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# NATIONAL SENIOR CERTIFICATE

## GRADE 12

### SEPTEMBER 2024

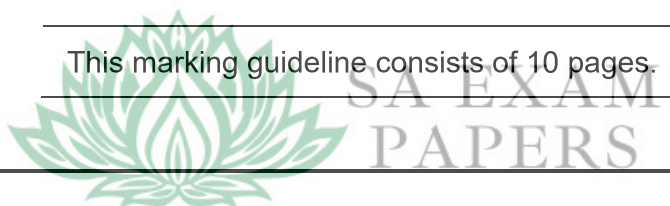
## ACCOUNTING P1 MARKING GUIDELINE

**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 items). 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 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 marking guideline 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 Question).
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, marker must inspect the reasonableness of the answer before allocating a mark.
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 guideline.
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 guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 10 pages.



## QUESTION 1

1.1 Calculate the value of the stock that was stolen	
WORKINGS	ANSWER
35 000 ✓ x 100/80 ✓	43 750 ✓ One part correct

3

## 1.2 Statement of comprehensive income for the year ended 30 June 2024

<b>Sales</b> (15 660 000 ✓ x 175/100 ✓) – 216 000 ✓	27 189 000	<input checked="" type="checkbox"/> *
<b>Cost of sales</b>	<b>(15 660 000)</b>	
<b>Gross profit</b> Sales-COS	11 529 000	<input checked="" type="checkbox"/>
<b>Other income</b>		
<b>Commission income</b> (626 400 + 22 500 ✓✓)	648 900	<input checked="" type="checkbox"/> *
Rent income (98 500 ✓ + 9 130 ✓✓)	107 630	<input checked="" type="checkbox"/> *
Provision for bad debts adjustment (2 355 – 1 975)	380	<input checked="" type="checkbox"/>
<b>Gross operating income</b>		
<b>Operating expenses</b>		
<b>Salaries and Wages</b>		
<b>Depreciation</b>		
<b>Sundry expenses</b>		
<b>Audit fees</b> (81 000 + 9 500)	90 500	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Directors' fees (450 000 ✓ + 562 500 ✓✓)	1 012 500	<input checked="" type="checkbox"/> *
Advertising (36 000 ✓ – 6 000 ✓)	30 000	<input checked="" type="checkbox"/> *
Loss due to theft (43 750 – 35 000) OR (35 000 x 20/80) <small>see 1.1</small>	8 750	<input checked="" type="checkbox"/>
<b>Operating profit</b>		
<b>Interest income</b>		
<b>Profit before interest expense</b>		
<b>Interest expense</b>	<b>(120 100)</b>	
<b>Profit before tax</b> (560 000 x 100/28) OR (1 440 000 + 560 000)	2 000 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<b>Income tax</b> (300 000 + 200 000 + 60 000)	(560 000)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<b>Net profit after tax</b> (2 000 000 – 560 000) OR (560 000 x 72/28)	1 440 000	<input checked="" type="checkbox"/>

\*One part correct

29

## 1.3 Statement of Financial Position as at 30 June 2024

<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Fixed assets</b>		
<b>Investment: Fixed deposit</b>		
<b>CURRENT ASSETS</b> (3 321 300 x 1,3)	4 317 690	✓*
Inventories (2 195 550 – <sup>see 1.1</sup> 43 750 ✓)	2 151 800	✓*
<b>Trade and other receivables</b> ( <sup>see Rent Income</sup> 495 000 + <sup>see advertising</sup> 2 800 ✓ – <sup>see Commission Income</sup> 1 975 ✓ + 9 130 ✓ + 6 000 ✓ + 22 500 ✓)	533 455	✓*
Cash and cash equivalents <span style="float: right;">balancing figure</span>	1 632 435	✓
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b> (3 000 000 x 675/100)	20 250 000	✓
<b>Ordinary share capital</b>	<b>19 650 000</b>	
Retained income <span style="float: right;">SHE-OSC</span>	600 000	✓
<b>NON-CURRENT LIABILITIES</b>	1 127 300	
Loan (1 304 000 ✓ – 176 700 ✓✓)	1 127 300	✓*
<b>CURRENT LIABILITIES</b> <span style="float: right;">operation</span>	3 321 300	✓*
<b>Trade and other payables</b> ( <sup>see Audit fees</sup> 529 800 + 2 800 ✓ + <sup>See Directors fees</sup> 9 500 ✓ + 562 500 ✓)	1 104 600	✓*
<b>SARS: Income tax</b>	<b>60 000</b>	
Current portion of loan <span style="float: right;">see NCL</span>	176 700	✓
Shareholders for dividends	1 980 000	✓
<b>TOTAL EQUITY AND LIABILITIES</b>		

