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NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2022

ACCOUNTING P1 MARKING GUIDELINE

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, 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 answer. 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 memo 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 from candidates.
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 before awarding the mark.
9. 'Operation' means 'Check operation'. 'One part correct' means 'Operation and one part correct'.
NOTE: check operation must be +, -, x, ÷, or as per memo.
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. In such cases, do not award the method mark. Indicate by way of ☒
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 11 pages.

QUESTION 1

1.1

1.1.1	D ✓
1.1.2	E ✓
1.1.3	B ✓
1.1.4	A ✓

4

1.2.1

Calculate the following:	
WORKINGS	ANSWER
Closing stock: $82 \times 7\,000$ $574\,000 \checkmark\checkmark + 297\,000 \checkmark$	$871\,000 \checkmark$ one part correct
Missing stock: $(200 - 198)$ $2 \times 1\,500$	$3\,000 \checkmark\checkmark$ one part correct

4

2

1.2.2 Calculate the correct net profit after tax for the year ended 30 June 2022. Indicate '+' for increase and '-' for decrease at each adjusted amount.

NO.	WORKINGS	ANSWER
	Incorrect net profit before tax	3 199 890
(i)	Stock loss <small>see 1.1 above</small>	-3 000 <input checked="" type="checkbox"/>
(ii)	Provision for bad debts-adjustment	-1 450 <input checked="" type="checkbox"/>
(iii)	Directors' fees $992\,000 \div 64$	-15 500 <input checked="" type="checkbox"/>
	Rent income $7\,600 \checkmark + 8\,360 \checkmark$	+15 960 <input checked="" type="checkbox"/> *
	Advertising $12\,400 \div 2$	-6 200 <input checked="" type="checkbox"/>
(iv)	Interest expense <small>(2 431 400 - 374 400) one mark</small> $2\,246\,000 \checkmark - 2\,057\,000 \checkmark$	-189 000 <input checked="" type="checkbox"/> *
	Income tax $947\,620 \checkmark - 17\,400 \checkmark$	-930 220 <input checked="" type="checkbox"/>
	Net profit after tax <small>operation</small>	2 070 480 <input checked="" type="checkbox"/>

17

*one part correct

1.2.3 STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2022

ASSETS			
NON-CURRENT ASSETS	TA - CA	4 536 570	<input checked="" type="checkbox"/>
Fixed assets	NCA – Fin A	4 336 570	<input checked="" type="checkbox"/>
Financial assets		200 000	
CURRENT ASSETS	operation	5 558 810	<input checked="" type="checkbox"/>
Inventories	see 1.1 above	2 757 000 ✓ + 871 000 <input checked="" type="checkbox"/> – 3 000 <input checked="" type="checkbox"/>	3 625 000 <input checked="" type="checkbox"/> *
Trade and other receivables			
1 595 000 ✓ - 79 750 ✓ + 6 200 <input checked="" type="checkbox"/> + 15 960 <input checked="" type="checkbox"/> + 17 400 ✓	Advertising rent income	1 554 810	<input checked="" type="checkbox"/> *
Cash and cash equivalents		276 000 ✓ + 100 000 ✓	376 000 <input checked="" type="checkbox"/> *
TOTAL ASSETS	see TE & L	10 095 380	<input checked="" type="checkbox"/> *
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	operation	6 273 780	<input checked="" type="checkbox"/>
Ordinary share capital		3 948 000	
Retained income	see 1.2 NPAT		
1 100 300 ✓ + 2 070 480 <input checked="" type="checkbox"/> – 275 000 ✓ – 570 000 ✓		2 325 780	<input checked="" type="checkbox"/>
NON-CURRENT LIABILITIES		2 061 100	
Mortgage loan		2 246 000 ✓ – 185 000 ✓	2 061 100 <input checked="" type="checkbox"/> *
CURRENT LIABILITIES	operation	1 760 500	<input checked="" type="checkbox"/>
Trade and other payables			
1 264 000 ✓ + 15 500 <input checked="" type="checkbox"/>	Directors' fees	1 279 500	<input checked="" type="checkbox"/> *
Current portion of loan		185 000	
Shareholders for dividends		296 000	✓
TOTAL EQUITY AND LIABILITIES	operation	10 095 380	<input checked="" type="checkbox"/>

33

*one part correct

TOTAL MARKS

60

QUESTION 2

2.1 Calculate the following financial indicators on 28 February 2022:

2.1.1 Acid-test ratio

WORKINGS	ANSWER
$\frac{1\,536\,500 - 671\,000}{829\,000 + 33\,000 + 3\,500}$ OR $\frac{865\,500}{1\,048\,200}$	$0,8 : 1$ <input checked="" type="checkbox"/> one part correct

