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# NATIONAL SENIOR CERTIFICATE

## GRADE 12

### SEPTEMBER 2023

## ACCOUNTING P2 MARKING GUIDELINE

**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. Full marks for correct answer. If answer 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 guideline 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. This marking guideline is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. **Note:** check operation must be +, -, x, ÷, or per marking guideline.
11. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

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This marking guideline consists of 11 pages.

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## QUESTION 1

1.1

1.1.1	False ✓
1.1.2	True ✓
1.1.3	True ✓

3

1.2.1 Calculate: The value of closing stock.

WORKINGS	ANSWER
$35\,000 \checkmark + \overset{(50 \times 90)}{4\,500} \checkmark \checkmark$	$39\,500 \checkmark$ one part correct

4

1.2.2 Calculate the correct net profit after tax for the year ended 30 June 2023. Indicate '+' for increase and '-' for decrease at each adjusted amount.

WORKINGS	ANSWER
<b>Incorrect Net Profit before tax</b>	<b>3 551 841</b>
<b>Profit/loss on sale of equipment</b> $43\,000 \checkmark - \overset{(360\,000 - 359\,999)}{1} \checkmark \checkmark$	+ 42 999 <input checked="" type="checkbox"/> *
<b>Provision for bad debts adjustment</b> $(28\,500 - 25\,300)$	- 3 200 ✓✓
<b>Insurance</b> $(40\,800 \div 2)$	+ 20 400 ✓✓
<b>Rent income</b> $11\,680 \checkmark \checkmark \times 3 \checkmark$	- 35 040 <input checked="" type="checkbox"/> *
<b>Interest on loan</b> $3\,755\,000 \checkmark + \overset{(45\,000 \times 12) \text{ two marks}}{540\,000} \checkmark \checkmark - 3\,985\,000 \checkmark$	- 310 000 <input checked="" type="checkbox"/> *
<b>Income tax</b> $914\,600 \checkmark + 65\,500 \checkmark$	- 980 100 ✓
<b>Correct Net Profit after tax</b> operation	2 286 900 <input checked="" type="checkbox"/>

21

\*one part correct

Accept brackets for negative amounts; assume positive if no signs or brackets used.

## 1.2.3 STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2023

<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>	TA - CA	9 093 500	<input checked="" type="checkbox"/>
<b>Fixed assets</b> 7 711 501 – 1 see 1.2.2		7 711 500	<input checked="" type="checkbox"/>
<b>Financial assets</b>	balancing figure	1 382 000	<input checked="" type="checkbox"/>
<b>CURRENT ASSETS</b>	operation	3 105 800	<input checked="" type="checkbox"/>
<b>Inventories</b> 2 024 500 ✓ + 39 500 <input checked="" type="checkbox"/> see 1.2.1 above		2 064 000	<input checked="" type="checkbox"/> *
<b>Trade and other receivables</b> Tfer Pbd. Insurance 942 460 + 11 000 ✓ – 28 500 ✓ + 20 400 <input checked="" type="checkbox"/>		945 360	<input checked="" type="checkbox"/> *
<b>Cash and cash equivalents</b> 53 440 + 43 000		96 440	<input checked="" type="checkbox"/> *
<b>TOTAL ASSETS</b>	see TE and L	12 199 300	<input checked="" type="checkbox"/> *
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b> 616 500 ÷ 45c (1 370 000 x 4,2) ✓✓		5 754 000	<input checked="" type="checkbox"/> *
<b>Ordinary share capital</b>	SHE – RI	4 859 000	<input checked="" type="checkbox"/>
<b>Retained income</b>		895 000	
<b>NON-CURRENT LIABILITIES</b>		3 455 000	
<b>Mortgage loan</b> one mark one m/mark (540 000 – 310 000 see 1.2.2) 230 000 one mark and one m/mark + 70 000 one mark 3 755 000 ✓ – 300 000 ✓✓ <input checked="" type="checkbox"/>		3 455 000	<input checked="" type="checkbox"/> *
<b>CURRENT LIABILITIES</b>	operation	2 990 300	<input checked="" type="checkbox"/>
<b>Trade and other payables</b> Tfer Rent 1 962 260 + 11 000 ✓ + 35 040 <input checked="" type="checkbox"/>		2 008 300	<input checked="" type="checkbox"/> *
<b>Current portion of loan<sup>#</sup></b>	see loan above	300 000	<input checked="" type="checkbox"/>
<b>SARS Income tax<sup>#</sup></b>		65 500	✓
<b>Shareholders for dividends<sup>#</sup></b>		616 500	✓
<sup>#</sup> Inspect if any of # are included in T and OP; award total marks applicable			
<b>TOTAL EQUITY AND LIABILITIES</b>	SHE + NCL + CL	12 199 300	<input checked="" type="checkbox"/>

