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Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

## NATIONAL SENIOR CERTIFICATE

### GRADE 12

### ACCOUNTING P1

NOVEMBER 2022

### MARKING GUIDELINES

**MARKS: 150**

#### MARKING PRINCIPLES:

1. Unless otherwise stated 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. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark 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. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of the answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. 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 ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 11 pages.**

**QUESTION 1**

1.1

<b>Calculate: Cost of stock damaged</b>														
<b>WORKINGS</b>		<b>ANSWER</b>												
(9 000 – 7 750 – 1 185) two marks    (6 579 000 / 9 000) two marks 65 ✓✓    x    731 ✓✓														
<b>OR</b> Ledger format														
<table border="1"> <tr> <td>6 579 000 one mark</td> <td>5 665 250 two marks</td> <td>7 750 x 731</td> <td>6 531 485 three marks</td> </tr> <tr> <td></td> <td>866 235 one mark</td> <td>1 185 x 731</td> <td></td> </tr> <tr> <td></td> <td><b>47 515</b></td> <td></td> <td></td> </tr> </table>	6 579 000 one mark	5 665 250 two marks	7 750 x 731	6 531 485 three marks		866 235 one mark	1 185 x 731			<b>47 515</b>				
6 579 000 one mark	5 665 250 two marks	7 750 x 731	6 531 485 three marks											
	866 235 one mark	1 185 x 731												
	<b>47 515</b>													
			47 515 ✓ <b>one part correct</b>											

5

1.2.1

<b>Calculate: Profit/loss on sale of delivery vehicle</b>		
<b>WORKINGS</b>		<b>ANSWER</b>
34 000 If 170 000 is x 20% or x 9/12 170 000 ✓    – 25 500 ✓✓    – 140 000 ✓ 144 500 three marks		
		4 500 ✓ <b>one part correct</b> & if 140 000 is offset against carrying value

5

1.2.2

<b>Calculate: Total depreciation for the year</b>		
<b>Depreciation before adjustments</b>		<b>328 200</b>
<b>Depreciation on vehicle sold</b>		25 500 ✓ <b>See workings in 1.2.1</b>
<b>Depreciation on alarm system</b>		4 200 ✓✓
<b>TOTAL DEPRECIATION</b>		357 900 ✓ <b>one part correct</b>

4

**NOTE:** The amounts calculated above must be transferred to  
QUESTION 1.3.1, the Statement of Comprehensive Income.

### 1.3.1 Statement of Comprehensive Income for the year ended 28 February 2022.

<b>Sales</b>		<b>9 355 250</b>
<b>Cost of sales</b>		<b>(5 665 250)</b>
<b>Gross profit</b>		<b>3 690 000</b>
<b>Other income</b>		200 000 <input checked="" type="checkbox"/> *
<b>Commission income</b>		<b>4 560</b>
Rent income (183 600 ✓ – 24 300 ✓✓)	(12 150 x 2)	159 300 <input checked="" type="checkbox"/> *
Bad debts recovered		33 700 ✓
Provision for bad debts adjustment (85 840 – 83 400) Must be expressed as an income		2 440 ✓✓
<b>Gross operating income</b>	<b>8</b>	3 890 000
<b>Operating expenses</b>	<b>GOI – OP</b>	(3 315 000) <input checked="" type="checkbox"/>
<b>Directors' fees</b>		<b>1 124 000</b>
<b>Audit fees</b>		<b>83 000</b>
Salaries and wages and contributions (1 381 500 ✓ + 11 525 ✓ + 3 235 ✓ + 990 ✓ + 1 980 ✓).		1 399 230 <input checked="" type="checkbox"/> *
Security expenses (72 500 ✓ – 13 500 ✓✓)		59 000 <input checked="" type="checkbox"/> *
Stock loss/stock written off/trading stock deficit	see 1.1	47 515 <input checked="" type="checkbox"/>
Depreciation	see 1.2.2	357 900 <input checked="" type="checkbox"/>
Loss on sale of asset **	see 1.2.1	4 500 <input checked="" type="checkbox"/>
<b>Sundry expenses</b>	<b>balancing figure only</b> Do not accept figures for other specified items	239 855 <input checked="" type="checkbox"/>
<b>Operating profit</b>	<b>15</b>	<b>575 000</b>
<b>Interest income</b>	<b>PBIE – OP:</b>	76 250 <input checked="" type="checkbox"/>
<b>Profit before interest expense</b>	<b>NPBT + Int Exp</b>	651 250 <input checked="" type="checkbox"/>
<b>Interest expense</b>		<b>(142 250)</b>
<b>Net profit before tax</b>	<b>NPAT + Inc tax</b>	509 000 <input checked="" type="checkbox"/>
Income tax		(152 700) ✓✓
<b>Net profit after tax</b>	<b>5</b>	<b>356 300</b>