4

2.1.2 % Return on average capital employed

WORKINGS	ANSWER
$\frac{1\,726\,000}{\frac{1}{2}(8\,184\,500 + 6\,920\,000)} \times 100^*$ 15 104 500 two marks 7 552 250 three marks * 100 is not one part correct	$22,8$ <input checked="" type="checkbox"/> accept 22,9 or 23 one part correct

5

2.1.3 Dividend per share (DPS)

WORKINGS	ANSWER
$\frac{323\,000}{1\,700\,000}$ 19 <input checked="" type="checkbox"/> + 15 <input checked="" type="checkbox"/>	$34c$ <input checked="" type="checkbox"/> one part correct

4

2.2 Ordinary Share Capital Note

1 700 000	Shares in issue on 1 March 2021	5 100 000
400 000 <input checked="" type="checkbox"/>	Additional shares issued	1 620 000 <input checked="" type="checkbox"/>
(150 000)	Shares repurchased	(480 000) <input checked="" type="checkbox"/>
1 950 000	Balance on 28 February 2022	6 240 000

3

2.3 Calculate the following:

2.3.1 Change in receivables (indicate if it is an inflow or outflow of cash)

WORKINGS	ANSWER
one mark one mark $829\,000 + 33\,000$ $862\,000 \checkmark\checkmark - 796\,200 \checkmark$	$(65\,800) \checkmark$ one part correct

5

2.3.2 Income tax paid

WORKINGS	ANSWER
$-13\,800 \checkmark + 480\,000 \checkmark\checkmark - 28\,600 \checkmark$ Be aware of signs reversed and use of brackets or ledger account formats	$437\,600 \checkmark$ one part correct

5

2.3.3 Fixed assets purchased

WORKINGS	ANSWER
$7\,296\,200 \checkmark + 810\,700 \checkmark - 6\,117\,800 \checkmark$ Be aware of signs reversed and use of brackets or ledger account formats	$1\,989\,100 \checkmark$ one part correct

4

2.4 Complete the following sections of the Cash Flow Statement.

2.4.1

CASH EFFECTS OF FINANCING ACTIVITIES	operation	760 000	<input checked="" type="checkbox"/>
Proceeds from shares issued		1 620 000	✓
Funds used to repurchase shares			
150 000 x R3,40 ✓✓ or <small>see 2.2 above</small> 150 000 x 20c 480 000 + 30 000 <small>one mark one mark</small>		(510 000)	<input checked="" type="checkbox"/> *
Change in loan 1 400 000 – 1 050 000		(350 000)	✓✓

7

*one part correct

2.4.2

NET CHANGE IN CASH AND CASH EQUIVALENTS	(84 100)	✓
Cash (opening balance)	61 200	
Cash (closing balance) 3 500 – 26 400	(22 900)	✓✓

3

TOTAL MARKS

40

QUESTION 3**3.1 Profitability:**

Identify the company with the better profitability financial indicators. Quote TWO financial indicators.

Dally Ltd ✓ If wrong company identified, allocate mark for indicator only

% Operating expenses on sales - 31% ✓

% Operating profit on sales – 25% ✓

3

3.2 Liquidity:**3.2.1 Explain which company's liquidity position will make shareholders happy. Quote TWO financial indicators in your explanation.**

TWO financial indicators (explaining trend) from Dally Ltd with figures ✓✓ ✓✓
If figures are shown for Nana, award marks to names of indicators (max. 2 marks)

- Acid-test ratio improved from 0,6 : 1 to 1 : 1 / by 0,4 : 1
- Debtors' collection period improved from 46 to 28 days / by 18 days

Explanation ✓✓ **part marks for incomplete / partial / unclear responses**

- Able to pay short-term debts without selling inventory
- Debtors settle their accounts within 30 days

6

3.2.2 Explain TWO points on how the other company can improve their liquidity position. Make reference to a specific financial indicator.

Any two valid responses ✓✓ ✓✓ **part marks for incomplete / partial / unclear responses**

- Reminders (SMS's, e-mails, calls etc.) send to debtors to make payments.
- Offered discount for early payment.
- Charge interest for late payments / overdue accounts

4

3.3

Comment on the change in the dividend pay-out-policy of EACH company. Quote figures. In each case, provide a possible reason why each company has decided on a change of policy.

	Comment ✓ ✓ (with figures)	Explanation ✓✓ ✓✓ part marks for incomplete / partial / unclear responses
Dally Ltd	Paid out 20% of earnings as dividends in 2022 compared to 60% in 2021 OR Retained 80% of earnings in 2022 compared to 40% in 2022.	This company retained more profit to focus on growth / sustainability in the future.
Nana Ltd	Paid out 80% of earnings as dividends in 2022 compared to 25% in 2021 OR Retained 20% of earnings in 2022 compared to 75% in 2022.	The company is trying to keep shareholders happy. OR Director's wants to compensate for pay-out rate in 2021.