-1 F foreign items max -2

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

\*one part correct

TOTAL MARKS

60

32

## QUESTION 2

2.1

2.1.1	Gearing ✓
2.1.2	Liquidity ✓
2.1.3	Solvency ✓

3

## 2.2 TUMBA LTD

## 2.2.1 ORDINARY SHARE CAPITAL NOTE

1 470 000 ✓	Shares in issue at the beginning of the year	4 704 000
300 000	Shares issued during the year	2 022 000 <input checked="" type="checkbox"/> operation
(230 000)	Repurchase of shares at R3,80 ✓✓ <small>(5 852 000 ÷ 1 540 000) two accuracy marks</small>	(874 000) <input checked="" type="checkbox"/> one part correct
1 540 000 <input checked="" type="checkbox"/> one part correct	Shares in issue at the end of the year	5 852 000

6

2.2.2

Calculate: Income tax paid	
WORKINGS	ANSWER
$36\,600 \checkmark + 273\,270 \checkmark\checkmark + 21\,270 \checkmark$ <p style="text-align: center;">OR:</p> $- 36\,600 \checkmark - 273\,270 \checkmark\checkmark - 21\,270 \checkmark$	331 140 <input checked="" type="checkbox"/> one part correct
Calculate: Dividends paid	
WORKINGS	ANSWER
$318\,600 \checkmark + 265\,000 \checkmark$ <p style="text-align: center;">OR:</p> $- 318\,600 \checkmark - 265\,000 \checkmark$	583 600 <input checked="" type="checkbox"/> one part correct

5

3

**2.2.3 Complete the following sections of the Cash Flow Statement.**

<b>CASH EFFECTS FROM INVESTING ACTIVITIES</b>	(487 900) operation <input checked="" type="checkbox"/>	
<b>Purchase of fixed assets</b>	(830 400) ✓	
<b>Proceeds from the sale of fixed assets</b> 4 094 900 ✓ + 413 000 ✓ – 830 400 ✓ – 3 830 000 ✓	152 500 one part correct <input checked="" type="checkbox"/>	
<b>Change in financial assets</b>	<b>190 000</b>	<div><div></div><div>7</div></div>

<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	88 500 operation <input checked="" type="checkbox"/>	
<b>Cash (balance at the beginning of the year)</b> 6 500 – 38 400	(31 900) ✓✓	
<b>Cash (balance at the end of the year)</b>	56 600 ✓	<div><div></div><div>4</div></div>

**2.2.4**

<b>Calculate: Acid-test ratio</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\frac{240\,000 + 56\,600}{296\,600 \checkmark\checkmark} : 360\,700 \checkmark$	0,8 : 1 <input checked="" type="checkbox"/> one part correct; in the form x : 1 Accept 0,82 : 1
<b>Calculate: % return on average shareholders' equity (ROSHE)</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\frac{637\,630 \checkmark}{\checkmark\frac{1}{2} (6\,062\,000 + 5\,124\,800) \checkmark} \times 100^*$ <p>11 186 800 one mark 5 593 400 two marks</p>	11,4% <input checked="" type="checkbox"/> one part correct % sign not necessary
<b>NOTE:</b> * 100 is not one part correct Do not award marks if numerator and denominator are swapped	

Calculate: Interim dividends per share	
WORKINGS	ANSWER
$\frac{318\,600 \checkmark}{1\,770\,000 \checkmark \checkmark} \times 100^*$ <p>see 2.2.1 (1 470 000 + 300 000) one m/mark    one mark</p> <p><b>NOTE:</b> * 100 is not one part correct Do not award marks if numerator and denominator are swapped</p>	<p>18 cents <input checked="" type="checkbox"/></p> <p>one part correct; Also accept R0,18 or 0,18 (if not x 100)</p>

4

TOTAL MARKS	40
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**QUESTION 3**

- 3.1 The company's total sales increased from 2022 to 2023 and the operating activities have been better controlled in 2023.**

**Quote and explain TWO financial indicators with figures, which indicate better control of operating activities.**

Any TWO financial Indicators ✓ ✓ figures ✓ ✓

% operating expenses on sales decreased/improved (from 21,2%) to 17,3%

% operating profit on sales increased/improved (from 16,5%) to 22,1%

% net profit on sales increased/improved (from 13,9) to 17,2%

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

4

**Quote and explain ONE relevant indicator with a figure, which directly contributed to the increase in sales.**

Financial indicator ✓ figure ✓

Mark-up % decreased (from 70%) to 55%

2

- 3.2 Identify TWO financial indicators with figures, which indicate an improvement in the liquidity of the company.**

TWO financial indicators with figures ✓ ✓

Debtors' collection period – 31 days

Creditors payment period – 62 days

2

- 3.3 The directors decided to increase the loan at the beginning of 2023. Explain why you agree with their decision. Quote TWO financial indicators with trends.**

Financial indicators ✓ ✓ Figures with trends ✓ ✓

- Debt-equity ratio increased/deteriorated (from 0,3 : 1) to 0,4 : 1 (after the loan increased)

- % return on average capital employed increased (improved) (from 11,5%) to 12%

Accept the following as a reason for agreement:

- ROTCE of 12% is higher than the interest rate on loans of 10%  
(Note: should be a comparison between ROTCE and interest rate on loans to support positive gearing)

