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DEPARTMENT OF EDUCATION
DEPARTEMENT VAN ONDERWYS
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PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING

PAPER 1

SEPTEMBER 2025

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 12 pages.



SA EXAM PAPERS

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the learner 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 the 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 question).
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method mark(s) are awarded for operation, the marker 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 learner's calculation (if valid) or per memo.
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 learner do not get full marks for any item that is incorrect at least in part. Indicate with a ☐.
13. Be aware of learners who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.
15. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.



QUESTION 1**1.1 Calculate the correct net profit before tax.**

Net profit before tax	440 000
Depreciation (164 080 – 146 080)	(18 000) ✓✓
Provision for bad debt adjustment	880 ✓✓
Trading stock deficit	(10 000) ✓✓
Rent income	40 000 ✓✓
Audit fees	(12 000) ✓
Interest expense	(94 120)
Net profit before tax	346 760 ☑*

10**1.2 ORDINARY SHARE CAPITAL**

152 000 ✓	Ordinary shares	836 000 ✓
(32 000)	Ordinary shares repurchased at 5,50 ✓	(176 000) ☑*
130 000 ✓	Ordinary shares issued	936 000 ☑
250 000 ✓	Ordinary shares	1 596 000

7**RETAINED INCOME**

Balance at the beginning of the year	195 132,80/ 195 133 ☑
Net profit after tax (345 000 x 72%)	249 667,20/ 249 667 ☑☑
32 000 shares repurchased (201 600 – 176 000) see shares repurchased above	(25 600) ✓
Dividends	(36 000) ☑*
Interim	6 000 ✓
Final (250 000 x 0,12)	30 000 ✓
Balance at the end of the year	383 200

7

*Operation one part correct

1.3 Statement of Financial Position for the year ended 28 February 2025

Assets	
Non-current assets	3 837 320 ✓*
Fixed assets (1 700 000 + 1 940 000✓ – 164 080✓ - 294 600✓)	3 181 320 ✓*
Financial asset:	
Fixed deposit: Easy Bank (820 000 x 4/5) OR (820 000 – 164 000)	656 000 ✓
Current assets (221 600 x 2,5)	554 000 ✓✓
Inventory balancing figure	235 292,80/ 235 293✓
Trade and other receivables [130 000 – 97 093] or [130 000-97 092,8] (44 000 – 1 760✓ + 40 000✓ + 3 600✓ + 32 907/32 907,20✓)	118 747,20/ 118 747 ✓
Cash and cash equivalents (30 000 + 164 000✓ + 1 960✓ + 4 000✓)	199 960 ✓*
Total assets	4 391 320 ✓
Equity and Liabilities	
Shareholders' equity	1 979 200 ✓
Ordinary share capital see 1.2 above	1 596 000 ✓
Retained income see 1.2 above	383 200 ✓
Non-current liabilities	2 190 520
Loan: Best Bank balancing figure	2 190 520 ✓
Current liabilities	221 600 ✓*
Trade and other payables (64 000 + 4 000✓ + 3 600✓ + 12 000✓)	83 600 ✓
Shareholders for dividends see 1.2 above	30 000 ✓
Current portion of loan (9 000 x 12)	108 000 ✓
Total equity and liabilities see total assets	4 391 320 ✓

31

*SARS (income tax) can be under T & Payables if income tax calculated is more than R130 000
 * Operation one part correct
 -1 to a max. of -2 for foreign items

TOTAL MARKS

55



QUESTION 2**2.1**

2.1.1	C ✓
2.1.2	E ✓
2.1.3	B ✓
2.1.4	D ✓
2.1.5	A ✓

5**2.2 Reconciliation of net profit before tax and cash generated from operating activities.**

Net profit before tax	(1 728 000 x 100/72)	2 400 000 ✓
Adjustments i.t.o.		
Depreciation		526 000 ✓
Interest paid		204 000 ✓
Cash generated from operations before changes in working capital		3 130 000
Changes in working capital		389 100 ☑
Decrease in inventory (1 260 000 – 900 000)		360 000 ✓✓
Increase in debtors (69 600 – 114 600)		(45 000) ✓✓
Increase in creditors (108 000 – 182 100)		74 100 ✓✓
Cash generated from operations		3 519 100 ☑