23

\*One part correct

TOTAL MARKS

55

## QUESTION 2

## 2.1 Calculate the following financial indicators:

2.1.1	<b>Debt-equity ratio</b>		<input type="text" value="3"/>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$1\,294\,000 \checkmark : 12\,624\,400 \checkmark$	$0,1 : 1 \checkmark$ One part correct	

2.1.2	<b>Earnings per share</b>		<input type="text" value="4"/>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$\frac{1\,022\,000 \checkmark}{752\,000 \checkmark} \times 100$	$135,9 \text{ cents} \checkmark$ One part correct Accept 136 cents	

2.1.3	<b>Dividend pay-out rate (%)</b>		<input type="text" value="3"/>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	<small>(20 + 25) one mark</small> $\frac{45 \checkmark}{135,9 \checkmark} \times 100$	$33,1\% \checkmark$ One part correct	

2.1.4	<b>% return on average equity (ROSHE)</b>		<input type="text" value="5"/>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$\frac{1\,022\,000 \checkmark}{\frac{1}{2} \checkmark (12\,624\,400 \checkmark + 9\,319\,200 \checkmark)} \times 100$ 10 971 800 three marks	$9,3\% \checkmark$ One part correct	

## 2.2 Retained Income note

<b>Balance on 1 May 2023</b>	<b>1 300 300</b>	
<b>Net profit after tax</b>	<b>1 022 000</b>	
Shares repurchased (28 000 x 15/100) OR (32 200 - 28 000)	(4 200)	<input checked="" type="checkbox"/>
<b>Dividends</b> <span style="float: right;"><small>Interim + final div</small></span>	(456 000)	<input checked="" type="checkbox"/>
Interim (1 340 000 x 0,2)	268 000	<input checked="" type="checkbox"/>
Final	188 000	<input checked="" type="checkbox"/>
<b>Balance on 30 April 2024</b> <small>Inspect operation from top, must subtract SBB and OSD</small>	<b>1 862 100</b>	<input checked="" type="checkbox"/>

2.3	<b>Change in Trade and other receivables</b>		<input type="text" value="4"/>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$558\,800 \checkmark \checkmark - 426\,800 \checkmark$	$(132\,000) \checkmark$ One part correct Indicate/mention outflow	

2.4 2.4.1	<b>Taxation paid</b>		
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$- 438\ 000 \checkmark\checkmark + 32\ 600 \checkmark - 9\ 900 \checkmark$  OR  $438\ 000 - 32\ 600 + 9\ 900$ two marks    one mark    one mark  Signs may be reversed	$(415\ 300) \checkmark$ One part correct	5

2.4.2	<b>Proceeds from sale of fixed assets</b>		
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$11\ 434\ 000 \checkmark + 190\ 900 \checkmark - 1\ 702\ 000 \checkmark - 9\ 890\ 600 \checkmark$  OR  $9\ 890\ 600 + 1\ 702\ 000 - 190\ 900 - 11\ 434\ 000$ one mark    one mark    one mark    one mark Signs may be reversed	$32\ 300 \checkmark$ One part correct	5

2.5	<b>Net change in cash and cash equivalents</b>	$(396\ 500) \checkmark$ One part correct	4
	<b>Cash (balance at the beginning of the year)</b>	$85\ 300 \checkmark$	
	<b>Cash (balance at the end of the year)</b> $7\ 800 - 319\ 000$	$(311\ 200) \checkmark\checkmark$	

<b>TOTAL MARKS</b>	<b>40</b>
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**QUESTION 3**

3.1	3.1.1	B ✓
	3.1.2	C ✓
	3.1.3	D ✓
	3.1.4	A ✓

4

**3.2 Quote and explain TWO financial indicators which indicate that the company manages its expenses more efficiently.**

Financial indicators ✓ ✓ figures and trends ✓ ✓

- % operating expenses on sales decreased from 23,2% to 21,6%.
- % operating profit on sales increased from 19% to 21%.

4

**3.3 Suggest strategies that the company can employ to improve its net working capital. Quote TWO financial indicators.**

Financial indicator with figures ✓ ✓ any ONE strategy for each ✓✓ ✓✓

Financial indicator with figures	Strategies
<ul style="list-style-type: none"> <li>• Acid-test ratio decreased from 1,3 : 1 to 0,6 : 1</li> </ul>	Sales promotion to reduce excess stock / more effective advertising / reduce selling prices to increase sales.
<ul style="list-style-type: none"> <li>• Average debtors' collection period increased from 29 to 42 days.</li> </ul>	Offer discounts for early payments / charge interest for late payment / send reminders / hand over long overdue accounts to attorneys for collection.

6

**3.4 Comment on whether the company is making good use of loans. Quote ONE financial indicator with figures and trends.**

Financial indicator ✓with figures ✓ comment on gearing must cover positive gearing and comparison with interest on loans. ✓✓

- ROTCE decreased from 20,3% to 19,8%, but it is still above interest on loan of 13%.
- The business is positively geared / using loans effectively.