**Explanation:** ✓ ✓ ✓ ✓

**NOTE:** Be aware an explanation can be combined with the indicator, figures and trend.

- Although the debt-equity ratio increased, the company is lowly geared / low risk / do not rely too much on borrowed capital
- The company is positively geared / ROTCE is higher than the interest rate (10%) / make effective use of loan to generate profits

8



**3.4 Shareholders buy shares in companies as a short-term investment while others do it as a long-term investment.**

**Explain how the change in the dividend pay-out policy affects the investment choices of each type of shareholder. Provide comparative figures.**

<b>Short-term shareholders</b> explanation ✓✓ comparative figures ✓	They will not be satisfied: <ul style="list-style-type: none"> <li>Expect high returns on their investment (company paid out 40% in 2023 compared to 80% in 2022).</li> <li>Not interested in future expansion (company retained 60% in 2023 compared to 20% in 2022 / 40% more (which is not acceptable for short-term investors)</li> </ul>
<b>Long-term shareholders</b> explanation ✓✓ comparative figures ✓	They will be satisfied: <ul style="list-style-type: none"> <li>Retaining 40% more is acceptable to long-term investors compared to 20% in 2022.</li> <li>60% of earnings are retained for future expansion / They can expect better returns in future due to higher retaining of profits</li> </ul>

6

**3.5 Shareholders are divided on the price paid for the re-purchase of shares.**

**Provide ONE point in support of and ONE point against the price paid for shares. Quote ONE financial indicator with figures for each point.**

<b>In support of the price paid</b> Reason ✓ Indicator with figure ✓	Compare repurchase price to the market value  Although 100c (R1) more than the market price was paid, the market price shows an upward trend from 2022 / increased by 170c (R1,70).
<b>Against the price paid</b> Reason ✓ Indicator with figure ✓	Compare repurchase price to the market value  The market price should have been paid and not the (R1) extra.

4

- 3.6 The directors of the company decided to issue an additional 50 000 shares in the new financial year.

**Calculate the minimum number of shares S. Lucas must buy to become a majority shareholder.**

WORKINGS	ANSWER
$(650\,000 \times 50\%) + 1$ $325\,001 \checkmark\checkmark - 288\,000 \checkmark\checkmark$  <b>OR</b> $(650\,000 \times 51\%)$ $331\,500 - 288\,000$ two marks                      two marks	$37\,000 \checkmark$ one part correct  <b>OR</b> $43\,500$ one method mark

5

**Mention TWO points why S. Lucas wants to become a majority shareholder.**

Any TWO valid points  $\checkmark\checkmark$   $\checkmark\checkmark$  part marks for incomplete / partial / unclear responses

- To influence strategic decisions
- To influence business operations
- Sees potential in the company and wants to be part of the future growth.

4

TOTAL MARKS

35

**QUESTION 4****4.1 Audit reports**

**Which type of audit report will discourage shareholders to buy shares in a company?**

Disclaimer of opinion ✓

1

**Provide TWO reasons why shareholders will not be interested to buy shares in such a company.**

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

- It gives a bad image to the company.
- Possibilities of corruption, investors do not want to lose their money.
- Directors of this company are not trustworthy.
- Good ethics are not maintained over company finances

4

**4.2 Explain why a company's financial statements have to be audited by independent auditors. Provide TWO points.**

Any TWO valid and different points ✓✓ ✓✓

An explanation must refer to or imply independent auditors, to earn full marks  
part marks for partial / incomplete / unclear responses

- Help companies to comply with regulations and reporting requirements as required by the Companies Act / by law.
- Gives a company credibility as it allows the potential investors to trust the accuracy of the results.
- Company managers can use the results of the audit to continually improve internal processes.
- To protect shareholders from possible fraud and improprieties.

4

**4.3 Concern over the kind of relationship between a director, Chief Financial Officer (CFO) and the independent auditor.**

As a shareholder, why would you be concerned by this kind of relationship? Explain THREE points (one for each person involved).	
Any THREE valid, but different points (1 per person involved) part marks for partial / incomplete / unclear responses	
<b>Director</b> ✓✓	<ul style="list-style-type: none"> <li>• Is appointed by the shareholders to run the company not to have fun with external auditors.</li> <li>• No transparency, possibilities of Company's Act manipulation.</li> <li>• Money laundering, nepotism and fraud is possible.</li> <li>• Expected to meet board of directors, not CFO and independent auditor.</li> </ul>
<b>Chief Financial Officer</b> ✓✓	<ul style="list-style-type: none"> <li>• Possibility of mismanagement of company funds.</li> <li>• This might affect financial smooth running of the company.</li> <li>• Possibilities of corruption.</li> <li>• Possibilities of inflated financial statements.</li> <li>• Temptations to use company funds is possible.</li> </ul>
<b>Independent auditor</b> ✓✓	<ul style="list-style-type: none"> <li>• Manipulation of unbiased opinion is possible.</li> <li>• Manipulation of the company's Act.</li> <li>• Possibility of losing audit licence for any wrong doings.</li> <li>• Suppose to meet shareholders not the director.</li> <li>• Public image of independent auditors is being ruined.</li> </ul>

6

TOTAL MARKS

15

TOTAL: 150