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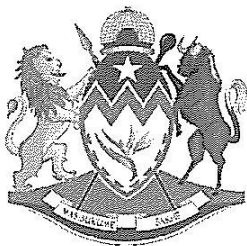
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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

MARKING GUIDELINES

PREPARATORY EXAMINATION

SEPTEMBER 2025

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).
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 the workings.
4. If a pre-adjustment figure is shown as the final figure, award 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 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 a certain question.
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, the marker must inspect the reasonableness of the answer.
11. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or 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, 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.

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This marking guideline consists of 10 pages.

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QUESTION 1

1.1.1	WORKINGS	ANSWER
	CARRYING VALUE AT THE BEGINNING	
(a)	460 000 – 396 700	63 300 ✓
	DISPOSAL AT CARRYING VALUE	
(b)	$75\,000 - 36\,000 = 39\,000 \times 20/100 \times 7/12$ $= 4\,550 \text{ (depreciation)}$ $39\,000 \checkmark - 4\,550 \checkmark$ Or $75\,000 - 40\,550$ $(39\,000 + 4\,550)$	34 450 ✓ Operation one part correct
(c)	DEPRECIATION ON VEHICLES $63\,300 - 1 \text{ (old)}$ $63\,299 \checkmark \checkmark \text{ (depreciation)}$ $510\,000 \times 15/100 \times 4/12$ $25\,500 \checkmark \checkmark \text{ (depreciation)}$	88 799 ✓ Operation one part correct
(d)	DEPRECIATION ON EQUIPMENT $210\,000 - 39\,000 = 171\,000 \times 20/100$ $= 34\,200 \checkmark \checkmark$ $34\,200 + 4\,550 \checkmark \text{ (see b above)}$	38 750 ✓ ✓ Operation one part correct

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1.1.2	Calculation of profit/loss on sale of equipment:	
	WORKINGS	ANSWER
	40 550✓ – 34 450✓ See the answer in (b)	profit on sale of an asset accept loss only if (b) is greater than 40 550
		6 100 ✓ Operation one part correct

3



- 1.1.3 Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2025. Indicate '+' for increase and '-' for decrease.

No	WORKINGS	ANSWER
	Incorrect net profit	1 049 749
(i)	Depreciation (88 799✓ + 38 750✓) see 1.1.1 above	- 127 549✓
	Profit on sale of an asset	+ 6 100✓
(ii)	Bad debts	- 1 800✓
(iii)	Provision for bad debts adjustment 37 500 – 40 000)	+ 2 500✓
(iv)	Rent income 9 500 x 2	- 19 000✓✓
(v)	Interest on loan (4 100 000 – 480 000 – 3 800 000)	- 180 000✓
(vi)	Income tax (128 000✓ + 91 000✓)	- 219 000✓
	Net profit after tax	511 000✓

Operation
one part
correct
See 1.1.2
above

Operation
one part
correct

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1.2 Statement of Financial Position on 28 February 2025.

Assets	
Non-current assets	
Tangible assets	
Fixed deposit	
Current assets (1 806 000 x 1.5)	2 709 000 ✓
Inventory operation (2 709 000 – 712 500 – 620 000)	1 376 500 ✓
Trade and other receivables (751 800✓ - 1 800 ✓ - 37 500✓) operation one part correct	712 500 ✓
Cash and cash equivalent (350 000✓ + 270 000✓)	620 000 ✓
Total assets	
Equity and liabilities	
Shareholders' equity 3 482 000 /0.4	8 705 000 ✓✓
Ordinary share capital (Shareholders equity – retained income)	5 705 000 ✓
Retained income	3 000 000 ✓
Non-current liabilities	3 482 000
Loan (3 800 000✓ – 318 000✓)	3 482 000 ✓
Current liabilities operation one part correct	1 806 000 ✓
Trade and other payables (550 000✓ + 8 000✓ + 19 000✓ see 1.1.3) operation one part correct	577 000 ✓
SARS- Income tax	91 000 ✓
Shareholders for dividends	650 000 ✓
Current portion of loan SEE NCL	318 000 ✓
Bank overdraft	170 000 ✓
Total equity and liabilities	

25

TOTAL MARKS

55



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QUESTION 2**2.1 Ordinary Share Capital Note on 28 February 2025**

AUTHORISED SHARES: 1 500 000 SHARES			
ISSUED SHARES:			
800 000	Shares in issue	*4 890 000	✓✓
100 000 ✓	Shares issued @ R5.10 Operation	510 000	✓
(30 000) ✓	Buy back of shares @ R6 Operation	(180 000)	✓
870 000 ✓	Operation	5 220 000	✓