4

**The debt-equity ratio of the company decreased from 0,8 : 1 to 0,6 : 1. Mention TWO possible reasons that could have led to this change.**

Any TWO points ✓✓ ✓✓

- Issue of new shares.
- Loan repaid.

4

**3.5 Comment on the dividend pay-out policy of the company. Provide TWO reasons why the directors decided to change the policy in 2024.**

Comment on dividends pay-out rate (DPR) with figures and trends ✓✓ TWO reasons ✓✓

**Comment:**

- DPR increased from 51% to 103% by 52% points/ by 102%.

**Reasons:**

- Satisfying shareholders (keep them happy)
- No plans to expand business
- Retained funds were used to pay out dividends for current year/depleting funds that could be used for future expansion.

4

**Explain whether the shareholders should be satisfied with their return on investment in the company. Quote ONE financial indicator with figures, in your explanation.**

Financial indicator with trends and figures ✓✓ comparison to interest on alternative investment ✓✓

Shareholders should be satisfied because:

- % Return on shareholders' equity (ROSHE) increased from 11% to 12,8%
- ROSHE is more than interest on alternative investment of 8% / by 4,8% points

4

**Calculate the dividends that were earned by your friend who owns 40 000 shares in the company on 29 February 2024.**

$40\,000 \times 72/100 = 28\,800$  ✓✓ one mark if one part correct

2



- 3.6 The CEO wants to sell his 60 000 shares back to the company at 1 250 cents per share on 29 February 2024. As a shareholder in the company, how would you react to this decision? Explain and quote ONE financial indicator.

Financial indicator with figures ✓✓ comment on whether this was a fair price ✓✓

**Financial indicator with figures:**

Repurchase price compared to NAV – it is above the NAV of 950c by 300c / 32%

OR

Repurchase price compared to MP – it is above the MP of 934c by 316c / 34%

**Explanation:**

- The repurchase price is too high compared to NAV/MP which could be considered to be unfair.
- CEO is using his position to benefit unfairly from the company.
- CEO is putting the company's finances at risk.
- Shares are showing less demand as MP is less than NAV.

4

- 3.7 Calculate the number of shares that John Khan purchased from the 250 000 new shares issued on 1 February 2024 to retain his majority status.

$$(650\,000 + 250\,000 = 900\,000 \times 50.1\%)$$

$$(650\,000 \times 51\% = 331\,500)$$

$$= 450\,900 \checkmark \checkmark - 331\,500 \checkmark$$

$$= 119\,400 \text{ shares } \checkmark \text{ one part correct}$$

4

<b>TOTAL MARKS</b>
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<b>40</b>
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**QUESTION 4****4.1 Explain why Nicole Ltd needs the services of both the internal and external auditors.**

Any ONE point each ✓✓ ✓✓

- Internal auditor: set up/implement/advise on internal control process in line with external auditing requirements/ audits financial statements internally before external audit. Oversee the preparation of financial statements.
- External auditor: expresses an unbiased opinion on the reliability of the financial statements/confirms that company financial statements comply with GAAP and IFRS/enhance confidence of shareholders in financial statements/ensures transparency

4

**4.2 Identify and explain the principle that the directors of Nicole Ltd violated when they recognised revenue in earlier accounting periods.**

GAAP ✓ explanation relating to the correct principle ✓

- Matching principle – income and expenses should be matched in the same financial period in which they occur.

2

**4.3 Explain what corporate governance is and how the former CEO, Peter Moore did not conduct himself according to the King Code.**Explaining corporate governance ✓✓  
comment on how the CEO did not act according to King Code ✓✓

- It is a good and responsible way of managing companies/upholding of rules or regulations to protect the interest of shareholders and stakeholders/ effective and ethical management of companies.
- The CEO used his position to financially disadvantage the company (for personal gain) / benefitted financially at the expense of the company / conflict of interests.

4

**4.4 What type of audit report did Nicole Ltd receive in 2023? Provide a reason for your answer.**

Correct type of audit report identified ✓ reason (must relate to the correct type of audit report) ✓✓

- Disclaimer of opinion – auditors could not issue an audit opinion / refused to issue an audit opinion / were unable to express an opinion on the reliability of the financial statements.

3

**4.5 As a shareholder in the company, what concerns would you have regarding what happened? Mention TWO points.**

Any TWO points ✓ ✓

- Company's image will be tarnished / loss of credibility.
- Share price will drop at JSE.
- Shareholders will be at risk of losing their investment because of fraud.
- The directors can face disciplinary measures.
- Loss of confidence in the directors
- May be voted out of office.
- How will the company recover lost money

2

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