

SA's Leading Past Year

Exam Paper Portal



You have Downloaded, yet Another Great Resource to assist you with your Studies 😊

Thank You for Supporting SA Exam Papers

Your Leading Past Year Exam Paper Resource Portal

Visit us @ www.saexampapers.co.za





Province of the
EASTERN CAPE
EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

2024 PRE-TRIAL EXAMINATION

ACCOUNTING P1 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. Unless otherwise stated, give full marks for a 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: figures stipulated in the marking guidelines as components of workings are marked together; these do not carry the method mark for parts thereof.
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. 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, markers must inspect reasonableness of the answer.
10. '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 marking guidelines.
11. In calculations, do not award marks for workings if numerator & 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 guidelines. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 11 pages.



QUESTION 1**1.1 FASSI LTD****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
29 FEBRUARY 2024**

Sales		16 960 000	✓	
Cost of sales		(8 480 000)	✓	
Gross profit		8 480 000		2
Other income	operation	193 300	☑	
Commission income		53 000		
Rent income	109 200 ✓ + 13 200 ✓✓	122 400	☑*	
Trading stock surplus	(468 200 – 450 300)	17 900	☑✓	
Gross income	GP + OI	8 673 300	☑	8
Operating expenses	GI - OP	(4 433 300)	☑	
Depreciation		506 800		
Salaries and wages		843 200	✓	
Provision for bad debts-adjustment	26 010 – 19 500	6 510	☑✓	
Directors fees	2 300 000 ✓ + 100 000 ✓✓ or 2 300 000 x ⁴⁸ / ₄₆	2 400 000	☑*	
	one mark two marks			
Audit fees	102 000 ✓ + 34 000 ✓✓	136 000	☑*	
Sundry expenses	balancing figure	540 790	☑	
Operating profit	Sales x 25%	4 240 000	☑☑	15
Interest income	NPbIE - OP	49 500	☑	
Net profit before interest expense	NPbT + IE	4 289 500	☑	
Interest expense		(51 500)	✓✓	
Net profit before tax	1 186 640 x ¹⁰⁰ / ₂₈	4 238 000	✓✓	
Income tax		(1 186 640)		
Net profit after tax	NbT - Tax	3 051 360	☑	7

1 foreign items (max – 2); misplaced items, award marks for workings only
 Note Principle 11 when awarding method marks: Operation as per candidate's operation)

* 1 part correct

32

1.2.1 ORDINARY SHARE CAPITAL

1 425 000 ✓	Shares in issue 1 March 2023	4 417 500
1 900 000x25% 475 000 ✓	6 270 000÷1 900 000 Shares issued during the year (@ R3.90)	1 852 500 <input checked="" type="checkbox"/> *
(200 000) ✓	Shares repurchased (ASP: R3,30 ✓) Ignore brackets on this line; mark absolute figures only	(660 000) <input checked="" type="checkbox"/> one part correct
1 700 000 <input checked="" type="checkbox"/>	Shares in issue on 29 February 2024 Operation and should be OB+SI-SBB	5 610 000 <input checked="" type="checkbox"/>

8

*operation if 4 417 500 – 475 000

1.2.2 RETAINED INCOME

Balance on 1 March 2023	1 682 400
4,50 – 3.30 (ASP) Repurchase of shares (200 000 x 1,20)	(240 000) <input checked="" type="checkbox"/> ✓ one part correct
Net profit after tax see 1.1	3 051 360 <input checked="" type="checkbox"/>
Ordinary share dividends operation	(912 000) <input checked="" type="checkbox"/>
• Interim dividends	342 000 ✓
• Final dividends (1 900 000 x 30 cents)	570 000 <input checked="" type="checkbox"/> ✓ one part correct
Balance on 28 February 2024 one part correct	3 518 760 <input checked="" type="checkbox"/>

8

1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024**EXTRACT FROM EQUITY AND LIABILITIES**

NON-CURRENT LIABILITIES	341 600
Mortgage loan 427 000 ✓ - 85 400 ✓✓	341 600 <input checked="" type="checkbox"/> *
CURRENT LIABILITIES	
Trade and other payables	
audit fees directors fees 512 100 ✓ + 34 000 <input checked="" type="checkbox"/> + 100 000 <input checked="" type="checkbox"/>	646 100 <input checked="" type="checkbox"/> *
Current portion of the loan see loan above	85 400 <input checked="" type="checkbox"/>
SARS (Income tax) 1 186 640 – 975 900	210 740 ✓✓
Shareholders for dividends see 1.2.2	570 000 <input checked="" type="checkbox"/>

12

-1 F foreign items (max – 2); misplaced items, award marks for workings only
- P presentation (max -2 if no appropriate details)