\* one part correct

\*\* If calculated as profit in 1.2.1 award method mark under op. income; check if carrying value is greater or less than R140 000 to assess P/L

-1F foreign items (max -2)

-1P placement or presentation (max -2)

28

## 1.3.2 Extract of the Statement of Financial Position on 28 February 2022

<b>EQUITY AND LIABILITIES</b>	
<b>ORDINARY SHAREHOLDERS' EQUITY</b>	7 762 500 ✓✓
<b>Ordinary share capital</b>	<b>6 670 000</b>
Retained income <span style="float: right;">SE – OSC</span>	1 092 500 ✓
<b>NON-CURRENT LIABILITIES</b>	1 025 075
Mortgage loan 1 280 750 – 1 159 000 two marks 264 000 – 142 250 two marks 1 159 000 ✓ – (121 750 ✓✓ x 1,1 ✓ OR + 12 175) 133 925 three marks	1 025 075 ✓*
<b>CURRENT LIABILITIES</b>	746 925 ✓*
Trade and other payables (428 000 ✓ + 24 300 ✓ see 1.3.1 Rent Income)	452 300 ✓*
Current portion of loan <span style="float: right;">see loan above</span>	133 925 ✓
Shareholders for dividends	138 000 ✓✓
SARS: Income tax (152 700 – 130 000) <span style="float: right;">**</span> See 1.3.1 or 356 300 x 30/70 <span style="float: right;">** If –130 000</span>	22 700 ✓✓
<b>SE + NCL + CL</b>	<b>9 534 500 ✓</b>

\* one part correct

18

- 1 F foreign items (max -2)
- 1 P presentation (max -2 if no appropriate details)

**TOTAL MARKS****60**

**QUESTION 2**

2.1	2.1.1	Solvency ✓
	2.1.2	Profitability ✓
	2.1.3	Gearing ✓

<b>3</b>

**2.2 EAGLE LTD****2.2.1 RETAINED INCOME NOTE ON 28 FEBRUARY 2022**

<b>Balance on 1 March 2021</b> <small>inspect operations from bottom (+ OSD + SBB - NPAT)</small>	516 000	☑
Net profit after tax	908 400	✓
Shares repurchased <small>120 000 x R1,40</small>	(168 000)	✓✓
<b>Ordinary share dividends</b> <small>operation</small>	(873 600)	☑
<b>Interim dividends</b>	<b>710 400</b>	
Final dividends <small>1360 000 x 12c</small>	163 200	✓✓
<b>Balance on 28 February 2022</b>	<b>382 800</b>	

<b>7</b>

<b>2.2.2 Calculate: Income tax paid</b>							
<b>WORKINGS</b>	<b>ANSWER</b>						
<p>389 300 ✓ – 21 300 ✓ – 14 400 ✓</p> <p><b>OR:</b> – 389 300 + 21 300 + 14 400</p>	<p><b>OR:</b> Accept brackets here</p> <table border="1" style="display: inline-table;"> <tr> <td>21 300</td> <td>389 300</td> </tr> <tr> <td><b>353 600</b></td> <td></td> </tr> <tr> <td>14 400</td> <td></td> </tr> </table> <p>353 600 ☑ one part correct;</p>	21 300	389 300	<b>353 600</b>		14 400	
21 300	389 300						
<b>353 600</b>							
14 400							
<b>Calculate: Funds used to repurchase shares</b>							
<b>WORKINGS</b>	<b>ANSWER</b>						
<p>✓                      ✓✓</p> <p>120 000 x 8,80 = 1 056 000 three marks 120 000 x 1,40 = 168 000 ☑ see 2.2.1</p> <p><b>OR:</b> 120 000 x 10,20 = 1 224 000 <small>one mark      three marks</small></p>	<p>1 224 000 ☑ both parts to be added one part correct</p>						
<b>Calculate: Net change in cash and cash equivalents</b>							
<b>WORKINGS</b>	<b>ANSWER</b>						
44 700 ✓ + 133 000 ✓ - 8 000 ✓	<p>169 700 ☑ one part correct must be positive</p>						

