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**SA EXAM  
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## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

### NATIONAL SENIOR CERTIFICATE

### GRADE 12

### ACCOUNTING P1 NOVEMBER 2025 MARKING GUIDELINES

**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 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 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 Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
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, marker must inspect reasonableness of the answer.
11. 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 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 at least in part. 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/presentation.

**These marking guidelines consist of 13 pages.**



**QUESTION 1**

1.1

<b>WORKINGS</b>	<b>ANSWER</b>
<p>[97 500 + 1 605 000 – 42 500] one mark one m mark</p> <p style="text-align: center;"><u>1 660 000</u> ✓<input checked="" type="checkbox"/> x 820 ✓</p> <p style="text-align: center;">5 000 ✓<input checked="" type="checkbox"/></p> <p>[300 + 4 800 – 100] one mark one m mark</p> <p style="text-align: center;">332 four marks</p>	<p style="text-align: center;">272 240 <input checked="" type="checkbox"/></p> <p style="text-align: center;"><b>one part correct</b> if x by 820</p>
	<b>6</b>

Numerator and denominator must be marked as such.  
Do not award marks for any stand-alone figures. E.g. no ticks if only written 97 500/300

1.2 **ORDINARY SHARE CAPITAL NOTE**

<b>NUMBER</b>	<b>DETAILS</b>	<b>AMOUNT</b>
2 150 000 <input checked="" type="checkbox"/> * Inspect (+SBB – SI)	Shares in issue at beginning	11 395 000 ✓
750 000 ✓	Shares issued during year	7 455 000 <input checked="" type="checkbox"/> * Inspect (+SBB – S@B)
(150 000) ✓#	Shares repurchased (ASP: R6,50 ✓) Do not accept R1 710 000	(975 000) <input checked="" type="checkbox"/> #
<b>2 750 000</b>	<b>Shares in issue at end</b>	<b>17 875 000</b> ✓

\* **one part correct**, check correct operation for balancing figure. i.e. (+SBB – SI)  
#Ignore brackets  
if answer of 975 000 is correct, award two marks if R6,50 is not shown  
-1 presentation/details (max -1)

### 1.3 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2025

<b>Assets</b>		
<b>Non-current assets</b>		
<b>Fixed assets at carrying value</b>		
Fixed deposit: Time Bank (320 000 x 60 / 40) OR 800 000 – 320 000	2	480 000 ✓✓
<b>Current assets</b>		<b>5 798 000</b>
Inventories one mark one m mark (– 285 500 + 272 240 <b>see 1.1</b> ) (4 598 000 ✓ – 13 260 ✓✓) if 1.1 is > CS, sign should be +ve		4 584 740 ✓*
<b>Trade and other receivables</b> Transfer Prov. bd Comm. Inc. Dir. fees SARS IT (735 000 + 5 000 ✓ – 29 600 ✓✓ + 6 400 ✓ + 48 750 ✓✓ + 70 000 ✓)		835 550 ✓*
<b>Cash and cash equivalents</b>		
<b>Total assets</b>	<b>12</b>	
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b> 39 347 500 three marks [(4 721 700 ✓ x 100 / 24 ✓) x 2 ✓] – 16 200 000 ✓		23 147 500 ✓*
Ordinary share capital <b>see 1.2</b>		17 875 000 ✓
Retained income SHE – OSC; can be -ve.	7	5 272 500 ✓
<b>Non-current liabilities</b>		
Mortgage loan: Delta Bank – 250 000 three marks (3 200 000 ✓ + 290 000 ✓ – 540 000 ✓✓)	5	2 950 000 ✓*
<b>Current liabilities</b>		4 460 000 ✓✓
<b>Trade and other payables</b> Transfer Rent inc (878 500 + 5 000 ✓ + 77 000 ✓✓)		960 500 ✓*
Current portion of loan <b>see NCL</b>		250 000 ✓
Shareholders for dividends		2 475 000 ✓✓
<b>Bank overdraft</b> balancing figure; can be -ve.		774 500 ✓
<b>Total equity and liabilities</b>	<b>10</b>	

36

\* one part correct

Inspect CPL and SFD may be included in T&OP.  
-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

TOTAL MARKS

50

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**QUESTION 2****2.1 Reconciliation of Profit before Taxation and Cash Generated from Operations Note on 28 February 2025:**