6

3.4 Risk and Gearing:

Comment on how each company is managing their risk and gearing. Quote TWO financial indicators in your explanation.

Dally Ltd: Financial indicators with figures and trend ✓ ✓ comment ✓ ✓

Debt-equity ratio improved from 0,7 : 1 to 0,4 : 1 / by 0,3 : 1

ROTCE improved from 12% to 16% / by 2,7% points

Comment:

- Financial risk taken is lower / make less use of loans
- Positively geared / return is higher than interest rate on loans (12%)

Nana Ltd: Financial indicators with figures and trend ✓ ✓ comment ✓ ✓

- Debt-equity ratio increased from 0,2 : 1 to 0,6 : 1 / by 0,4 : 1

- ROTCE decreased from 13% to 9% / by 4% points

Comment:

Financial risk is higher / make more use of loans

Negatively geared / return is lower than the interest rate on loans (12%)

Combined comment for 4 marks:

Daly is performing better with own capital, or lower risk, whereas Nanna is not making effective use of increased loan It would be better to pay off the loan.

8

3.5 Percentage shareholding and share price:

3.5.1 Comment on the price paid for the repurchase of shares by Dally Ltd. Provide TWO points. Quote figures.

Figures may be included in the explanation. Any TWO valid points ✓✓ ✓✓, at least one of which must be related to a financial indicator with figures:

part marks for incomplete, partial or unclear answers

Fair price paid to the shareholder

- The price is fair as the market price shows an increasing trend from R13,90 to R14,20.
- The price is fair as the net asset value shows an increasing trend from R11,20 to R12,60.

OR

Unfair to the company / existing shareholders – depleting the company's financial resources / poor management of cash

- The price is unfair as it is higher than the market price of R14,20/R13,90.
- The price is unfair as it is higher than the net asset value of R12,60/R11,20.

4

3.5.2 Explain the effect of the share repurchase on the % shareholding of the Bravo family in EACH company. Provide a calculation to support your explanation.

Explanation on % shareholding ✓ Comparison in Dally Ltd with figures ✓
 Explanation on % shareholding ✓ Comparison in Nana Ltd with figures ✓
 Be aware of combined explanation with figures

Dally Ltd:

The Bravo family is still the majority shareholder although the % dropped from 58% to 51% / by 7% points.

Nana Ltd:

The Bravo family was the majority shareholder with at 52% which dropped to 48,3% / by 3,7% points. They lost the status of majority shareholder.

4

TOTAL MARKS

35

QUESTION 4

4.1.1 Identify the type of report issued by the auditor. Provide ONE reason for your answer.

TYPE: Unqualified report ✓

REASON:

ONE valid point ✓✓ **part marks for partial / incomplete / unclear responses**

The auditors did not find any problems with information on the financial statements.

3

4.1.2 Explain the impact of such a report on the image of the company. State ONE point.

ONE valid point ✓✓ **part marks for partial / incomplete / unclear responses**

- Good internal controls are employed
- This will impact positively on the share price / demand for shares
- Potential investors would be interested to buy shares
- Directors appointed are reliable – will not lose confidence in them.

2

4.2.1 Explain why it is unethical for the CEO to accept this offer. State TWO points.

TWO valid and different points ✓✓ ✓✓ **part marks for incomplete / partial answers**
Be aware of alternative valid responses

- This is corruption / kick-backs or bribes involved / illegal.
- Under-handed agreement that does not follow the normal tender processes
- The CFO is abusing his influence / authority.

4

4.2.2 Mention possible implications for the CEO should he accept this offer. Explain TWO points.

TWO valid and different points ✓✓ ✓✓ **part marks for incomplete / partial answers**
Be aware of alternative valid responses

- Face a disciplinary hearing
- Can be criminally charged
- Lose his position as director
- Compromise his integrity as CEO / lose trust of the shareholders

4

4.2.3 Suggest TWO ways that corporate social responsibility can be achieved through good corporate governance.

TWO valid and different points ✓ ✓

Be aware of alternative valid responses

- Transparent decision-making
- Regular meetings with key role players
- Timeous reporting – accountability
- Implementing good internal control measures – checks and balances
- Assigning responsibility and respecting decisions of managers
- Constant supervision and development of employees
- Looking after the interest of clients / customers
- Engaging in community functions and service delivery initiatives.

2

TOTAL MARKS

15

TOTAL MARKS: 150