<b>4</b>

<b>5</b>

<b>4</b>

2.2.3

Calculate: Debt-equity ratio	
WORKINGS	ANSWER
2 886 000 ✓ : 12 350 800 ✓	0,2 : 1 <input checked="" type="checkbox"/> one part correct in form x : 1
<b>Calculate: % return on average capital employed</b>	
WORKINGS	ANSWER
$\frac{1\,297\,700 \text{ one mark} + 382\,000 \text{ one mark}}{1\,679\,700 \checkmark\checkmark} \times 100^*$ $\frac{1}{2} (15\,236\,800\checkmark + 14\,450\,000\checkmark)$ OR $\frac{1}{2} [(12\,350\,800 + 2\,886\,000) + (10\,750\,000 + 3\,700\,000)]$ OR $\frac{1}{2} [(12\,350\,800 + 10\,750\,000) + (2\,886\,000 + 3\,700\,000)]$ 14 843 400 two marks	11,3% <input checked="" type="checkbox"/> one part correct must use average (½) must include OSHE + NCL
<b>Calculate: Dividends per share</b>	
WORKINGS	ANSWER
$\frac{710\,400}{1\,480\,000} \times 100$ 48c ✓✓ + 12c ✓	60c <input checked="" type="checkbox"/> one part correct must be interim + final dividends

3

5

4

<b>TOTAL MARKS</b>	<b>35</b>
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**QUESTION 3**

3.1

3.1.1	C ✓	Cash Flow Statement / CFS
3.1.2	D ✓	Director's Report / DR
3.1.3	A ✓	Statement of Comprehensive Income / SOCI

3

3.2 **JESSIE LTD**

**NOTE:** Trends may be implied by the figures for 2 years or by the indication of increased / improved / decreased financial indicators in all responses below

3.2.1

**Mike has informed the board of directors that he has identified and rectified a number of incidents of fruitless and wasteful expenditure in the company's records. Provide TWO financial indicators that justify the success of Mike's strategies. Quote figures and trends.**

Financial indicator ✓ ✓      Figures and trends      ✓ ✓

- % operating expenses on sales has decreased (from 27,8%) to 14,8% / by 46,8% / by 13% (points)
- % net profit on sales has increased (from 10,3%) to 24,7% / by 139,8% / by 14,4% (points)

\* Mark-up % is a deliberate decision; ignore if mentioned.  
-1 for superfluous additional financial indicators mentioned.

4

3.2.2

**Explain whether the change in the dividend pay-out rate in 2022 will benefit the company or not. Quote figures and trends.**

Dividend pay-out rate decreased (from 97,6%) to 46,6% / by 52,3% / by 51% (points). ✓

**OR:** Retained 53,4% of earnings this year (compared to 2,4% last year)

**OR:** Retained 51% more than last year.

Explanation ✓✓      part marks for incomplete / partial / unclear response

**Response to benefit company:** They retained funds for future expansion / Intentions to increase productivity and maintain growth achieved this year.

**Response for no benefit to the company:** Consider reasons and award marks accordingly e.g. if investors are discouraged from investing it could affect the market price of the shares.

3

**Sue Lee, a shareholder who owns 5 000 shares, is satisfied with the dividends she has received despite the change in the dividend policy. Explain why she feels this way. Quote figures and trends.**

Explanation ✓ figures and trends ✓✓

**NOTE:** Candidates might mention other financial indicators to compensate for the decline in dividend pay-out rate. Do not penalise for superfluous indicators in this sub-question.

- The DPS of 190c in 2022 is higher than the 120c received in 2021 / 70 cents per share more this year / 58,3% more.
- She earned R3 500 more this (R9 500-R6 000 or 5 000 x 70c).
- Dividend yield was 9.9% or 10,3% (190/1920 or 190/1841) / in comparison to the value of the share she is earning a good return of 9,9% / 10,3%

3



**3.2.3 Some shareholders feel that Mike was reckless when he increased the loan by R3,35 million soon after his appointment as CFO. Explain why you do not agree with them. Provide TWO points, with financial indicators, figures and trends.**

Max -1 for superfluous additional financial indicators mentioned.

- **Indicator:** Debt/equity ratio ✓  
**Figures & trends:** increased (from 0,2 : 1) to 0,3 : 1 / by 0,1 : 1 ✓
- **Indicator:** % return on average capital employed (ROTCE) ✓  
**Figures & trends:** increased / improved (from 7,5%) to 16,9% / by 9,4% (points) / by 125,3% ✓

**Explanation:**

- Still lowly geared / low financial risk / does not rely too much on borrowed capital. ✓
- The company enjoys positive gearing / ROTCE is greater than interest rate of 7,2% / making effective use of loan to generate profits. ✓

6

**3.2.4 Refer to Information C and D.**

**Calculate Brent's % shareholding on 28 February 2022.**

WORKINGS	ANSWER
$\frac{300\ 000 \checkmark + 75\ 000 \checkmark \checkmark}{1\ 325\ 000 \checkmark} \times 100$	28,3% <input checked="" type="checkbox"/> one part correct

