000)	<input checked="" type="checkbox"/>
Interim dividends		237 500	<input checked="" type="checkbox"/>
Final dividends	OSD – Interim div	332 500	<input checked="" type="checkbox"/>
Balance on 28 February 2022		969 000	

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1.3 STATEMENT OF FINANCIAL POSITION ON 28 February 2022
EQUITIES AND LIABILITIES

SHAREHOLDERS' EQUITY		9 044 000	<input checked="" type="checkbox"/>	
Ordinary share capital 950 000 x 8,50		8 075 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
Retained income		969 000		3
Non-current liabilities		603 800		
Loan: Allan Bank 703 800 – 100 000		603 800	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *	2
Current liabilities	operation	1 069 500	<input checked="" type="checkbox"/>	
Trade and other payables		637 000	<input checked="" type="checkbox"/> *	
562 500 + 25 000 <input checked="" type="checkbox"/> + 36 000 <input checked="" type="checkbox"/> 13 500 <input checked="" type="checkbox"/> Dir. Fees PAYE Pension fund				
Shareholders for dividends	see 2.2	332 500	<input checked="" type="checkbox"/>	
Current portion of loan	see NCL	100 000	<input checked="" type="checkbox"/>	
TOTAL EQUITY AND LIABILITIES	SE + NCL + CL	10 717 300	<input checked="" type="checkbox"/>	8

* one part correct

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TOTAL MARKS

60

QUESTION 2

- 2.1 Calculate the following financial indicators for the financial year ended 30 April 2022:

2.1.1	Debt-equity ratio		
	Workings	Answer	
	1 080 000 ✓ : 10 776 400 ✓	0,1 : 1 <input checked="" type="checkbox"/> One part correct	
			3

2.1.2	Earnings per share (EPS)		
	Workings	Answer	
	$\frac{1\,162\,000 \checkmark}{576\,000 \checkmark \checkmark} \times 100$ <p>(144 000 ÷ 25c)</p>	201,7 cents <input checked="" type="checkbox"/> accept 202 cents One part correct	
			4

2.1.3	Dividend pay-out rate (%)		
	Workings	Answer	
	$\frac{(45+25) \text{ 70 cents } \checkmark}{201,7 \text{ cents } \checkmark} \times 100$ <p>see 3.1.2</p>	34,7% <input checked="" type="checkbox"/> One part correct	
			3

2.1.4	% return on average shareholders' equity (ROSHE)		
	Workings	Answer	
	$\frac{1\,162\,000 \checkmark}{\frac{1}{2} \checkmark (10\,776\,400 \checkmark + 8\,893\,800 \checkmark)} \times 100$ <p>19 670 200 two marks 9 835 100 three marks</p>	11,8% <input checked="" type="checkbox"/> One part correct	
			5

2.2

Cash effects of changes in working capital operation	(764 100) <input checked="" type="checkbox"/>
Change in inventory ^{CA-TOR-CCE} 714 600 ✓ – ^{CA-TOR-CCE} 485 700 ✓	(228 900) <input checked="" type="checkbox"/> *
Change in receivables (448 000 + 28 400) 476 400 ✓ – 323 800 ✓	(152 600) <input checked="" type="checkbox"/> *
Change in payables 814 600 – 432 000	(382 600) ✓ <input checked="" type="checkbox"/> *

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*One part correct and must indicate correct operation and correct use of brackets;
 If no brackets, assume answer is an inflow of cash – award marks for workings only;
 If a working amount is shown as a final answer, award the mark, ignore the bracket;
 If the correct amount is provided without the brackets, and without workings, award all marks awarded for workings only.

2.3.1

Taxation paid	
WORKINGS	ANSWER
$1\,660\,000 - 1\,162\,000$ $- 28\,700 \checkmark + 498\,000 \checkmark \checkmark + 5\,400 \checkmark$ <p>Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger accounts</p>	474 700 <input checked="" type="checkbox"/> One part correct

5

2.3.2

Proceeds from sale of fixed assets	
WORKINGS	ANSWER
$11\,434\,000 \checkmark + 280\,800 \checkmark - 1\,632\,000 \checkmark - 9\,984\,400 \checkmark$ <p>Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger accounts</p>	98 400 <input checked="" type="checkbox"/> One part correct

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2.3.3

Funds used for the repurchase of shares	
WORKINGS	ANSWER
$25\,000 \times 1,1 \quad \text{OR} \quad 25\,000 \times 1,1 + 2\,500$	27 500 ✓ <input checked="" type="checkbox"/> One part correct

2

2.4

NET CHANGE IN CASH AND CASH EQUIVALENTS operation	(325 800) <input checked="" type="checkbox"/> *
Balance on 1 May 2021	67 800 ✓
Balance on 30 April 2022 (6 000 – 264 000)	(258 000) ✓✓

4

*One part correct

TOTAL MARKS
40

QUESTION 3

3.1

3.1.1	B ✓	
3.1.2	C ✓	
3.1.3	A ✓	

3

3.2.1

The directors are satisfied with the improvement in the liquidity of the company. Quote and explain THREE financial indicators with figures and trends that show an improvement of the liquidity position.

Financial indicators ✓ ✓ ✓ Explanation (figures with trends) ✓ ✓ ✓

- Current ratio decreased from 2.9 : 1 to 2.1 : 1
- Acid test ratio increased from 1 : 1 to 1.4 : 1
- Stock turnover rate increased from 9.1 times to 10.2 times.

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3.2.2

Explain why the shareholders should be satisfied with their return on investment in the company. Quote figures and trends in your explanation.