8

$$\frac{*748.75 \times 800\,000}{100} = 5\,990\,000 - 1\,100\,000$$

2.2 Cash Flow Statement for the year ended 28 February 2025

Cash flow from operating activities		
Cash generated from operations		
Interest paid		
Dividends paid (160 000 ✓ + 162 000 ✓) operation one part correct or (160 000 + 353 400 – 191 400) One mark one mark one mark	(322 000)	✓✓
Tax paid (293 100 ✓ - 15 000 ✓ - 35 000 ✓) operation one part correct or (15 000 + 35 000 – 293 100)	(243 100)	✓
Cash flow from investing activities operation one part correct	(600 000)	✓
Purchases of Fixed assets operation one part correct (8 800 000 ✓ + 130 000 ✓ + 150 000 ✓ – 8 500 000 ✓) or (8 500 000 – 130 000 -150 000 – 8 800 000)	(580 000)	✓
Proceeds from sale of fixed assets	150 000	✓
Changes in financial assets	(170 000)	
Cash flow from financing activities operation one part correct	94 000	✓
Proceeds from shares issued see 2.1	510 000	✓
Buy-back of shares (30 000 x 7.20) or (36 000 + 180 000) two or nothing	(216 000)	✓✓
Changes in loan (190 000 x 100/95) two or nothing	(200 000)	✓✓
Net change in cash and cash equivalent operation one part correct	463 100	✓
Cash and cash equivalent at the beginning (29 000 ✓ – 147 000 ✓)	(118 000)	✓
Cash and cash equivalent at the end	345 100	✓

26



2.3.1	% Operating expenses on sales		<div></div> <div>3</div>
	WORKINGS	ANSWER	
	$\frac{126\,000 \checkmark}{1\,350\,000 \checkmark} \times \frac{100}{1}$ <div>operation one part correct</div>	9.3% <input checked="" type="checkbox"/>	

2.3.2	Earnings per share (EPS)		<div></div> <div>3</div>
	WORKINGS	ANSWER	
	$\frac{683\,900 \checkmark}{870\,000 \checkmark} \times 100$ <div>operation one part correct</div>	78.6 cents <input checked="" type="checkbox"/>	

2.3.3	% Return on average shareholders' equity		<div></div> <div>5</div>
	WORKINGS	ANSWER	
	$\frac{683\,900 \checkmark}{\frac{1}{2} (6\,720\,000 \checkmark + 5\,990\,000 \checkmark \checkmark)} \times \frac{100}{1}$ <div>operation one part correct</div> <div>800 000 x 748.75/100</div>	10.8% <input checked="" type="checkbox"/>	

TOTAL MARKS
45



QUESTION 3

- 3.1 Choose a category of indicators from COLUMN B that matches the description in COLUMN A. write only the letter (A – D) next to the question numbers.

3.1.1	C✓
3.1.2	B✓
3.1.3	A✓

3

- 3.2.1 Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently and is thereby more profitable.

Any TWO financial indicators (explaining trend) from Happiness LTD with figures ✓✓ ✓✓
 NO marks for mentioning Deppo LTD figures and indicators

- % Operating expenses on sales decreased from 18.1% to 14.9% by 3.2%
- % Operating profit on sales increased from 19.3% to 23% by 3.7%
- % Net profit on sales increased from 16.9% to 18.3% by 1.4%

4

- 3.2.2 Comment on the dividend pay-out-policy of Happiness Ltd and explain why this is an irresponsible change in policy. Provide ONE point.

Comment using financial indicators or trend ✓✓

- The pay-out-rate increased from 71% to 106% by 35%
- In 2025 they paid DPS of 95 cents compared to EPS of 90 cents by 5 cents (taken from retained income)
- Although the EPS dropped from 119 cents to 90 cents by 29 cents (24%) but DPS was 10 cents more than last year.

Explanation: ✓

- Company is depleting retained income reserves.
- They have no future plans / growth
- No current profits were kept for rainy days / dark days

3



Explain whether the shareholders of Deppo LTD should be satisfied with the earnings of the company.

Expressing a change for EPS to a % ✓✓

Earnings per share (EPS) increased from 60 cents to 70 cents by 10 cents (16.7%)

2

Comment on the % return on shareholders' equity of each company

Comment mentioning ROSHE and compare it with interest rate on alternative investment ✓✓ ✓✓

Comment for 1 mark only:

If candidate only mention increase/decrease/good/bad without mentioning interest rate on alternative investment.