5

**Brent and Kerina decided that they would combine their votes at the upcoming annual general meeting (AGM).**

**Explain ONE possible reason for this decision, with figures.**

Accept figures calculated above **Part marks for partial / unclear responses**

Figures  Explanation ✓✓ (mention whether their combined shares are >50% or not)

Combining their shares gives them a clear majority of 54,7% (28,3% + 26,4%) / the other shareholders own 45,3% of the shares / they would enjoy more than 50% of the voting rights / they will be in a position to have more control over major decisions / influence decisions.

**If combined shares are calculated as less than 50% mark explanation accordingly** e.g. they still do not own more than 50% / they are not majority shareholders / their influence on the company might increase / this is not going to help them in controlling decisions at the AGM.

3

**As an existing shareholder, explain why you would be concerned about the strategy of Brent and Kerina. Provide TWO points.**

**Very open-ended: accept any valid points** Responses will differ if combined votes are <50%  
TWO different possible concerns ✓✓ ✓✓ **Part marks for partial / unclear responses**

- Whether they will use their powers to benefit the company / have other unethical motives (e.g. corruption)
- Whether they want to gain financially through high directors fees in future
- Their past experience in directing a company: their skills and knowledge
- Their understanding of the responsibility / powers of majority shareholders
- Their willingness to serve on the Board / sacrifice their time
- Their attitude: Whether they will support the CEO, CFO and other directors / whether this is an amicable decision or an aggressive effort to gain control / whether they will work as a team with a friendly approach or not
- Quality of their contributions / issues they might have raised at previous AGMs
- Effect on the company if one of them discontinues the coalition / sells shares and is no longer a shareholder / possibility of instability in decision-making

**Examples of responses for less than 50% shareholding:** minority shareholders have rights and are able to express opinions; although not a majority greater combined % is still significant

4

**3.2.5 Refer to Information A, B and C.****NOTE TO MARKERS:**

***Be alert to the fact that this question requires items not mentioned by candidates above.***

The Marking Guide contains the following indicators mentioned in the previous answers above:

% OE on sales                      % NP on sales                      Dividend pay-out rate / DPS / EPS  
Debt/Equity ratio                      ROTCE

***However, if candidates omitted these items in the questions above, they may use them in this question 3.2.5.***

**Explain THREE points, relating to the financial results of the company, besides those mentioned above that the Remunerations Committee can use to justify offering Mike an improved package to remain at Jessie Ltd. Quote relevant financial indicators, figures and trends.**

**part marks for incomplete / partial / unclear response**

**NOTE: Explanations could be common to different financial indicators**

<b>Financial or other indicator</b>	<b>Explanation of evidence:</b> 1. ✓ ✓ 2. ✓ ✓ 3. ✓ ✓
1.✓ 2.✓ 3.✓	e.g. trend and figures / improvement / additional comment / insight to justify improved package / benefit to company (could be implied)

Mark-up %	Increased (from 60%) to 70% and they were still able to increase gross profit / customers are confident about product quality
Earnings per share (EPS)	Increased to 408c / (from 123c) to 408c / by 231,7%, is a clear indication of improved productivity or profitability.
ROSHE	Increased to 20,7% / (from 7,3%) to 20,7% / by 13,4% points / 183,6%. Shareholders would be pleased with the improved returns as well as it being better than interest on alternative investments (4,5%)
Solvency ratio	Although this declined (from 5,3:1) to 3,6:1 this was due to the fact that large loans had been received and the funds were positively used in the company
Net asset value per share (NAV) Treat as a separate point	Improved to 1 841c / (from 1 685c) to 1 841c / by 156c / 9,3%. An improvement in growth (assets > liabilities)
The market value (market price) Treat as a separate point	Increased to 1 920c / (from 1 540c) to 1 920 / by 380c / by 24,7%. A clear indication of increased demand for shares / investor confidence.
<b>Other indicators (which might not include traditional financial indicators):</b>	
Issue price of new shares	Shares issued at R21,00 which is higher than the market value. This indicates that shareholders were happy to invest more, taking into account the trends.
Offer of additional shares / 'rights issue'	Additional 265 000 shares issued at R21 generated additional capital of R5,6m / shareholders were confident of higher returns in future / shares could be issued to Mike to motivate him to stay in the company.