Calculate: Change in receivables		
WORKINGS	ANSWER	INFLOW/OUTFLOW
$3\ 167\ 000 - 1\ 303\ 500$ Ignore working and brackets	1 863 500 ✓✓	Outflow ✓*

3

Calculate: Change in payables		
WORKINGS	ANSWER	INFLOW/OUTFLOW
$[1\ 450\ 000 + 14\ 600]$ $1\ 464\ 600 \checkmark - 1\ 323\ 500 \checkmark$ If workings are not shown, award full marks for the answer. Do not award a mark for any operation done on stand-alone figures for each year.	$141\ 100 \checkmark$ <b>one part correct</b> CY – PY or vice versa	Inflow ✓*

4

\*Award marks for answer/detail if not in the relevant column.

**2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2025**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash generated from operations	
Interest paid	(316 250)
Taxation paid (201 600 ✓ – 32 000 ✓ – 15 300 ✓) OR – 201 600 + 32 000 + 15 300 Accept ledger format or use of brackets as workings. For use of reserved signs; ensure that only one option is marked consistently.	(154 300) ✓*#
Dividends paid	4 (252 000)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Fixed asset purchased	(380 000) ✓✓
Sale of fixed asset [55 000 x (15% x 4/12)] one mark one mark one m mark (16 000 ✓ – 2 750 ✓) OR 55 000 – 41 750	13 250 ✓*#
Change in fixed deposit	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Sale of shares	1 000 000 ✓✓
Shares repurchased one mark one mark (2 000 x R15,40 ✓✓) OR 22 000 + 8 800	(30 800) ✓*#
Change in loan (3 300 000 ✓✓ – 2 880 000 ✓)	9 (420 000) ✓*#
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1 172 000) ✓*
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	415 000 ✓
<b>CASH AND CASH EQUIVALENTS AT END</b>	4 (757 000) ✓✓

23

\*one part correct and must indicate correct operation &amp; correct use of brackets

If no brackets, assume answer is an inflow of cash – award marks for workings only.

#If the correct amount is provided without the brackets, and without workings, award all marks allocated for workings only.

presentation (max 1); misplaced items award marks for workings only.

**2.3 Calculate the following financial indicators for the year ended 28 February 2025:**

Net asset value per share	
WORKINGS	ANSWER
$\frac{7\,140\,120 \checkmark}{498\,000 \checkmark} \times \frac{100}{1}$	1 433,8 cents <input checked="" type="checkbox"/> * <b>one part correct</b> calculated as R/c; R/c not necessary Accept R14,34 / R14,33 / 1 433c / 1 434c

3

Acid-test ratio	
WORKINGS	ANSWER
one mark    one mark    one mark    one mark (3 167 000 + 18 000)    (1 609 380 + 775 000) 3 185 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> : 2 384 380 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	1,3 : 1 <input checked="" type="checkbox"/> * <b>one part correct</b> in form x : 1 Accept 1,34 : 1

5

Dividend pay-out rate	
WORKINGS	ANSWER
two marks    one mark (90 000 + 129 480) $\frac{219\,480 \checkmark \checkmark \checkmark}{518\,400 \checkmark} \times \frac{100}{1}$	42,3% <input checked="" type="checkbox"/> * <b>one part correct</b> Do not accept 0,42

5

For EACH calculation, the 'x 100' does not constitute 'one part correct'.

Numerator and denominator must be marked as such.

Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R7 140 120 / 498 000 / 518 400.

**2.4 The directors should be concerned about the cash resources of the company for the year ended 28 February 2025. Give ONE reason (with figures) for this concern.**

Reason     Figure/s

- The cash and cash equivalents have changed (from a favourable balance of R415 000) to an unfavourable balance of R757 000 **see 2.2**.
- The net cash outflow of R1 172 000 **see 2.2** indicates that the company's operations did not generate enough cash to cover its needs.