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2.3 Cash Flow Statement for the year ended 28 February 2025

Cash flow from operating activities	
Cash generated from operations	
Interest paid	
Taxation paid (26 000✓ + 672 000☒ + 42 000✓) OR (-26 000 – 672 000 – 42 000)	(740 000) ☒
Dividends paid (88 000 + 134 000)	(222 000) ✓☒
Cash flow from investing activities	
Purchase of fixed assets	(1 060 000)
Proceeds from the sale of fixed assets (4 804 400✓ + 526 000✓ – 1 060 000✓ – 4 670 400✓) OR (4 670 400 + 1 060 000 – 526 000 – 4 804 400)	400 000 ☒
Cash flow from financing activities	
Proceeds from shares issued (320 000 x 2,60)/ Change in loan (1 826 900 – 1 700 000)	832 000 ✓ and/or 126 900
Repurchase of shares	
Net change in cash and cash equivalents	2 015 200 ☒
Cash and cash equivalents at the beginning of the year	(300 000) ✓✓
Cash and cash equivalents at the end of the year	1 715 200 ✓

16**2.4 Calculate the following financial indicators:**

Net asset value per share	
WORKINGS	ANSWER
$\frac{[4\,015\,200 + 1\,468\,000]}{5\,483\,200 \checkmark \quad \frac{100}{840\,000 \checkmark \quad \times \quad 1}}$	652,8 cents ☒ one part correct
Return on average capital employed	
WORKINGS	ANSWER
$\frac{2\,400\,000 \checkmark + 204\,000 \checkmark}{\frac{1}{2} [(3\,732\,000 + 5\,483\,200) + (1\,700\,000 + 1\,826\,900)] \times \frac{100}{1}}$ $\frac{1}{2} [9\,215\,200 \quad 3\,526\,900]$ 6 371 050 (2 marks)	40,9% ☒ Accept 40,87% one part correct must be %; if no %, assume it is percentage if not specified.

3**5****TOTAL MARKS****40**

QUESTION 3**3.1 Share price:**

Shares are being offered to the existing shareholders at 130 cents each. Would you consider buying additional shares in this company? Briefly explain by quoting TWO financial indicators, with figures.

Yes✓, the shares are being sold at 130 cents which is less✓ than both the market price of 140 cents✓ and NAV of 132 cents✓.

4

3.2 Liquidity:

Although the company is not experiencing any liquidity problems, the directors are very concerned about the liquidity of the company. Explain why they are concerned. Quote TWO financial indicators with figures to support their concerns.

Financial indicator ✓ trend with figures ✓
 Current ratio ✓ improved from 2,2 : 1 to 5,2 : 1 ✓
 Acid test ratio ✓ increased from 1,2 : 1 to 2,8 : 1 ✓

The company is keeping too much stock and not converting it into cash. ✓✓
 Debtors are not paying their accounts on time.

Too much cash tied up
 Not using existing liquid assets effectively

6

3.3 Risk and gearing:

Blue Ltd is considering taking out an additional loan of R240 000 at an interest rate of 17% p.a. What advice would you give the directors? Quote TWO financial indicators with figures to support your answer.

Although the debt/equity ratio ✓ has increased from 0,06:1 to 0,32:1 ✓ the company is still low financial risk ✓
 The ROTCE ✓ has decreased from 31% to 22% ✓, this is still more than the interest rate on loans of 17%. The company is negatively geared. ✓

6

3.4 Dividend payout policy:

Comment on the dividend payout policy by quoting figures and explain why the directors decided to change the dividend payout policy.

The dividend pay out policy increase from 54,5% in 2024 to 82,7%✓ in 2025. The directors decided to pay out more of the earnings in the form of dividends to satisfy the shareholders and in so doing attracting more investors.✓✓

3

3.5 Shareholding:**3.5.1 Calculate Mark's % shareholding on 1 January 2025 after the issuing of new shares.**

$$\frac{250\,000\checkmark}{600\,000\checkmark} \times \frac{100}{1}$$

$$= 41,7\% \checkmark$$

3

3.5.2 Calculate Mark's % shareholding after the repurchase of shares on 1 May 2025.

$$\frac{250\,000}{360\,000} \times \frac{100}{1}$$

$$= 69,4\% \checkmark\checkmark$$

2

3.5.3 How has Mark's % shareholding in the company been affected by the repurchase of the shares?

After the repurchase he became the majority shareholder, he now owns 69,4% ✓✓

2

3.6 Earnings and returns:

As a shareholder of Blue Ltd, would you be satisfied with the performance of the company for 2025? Quote TWO financial indicators with figures.