9
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<b>TOTAL MARKS</b>
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<b>40</b>
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**QUESTION 4: CORPORATE GOVERNANCE****4.1 The Johannesburg Securities Exchange (JSE) Refer to paragraph 1.****Explain why companies might want to be listed on the JSE.**ONE valid point ✓✓ **part marks for incomplete / partial / unclear response**

- The public can participate in the purchase of shares / easier access to potential investors / tapping the global investment environment (internet)
- Adds to the prestige of the company (due to additional listing requirements & publicity)
- Ensures compliance with Companies Act and other regulations (e.g. BBEEE scores, audit requirements)
- Easier to access additional funds by advertising new issue of shares / ongoing advertising through JSE publications
- The public can make their shares available to other potential investors if they want to 'cash in' their investments / facilitates transfer of shares /
- Constant update of share prices will indicate investor confidence / demand for shares / a good image of the company.

2

**Explain why the JSE would not tolerate 'incorrect, false and misleading financial results' from companies that are listed.**Explanation ✓✓ **part-marks for incomplete/unclear responses**

- They will not deceive the public as it is their role to ensure that sound business management practices are in place / do not want to cast doubts about their operations
- Would want to avoid any legal action against the JSE for misleading shareholders / Reputation of JSE may become questionable.
- JSE is a vital organisation in facilitating capital funds that stimulate the economy / leads to creation of jobs / public relies on credible information.
- JSE competes with international stock markets / need to guard their activities / ensure adherence to rules & regulations.

2

**4.2 Audit reports****Refer to paragraph 2.****Explain the difference between a *qualified audit report* and a *disclaimer of opinion audit report*.**

Qualified Report ✓ Disclaimer Report ✓ could be a combined or implied explanation

*Combined response for 2 marks:* **Part-marks for partial / unclear answers**

A qualified report mentions only specific items which are of concern to the auditor; while a disclaimer report means that the auditors are refusing to express an opinion.

*Examples of separate responses for 1 mark each:*

- **Qualified audit report:** The external auditors identified a few areas of concern / does not allow them to give an unqualified audit report / internal control processes / audit evidence might be deficient.
- **Disclaimer report:** The external auditors refuse to, or were unable to, obtain sufficient evidence to support an audit opinion / the company does not exercise reliable internal control processes / management was incompetent in performing basic recording and reporting tasks / financial statements do not adhere to GAAP & IFRS.

2

## 4.3 Concerns of shareholders Refer to paragraphs 1, 2 and 3.

***This is a very open-ended question; be alert to any other valid responses***

As a concerned shareholder, what questions would you raise at the AGM? Provide THREE different questions. In EACH case explain an appropriate reason.	
Any three valid questions ✓✓      ✓✓      ✓✓ Part marks for incomplete / unclear / partial responses Excellent / very good = 2 marks Good / satisfactory = 1 mark	Any three valid reasons ✓      ✓      ✓ Reasons to be appropriate to the questions. The same reason could apply to more than one question / could be verbatim from scenario.
<b>Questions you would raise at the AGM</b>	<b>One reason for each question</b>
<b>QUESTION</b> Why do the disqualified directors seem to have no skills and/or experience in governance issues? Why are there no criteria for directors' appointments?	For a company listed on the JSE highly qualified directors are required.
<b>QUESTION</b> Why did the board not take immediate action over the qualified and disclaimer audit reports?	Poor audit reports will severely affect the company and the market price of its shares.
<b>QUESTION</b> Why have they not implemented disciplinary procedures on these directors (before the JSE disqualified them)?	The board should have taken prompt action to prevent further problems.
<b>QUESTION</b> Why were very important roles allocated to these directors?	It is reckless to allocate important tasks to directors who cannot carry them out.
<b>QUESTION</b> Why do the board and the other directors appear to be negligent or careless in appointing or voting for the unskilled directors at the AGM?	The board and the other directors could lay themselves open to legal claims due to negligence / failure to screen directors and conduct background checks.
<b>QUESTION</b> Where will the funds come from to pay the R6,5m fine?	Transparency required by King Code in all processes. Profits or retained income could be negatively affected.
<b>QUESTION</b> How has the financial stability or profitability of the company been affected by this incident?	Fraud in financial statements could negatively affect the company's sustainability
<b>QUESTION</b> How are the vacant non-executive directors' posts going to be filled?	The shareholders and the board must not vote for or appoint directors who lack vital skills.
<b>QUESTION</b> What measures will the board put in place to prevent this fraud in future? What control measures does the Audit & Risk committee have in place?	Transparency / accountability / improving controls.
<i>Accept any other valid questions</i>	<i>Accept reasons that correspond to the questions</i>

9
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<b>TOTAL MARKS</b>
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<b>15</b>
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**TOTAL: 150**