* one part correct

TOTAL MARKS**60**

QUESTION 2**2.1 RECONCILIATION BETWEEN NET PROFIT BEFORE TAX AND CASH GENERATED FROM OPERATIONS**

Net profit before tax	877 000
Adjustments in respect of:	
Depreciation	240 640
Interest expense	120 120
Operating profit before changes in working capital	1 237 760
Cash effects of changes in working capital. operation	(108 245) <input checked="" type="checkbox"/>
Increase in inventory 710 500 ✓ – 672 500 ✓	(38 000) <input checked="" type="checkbox"/> *
Increase in receivables 290 115 ✓ – 256 830 ✓	(33 285) <input checked="" type="checkbox"/> *
Decrease in payables 466 620 ✓ - 429 660 ✓)	(36 960) <input checked="" type="checkbox"/> *
Cash generated from operations operation	1 129 515 <input checked="" type="checkbox"/>

11

2.2 Calculate the following amounts that would appear on the Cash Flow Statement.**2.2.1 Income tax paid**

WORKINGS	ANSWER
$25\,870 \checkmark + 245\,560 \checkmark - 10\,530 \checkmark$ <p>Accept alternative arrangement for calculations e.g. signs reversed, ledger / note format.</p>	260 900 <input checked="" type="checkbox"/> one part correct

4

2.2.2 Dividends paid

WORKINGS	ANSWER
$210\,000 \checkmark + 136\,000 \checkmark \checkmark$ <p>Accept alternative arrangement for calculations e.g. signs reversed, ledger / note format.</p>	346 000 <input checked="" type="checkbox"/> one part correct

4

2.2.3 Purchase of fixed assets

WORKINGS	ANSWER
$1\,987\,625 \checkmark + 240\,640 \checkmark + 110\,500 \checkmark - 1\,850\,200 \checkmark$ Accept alternative arrangement for calculations e.g. signs reversed, ledger / note format.	$488\,565$ <input checked="" type="checkbox"/> one part correct

5

2.2.4 Net change in cash and cash equivalents

WORKINGS	ANSWER
$113\,240$ two marks $(118\,400 - 5\,160) \checkmark\checkmark + 85\,150 \checkmark$ Accept note format.	$198\,390$ <input checked="" type="checkbox"/> one part correct

4

2.3 Calculate the following financial indicators for the financial year ended 29 February 2024.**2.3.1 Current ratio**

WORKINGS	ANSWER
$1\,085\,765 \checkmark : 728\,190 \checkmark$	$1.5 : 1$ <input checked="" type="checkbox"/>

3

2.3.2 % return on average capital employed

WORKINGS	ANSWER
$\frac{877\,000 \text{ one mark} + 120\,120 \text{ one mark}}{997\,120 \checkmark\checkmark} \times \frac{100}{1}$ $\frac{\frac{1}{2}(2\,525\,200\checkmark + 2\,360\,800\checkmark)}{2\,443\,000 \text{ two marks}} \times \frac{100}{1}$ <p>OR $\frac{1}{2}[(2\,090\,200+435\,000) + (1\,850\,800+510\,000)]$</p>	<p>40.8% <input checked="" type="checkbox"/></p> <p>one part correct must use average ($\frac{1}{2}$) must include OSHE + NCL</p>

5

2.2.3 Dividends per share

WORKINGS	ANSWER
$80c \checkmark + \frac{288\,000/160\,000}{180c \checkmark\checkmark}$	<p>260c <input checked="" type="checkbox"/></p> <p>one part correct</p>

4

The 'x 100' is not deemed as 'one part correct'

Numerators and denominators must be marked as such.

Do not award marks for any operations done to stand-alone figures e.g. no tick if anything else added to 997 120.

Superfluous entries: award marks for correct figures, apply ☒ to final answer.

TOTAL MARKS

40



QUESTION 3

3.1

3.1.1	C ✓
3.1.2	E ✓
3.1.3	B ✓
3.1.4	A ✓

4

3.2

The directors are satisfied with the improvement in the current ratio and acid-test ratio. Explain why you would disagree with them regarding the company's liquidity. Quote TWO financial indicators.

TWO financial indicators ✓✓ **figures and trends** ✓✓

- The stock-holding period increased from 69 days to 103 days (by 34 days).
- Debtors' collection period increased from 30 days to 49 days (by 19 days)
- Current ratio increased from 1,6 : 1 to 2,2 :1, **AND** the Acid-test ratio increased from 0,7 : 1 to 0,9 : 1.

(should mention figures and trend for both ratio's for two marks)

Explanation: ✓✓

- Too much liquid assets (cash tied up on stock)/ over investment in stock / the difference in current and acid-test ratios reflects stock piling/ stock can become obsolete.
- The business has relaxed/ neglected its collection policies/ cash flow problems for the business.

6

3.3 Retention or distribution of profits to shareholders.

Comment on whether the company tends to towards retaining or distributing its profits. Quote relevant financial indicators.

Financial indicators (DPS and EPS)✓ **Figures** ✓

DPS in 2023 is 77c out of EPS of 96c (19c retained)

DPS in 2024 is 85c out of EPS of 98c (13c retained)

OR

Financial indicator one mark **Figures** one mark

Dividend pay-out rate in 2023 , 80,2% and 2024, 86,7%,

Comment ✓✓ part marks for unclear / partial answer

The company tends to distribute the majority of its profits to shareholders.