Although the ROSHE✓ has decreased from 36% to 31%✓, it is still more than the interest rate on alternative investments of 8%.✓
 The DPS ✓ has increased from 18 cents to 24 cents.✓
 The EPS has decreased from 33 cents to 29 cents.

5

3.7

One director has queried the fact that, whilst the operating profit on sales has improved, the percentage net profit before tax on sales has declined. Provide a brief explanation to the director.

Less of the income was absorbed in operating expenses in 2025✓, thus the increase in percentage operating profit on sales (27% as opposed to 25%)✓.
 The percentage net profit before tax on sales has decreased in 2025 (19% as opposed to 24%)✓ because interest expense impacted negatively on the operating profit.✓

4

TOTAL MARKS

35

QUESTION 4

4.1

Explain why the shareholders would not be satisfied with the report.

This is a bad audit report, it is a disclaimer. ✓ The report does not comply with the Companies Act or with IFRS. ✓

2

4.2

The managing director informed the auditors that he plans to purchase the unissued shares during the next year, without advertising the new issuing to the shareholders or the public. What advice should the auditors give to him? Explain.

It is unethical and illegal and is considered as insider trading. ✓
The issuing of new shares **must be** advertised to the public according to the Memorandum of Incorporation ✓ and the Companies Act so that anyone can buy the shares. ✓

2

4.3

Explain why it was necessary for the auditors to stipulate pages 11 to 23 in the report.

They are only responsible for the pages they stipulated in the report i.e. only pages 11 to 23 of the financial statements are subject to the audit and have been investigated. ✓✓
They are not liable for the other information in the annual reports.

2

4.4

Explain TWO important consequences for Dan and Brown, should it be found that they were negligent in exercising their duties.

They cannot be reappointed by the shareholders as auditors because their integrity is questioned. ✓✓
Possibility of disciplinary procedures by the professional body. ✓✓
Can be sued if negligence can be proved against them as auditors.

4



4.5 Corporate governance:

4.5.1 Explain the difference between executive directors and non-executive directors.

Executive directors: are involved with **internal functioning** (operations) of the company/hands-on/decisions may be based on a narrow view. ✓

Non-executive directors: have a **wider perspective** of the business environment; and act in the best interest of the company. ✓

2

4.5.2 As a shareholder, you are attending the AGM where new directors will be appointed. List and explain TWO characteristics you would be looking for in the new directors.

Characteristic: ✓✓

Explanation: ✓✓

- **A moral/ethical person:** Integrity/honesty/ethical/moral/ sets good example/work ethic/responsible/no conflicts of interest/no accusations of nepotism
- Clear of any **criminal record**
- **Qualified for the job:** Relevant qualifications/member of professional body/management skills/competence/good judgement/communication skills
- **Innovative/creative**
- **Experience in field:** good track record/references/aware of policies
- Up to date with **current trends**/continuous professional development
- Collaborative/a good **team player**

- The shareholders have entrusted their investment to the directors.
- They need expertise to run a company well.
- Company would not fall behind on the global market.
- Employees would respect director/have confidence in their ability.
- Be a confident ambassador for the company/deal with stakeholders.

4

4.5.3

At the AGM, many shareholders complained that the Remunerations Committee had been negligent in their duties and that Mr French (CFO) did not deserve the fees that he was paid. State TWO different points to justify their opinion. Quote figures or financial indicators.

Two valid points ✓✓ Figure ✓✓	
POINT 1	Compulsory point: comment on directors' fees - Mr French has given himself a 45% increase (Remuneration Committee did not do their duty) – <i>collusion</i> is possible - R1 800 000 increase is more than 50% of fee of other directors/Other directors did not receive an increase (maintained at R1 500 000 each)
POINT 2	Possible additional response. Any ONE of: - EPS dropped (from 102c to 54c (by 48c) - ROSHE dropped (from 5,3%) to 4,9% - ROTCE dropped (from 9,1%) to 6,4%

4

TOTAL MARKS

20

TOTAL: 150