HAPPINESS LTD

ROSHE dropped from 13.1% to 8% by 5.1%

ROSHE of 8% is below the interest rate on alternative investment of 11%

DEPPO LTD

ROSHE improved from 11.3% to 14.9% by 3.6%

ROSHE of 14.9% is above the interest rate on alternative investment of 11%

4

3.2.3

Explain whether the directors of both companies should be satisfied or not with the share prices of the companies at the end of the financial year. Quote TWO financial indicators in each company.

Financial indicators with figures ✓✓ ✓✓ Explanation ✓✓

A candidate must mention MP with a figure and NAV with a figure in each company to be awarded with full marks

If a candidate mentioned only one financial indicator with a figure award one mark in each company

If a candidate mentioned only financial indicator with no figures no mark

HAPPINESS LTD

Market Price of 1000 cents is below the NAV of 1 100 cents by 100 cents

Or

Market price decreased from 1900 cents to 1000 cents by 900 cents (47.4%) and NAV also decreased from 1 200 cents to 1 100 cents by 100 cents (8.3%)

Not satisfied:

- Lack of demand for shares
- bad image
- lack of success of the company

DEPPO LTD

Market price of 670 cents is above the NAV of 650 cents by 20 cents

Or

Market price increased from 630 cents to 670 cents by 40 cents (6.3%) and NAV also increased from 600 cents to 650 cents by 50 cents (8.3%)

Satisfied:

- shares are in demand
- potential investors willing to purchase shares
- good image

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3.2.4

Calculate the number of shares that Wendy purchased in Happiness LTD with the money she received from the share buy back at Deppo LTD.

WORKINGS	ANSWER
$260\,000 \checkmark \times R8 \checkmark = 2\,080\,000 / R10$ alternative $2\,080\,000 / 14.67$ 141 786 accept	208 000 shares <input checked="" type="checkbox"/> One part correct

3

Explain the effect of the shares repurchased and additional shares on the % shareholding of Wendy Zungu in each company.

Explanation on % shareholding with figures ☒ ☒ ☒

HAPPINESS LTD	DEPPO LTD
Take into account the alternative calculation in 3.2.4 Wendy had 46% of the shares she now has 51% she is now majority shareholder. or She is now majority shareholder her shareholding increased from 46% to 51% by 5%.	Wendy was a majority shareholder 51% she now only 30% so she has lost majority status, decreased by 21%.

4

3.2.5

What were the causes of the change in the Debt-equity ratio? Provide TWO causes with figures.

- Increase in mortgage loan ☒ by R1 470 000 (70%) ☒
- Issued shares ☒ for R4 400 000 (40%) ☒
- Issued additional 300 000 shares

4

Explain why it was wise for the company to make more use of loans. Quote and explain ONE other financial indicator to support this opinion.

Financial indicator with figures and trend ☒ explanation, a candidate must compare ROTCE with interest rate on loan ☒

Do not accept debt-equity ratio here

ROTCE increased from 14% to 17% by 3%.

ROTCE of 17% is above the interest rate on loan of 14%. This indicate a positive gearing.

2

TOTAL MARKS

35

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QUESTION 4

4.1

4.1.1	C ✓	4.1.3	D ✓
4.1.2	A ✓	4.1.4	B ✓

4

4.2

Comment on the audit reports of both companies. If you want to buy shares in a company, explain how the report will affect your decision concerning the shares you would purchase in the company.

Dalton Ltd: Comment on ✓ Explanation ✓
 Dalton Ltd received an unqualified report which means that you can rely on the financial information in the financial statements decide on purchasing the shares.

Harding Ltd: Comment on ✓ Explanation ✓
 Just Harding Ltd received a disclaimer audit report. It means that Peter cannot rely fully on the financial statements in deciding on investing in the company.

In which company would you invest in?

Dalton Ltd ✓

5

4.3

The purpose of a business rescue plan is to provide a company with temporary supervision and protection against its creditors, to give them a 'breathing space' to reorganise and restructure its financial affairs. Name TWO parties who might be affected by a business rescue plan.

Any TWO ✓ ✓ (one mark each)

Creditors, shareholders, employees, trade unions, SARS, Banks, Directors

2

4.4

Give TWO reasons why the companies Act requires public companies to be audited by an independent auditor.

Any TWO valid reasons ✓✓ ✓✓

part-mark for unclear or incomplete answer

- Unbiased view will be presented
- Separation between management and ownership
- Interest of the shareholders are safeguarded
- Business is working with money of shareholders
- To reduce / deter the possibility of fraud occurring

For one mark: Prevent / reduce fraud

4

TOTAL MARKS

 15
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