4

Explain how the distribution of profits could affect the share price on the JSE. Give ONE explanation in favour and ONE against the distribution of profits.

In Favour one valid point ✓ ✓

- Shareholders will be happy and the shares on the JSE will look more attractive to shareholders who are looking for instant returns.
- Increased demand for shares will increase the value of shares or share price

Against one valid point ✓ ✓

- Shareholders are looking for capital growth in the value of shares, this could depress the price as it affects the retained income.
- Prospective shareholders might see this as the company not having any growth potential/ future projects or a need to re-invest profits back into the company.

4

3.4

Explain why the shareholders should be satisfied with the return they get from the company. Quote a financial indicator and figures.

Financial indicator ✓ **Figures and trend** ✓

ROSHE improved (from 11,9%) to 13,5%

Comment (comparison to interest on alternative investment) ✓ ✓

- ROSHE is above interest on alternative investment (fixed deposit) of 10%

4

3.5

Comment on the gearing and degree of risk for 2024. Quote TWO relevant indicators in your comment.

TWO financial indicators ✓ ✓ **figures with trends** ✓ ✓

- Debt/equity ratio deteriorate / increased from 0,1: 1 to 0,4: 1
- ROTCE improved / increased from 15,3% to 16,4%

Comment ✓ ✓

- Although Debt-equity ratio increased (deteriorate), the business is still at low risk.
- The business is making effective use of the loan, as it is positively geared/ the return is higher than the interest rate on loan at present (13%)

6

- 3.6 All the new shares issued on 29 February 2024 were sold to the CEO, Imran. Explain TWO points why you think the shareholders are not happy with this. Quote figures.**

TWO valid points with figures ✓✓ ✓✓

- Shares were sold at 510c which is below NAV of 778c (by 268c) and also below the MP of 780c (by 270c).
- The CEO used his position to disadvantage the company financially.
- The business would have made (50 000 x R7,80) R390 000 if shares were sold at MP.

4

- 3.7 Calculate Imran's percentage shareholding on 29 February 2024. Comment on your findings.**

$$1\,295\,000 \div 2\,550\,000 \times 100 = 50,8\% \checkmark\checkmark$$

He is now a majority shareholder. ✓

3

TOTAL MARKS	35	
--------------------	-----------	--



QUESTION 4

4.1	4.1.1	Social and ethics committee ✓	
	4.1.3	Remuneration committee ✓	2

4.2.1	<p>Identify and explain the type of audit report referred to in paragraph 3.</p> <p>Type of report: ✓</p> <p>Disclaimer / Withheld opinion</p> <p>Explanation: ✓✓</p> <p>The auditor found irregularities and refuses to sign off on the financial statements.</p>	3
-------	---	---

4.2.2	<p>Provide TWO points why an existing shareholder would be concerned about this report?</p> <p>Any TWO valid points ✓✓ ✓✓</p> <ul style="list-style-type: none"> • The reputation of the company will be badly affected/ poor public image. • Poor internal controls/ mismanagement. • Directors appointed by them are not reliable / lose confidence in the directors/ directors have personal interest. • Existing shareholders will doubt their investment and want to sell their shares / May lead to drop in share price. 	4
-------	---	---

4.2.3	<p>Explain why Emerald auditing firm was used to audit the company financial statements.</p> <p>Any ONE valid point ✓✓</p> <ul style="list-style-type: none"> • The firm is the independent/ external auditor express an unbiased opinion on the financial statements of Gala Global. • The firm is bound by professional bodies to report on the fairness of financial statements. • Shareholders relies on the opinion of an external auditor to make informed decisions about their investment in the company. • Independent (externa) auditors are a requirement as per the companies act. 	2
-------	---	---

4.2.4 Explain TWO concerns from the extract which relates to poor corporate governance and provide a consequence in each case.

Any TWO valid concerns ✓ ✓

Two valid consequences ✓ ✓.

CONCERN	CONSEQUENCE
<ul style="list-style-type: none"> • Collusion with linked companies • Nepotism / Conflict of interest 	<ul style="list-style-type: none"> • Self-enrichment at the expense of the company
<ul style="list-style-type: none"> • Honesty / Loyalty to the company is not recognised 	<ul style="list-style-type: none"> • Growth in company profits may be compromised. • Shareholder interest in shares may be negatively affected.
<ul style="list-style-type: none"> • Corruption not detected • Lack of transparency 	<ul style="list-style-type: none"> • Company policies can be easily manipulated • No accountability / no checks and balances in place
<ul style="list-style-type: none"> • Credibility & integrity of management 	<ul style="list-style-type: none"> • Share prices will take a tumble • Prospective investors will not be interested / shareholders may want to sell their shares. .

4

TOTAL MARKS	15	
-------------	----	--

TOTAL: 150