Financial indicators ✓ Figures and trend ✓ Comparison with interest rate ✓✓

% Return on shareholders improved from 10,4% to 15,3% / by 47,1%/
This is more than the interest rate on alternative investments (fixed deposits) of ±7%

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3.2.3

One of the directors feels that the company should pay back the loan as soon as possible. Explain why you disagree with him. Quote TWO financial indicators with figures and trends.

Two financial indicators (with figures) ✓✓ ✓✓

- Debt/equity ratio was maintained at 0,3 : 1
- ROTCE is now 17,2% / increased from 12,1% to 17,2% / by 42,1%

Explanation: both risk and gearing should be mentioned ✓ ✓
part marks for partial / incomplete / unclear responses

- The company is lowly geared
- The company experiencing positive gearing (ROTCE is higher than interest rate of 14%)

6

3.2.4 One of the shareholders wants to sell her shares at R6 each.

Provide ONE reason why you would agree with her to sell her shares. Quote a financial indicator with figures and trends.

Financial indicators ✓ Figures and trends ✓

Any ONE response:

- Market price has dropped from 640c to 600c / by 40 cents.
- Market price of 600 cents is lower than NAV of 650 cent

Provide ONE reason why you disagree with her to sell her shares. Quote a financial indicator with figures and trends.

Financial indicators ✓ Figures and trends ✓

Any ONE response:

- EPS increased from 75 cents to 104 cents per share / by 29 cents.
- NAV increased from 625c to 650c / by 25 cents.
- Return on shareholders' equity increased from 10,4% to 15,3% / by 47,1%
- Dividend pay-out-rate increased from 73,3% to 76,9% / by 4.9%

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3.2.5 The shareholders should be happy with the earnings per share (EPS), because it is better than the previous year. Explain why you agree with them. Quote figures and calculations.

Compare EPS to Value of share (MP / NAV) for 2022 with figures ✓✓
part marks for partial / incomplete / unclear responses

Compare EPS to Value of share (MP / NAV) for 2021 with figures ✓✓
part marks for partial / incomplete / unclear responses

Expected responses for 4 marks (two marks per financial year)

- EPS to NAV is 16% in 2022 and 12% in 2021 / EPS to NAV is 25% more than 2021 (previous year).
- EPS to MP is 17.3% in 2022 and 11,7% in 2021
- Earnings in 2022 is 104c on a share valued at 650c/600c while in 2021 it is 75c on a share value at 625c/640

4

3.3.1

Explain what effect this consideration will have on the % shareholding of Alton Flan in EACH company. Quote figures and trends.

Explanation on % shareholding ✓ ✓ Figures and trend ✓✓ ✓✓

Socker Ltd:

He will become the majority shareholder

His shareholding will increase from 46% to % 51%

Boll Ltd:

His shareholding will drop from 55% to 50,9% / 51%

He will remain the majority shareholder

6

3.3.2

Calculate the number of shares Alton Flan could buy in Boll Ltd.

WORKINGS	ANSWER
$110\,200 \times 5$ $551\,000 \div 4$	$137\,750$ ✓ <input checked="" type="checkbox"/> One part correct

2

TOTAL MARKS

35

QUESTION 4

4.1

Explain the role of the remunerations committee and give a reason why there is a need for this committee.

EXPLANATION: ✓

Any ONE valid response

- Review all salaries, bonuses and other earnings
- Prevent directors from paying themselves too much / protect shareholder's investment.
- They must approve and give advice on the proposals regarding fees, bonuses etc.

REASON: ✓✓ part mark for unclear/incomplete/partial responses

Any ONE valid response

- To ensure fairness / Transparency in the payment of fees / salaries
- To prevent fraud / corruption / wastage
- To detect mismanagement or fraudulent activities
- To compare the remuneration / earnings against financial information of other companies in the industry / fairness to workers

3

4.2

Explain why the auditor referred to pages 7 to 22 in this report.

Any ONE valid response ✓✓ part mark for unclear/incomplete/partial responses

- Auditors are responsible only for reports presented on these pages of the annual report.
- They are not accountable for the other information in the annual reports.
- Financial statements on pages 7–22 were subjected to auditing.
The audited financial reports / statements are found on these pages of the full report presented to the shareholders at the AGM.

2

4.3

Identify the type of audit report that the company received and give a reason for your answer.

ONE valid response ✓✓ part marks for partial / incomplete / unclear responses
To get full marks, Qualified report must be mentioned

The company received a Qualified report because...

- The financial statements were fairly presented except for an issue with the increase in directors' fees **OR**
- A specific item (increase in directors' fees) could not be verified **OR**
- There was no evidence / documents to verify the increase in directors' fees **OR**
- Proper procedures were not followed with regards to the increase in directors fees

2

4.4

Explain the effect of this type of report for the image of the company. Provide TWO points.

TWO valid responses ✓✓ ✓✓ part marks for partial / incomplete / unclear responses

- There is a weakness in internal controls; possible negligence or colluding / fraud
- This will impact on share price (demand) / returns earned / dividends earned by shareholders
- Potential investors would not be interested to buy shares / existing shareholders may want to sell their shares
- Directors appointed are not reliable – lose confidence/trust in them
- Significant information is not being openly discussed (transparency)

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4.5

State TWO possible consequences for the independent auditor if he had NOT referred to the increase in directors' fees.

TWO valid responses ✓✓ ✓✓ part marks for partial / incomplete / unclear responses

- He could face a disciplinary hearing by the professional body.
- He may not be reappointed as an external auditor.
- He may be charged/fined/lose his license to practice.

4

TOTAL MARKS
15

TOTAL: 150