2

<b>TOTAL MARKS</b>
<b>45</b>



**QUESTION 3**

3.1

3.1.1	International Financial Reporting Standards (IFRS) ✓
3.1.2	Director ✓
3.1.3	Companies and Intellectual Properties Commission (CIPC) ✓

3
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3.2 **Shorts Ltd**3.2.1 **Operating efficiency:**

<p><b>The CEO believes that the company's pricing policy, when compared to its competitors, is well managed. Quote TWO financial indicators/financial data with trends to support his statement.</b></p> <p>Financial indicators/financial data ✓ ✓    Figures with trends ✓ ✓</p> <ul style="list-style-type: none"> <li>• Mark-up % decreased (from 65%) to 50%/by 23,1%/by 15% points.</li> <li>• % net profit after tax on sales increased (from 22%) to 26,4% by 20%/by 4,4% points.</li> <li>• Sales have improved (from R48 m) to R77 m/by R29 m.</li> </ul> <p>Do not accept operating expense on sales</p>
---

4
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3.2.2 **Liquidity:**

<p><b>Explain how the credit policy has improved the liquidity of the company. Quote TWO financial indicators with trends.</b></p> <p>Financial indicators ✓ ✓    Figures with trends ✓ ✓</p> <ul style="list-style-type: none"> <li>• Debtors' collection period has improved (from 42 days) to 31 days/by 11 days</li> <li>• Creditors' payment period improved (from 71 days) to 90 days/by 19 days</li> </ul> <p>Do not accept current ratio and acid test ratio</p>
--

4
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### 3.2.3 Shareholding of Lewis Clark in Shorts Ltd:

Provide a calculation to show the effect which the repurchase of shares had on Lewis's % shareholding.	
WORKINGS	ANSWER
$\frac{[1\ 783\ 250 \times 40\%]}{1\ 383\ 250} \checkmark\checkmark \times \frac{100}{1} \quad \text{OR} \quad \frac{\text{two marks}}{669\ 950} \times \frac{100}{1}$ $\frac{713\ 300}{1\ 383\ 250} \checkmark \quad \text{one mark}$ $100\% - 48,4\%$ <p style="text-align: center;">three marks</p>	<p style="text-align: center;">51,6% <input checked="" type="checkbox"/></p> <p style="text-align: center;">one part correct</p> <p style="text-align: center;">% sign not necessary</p> <p style="text-align: center;">Accept 51% / 52%</p>
	4

'x 100' does not constitute 'one part correct'.

Numerator and denominator must be marked as such.

Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to 713 300 / 1 383 250.

Give TWO reasons why the internal auditor expressed concern about the CFO persuading the board of directors to repurchase shares.
<p>Any TWO valid explanations <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <span style="background-color: yellow;">part-marks for incomplete/unclear answers</span></p> <ul style="list-style-type: none"> <li>• The CFO is now the majority shareholder / reduce the influence of minority shareholders.</li> <li>• Lewis acted for personal gain, not the company's benefit.</li> <li>• It took place just before final dividends were declared, which could also have benefited Lewis unjustly.</li> <li>• CFO's influence could undermine board independence and lead to biased decisions.</li> <li>• Using company's funds to enrich himself is an improper use of company assets / embezzlement of company funds / he took advantage of his position to convince the board.</li> <li>• His actions risk damaging trust and the company's reputation.</li> <li>• They paid a higher price than the NAV and MP.</li> </ul>
4

Calculate the additional amount that the company paid for the shares repurchased, compared to the share price on the JSE.	
WORKINGS	ANSWER
$400\ 000 \times \frac{[3,00 - 2,56]}{0,44} \quad \text{OR} \quad 1\ 200\ 000 - 1\ 024\ 000$	<p style="text-align: center;">176 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p> <p style="text-align: center;">one part correct</p>
	2

### 3.3 Shorts Ltd and Lynn Ltd

#### 3.3.1 Returns and dividends pay-out policy:

**The CEOs of both companies will discuss their companies' performance. Comment on what they should mention regarding % returns. Quote ONE financial indicator with figures.**

Financial indicator with figures ✓ ✓ Explanation/comment ✓ ✓

##### Shorts Ltd

- ROSHE has decreased (from 14,7%) to 6%/by 8,7% points/by 59,2%.
- Directors will acknowledge this decrease and indicate that they are working on improving it in the new financial year.
- The return from ROSHE is less than what could have been earned from fixed deposit.

##### Lynn Ltd

- ROSHE has increased (from 14,5%) to 16,1%/by 1,6% points/by 11%.
- Directors will remind the shareholders that they are earning more than the interest of fixed deposit.
- Investing more in the company has better returns than they would earn from a fixed deposit.

4

**A potential investor believes that Lynn Ltd has a better dividend pay-out policy when compared to Shorts Ltd. Explain why you would agree with her. Provide TWO points with figures.**

Financial indicator with figures ✓ ✓ Explanation ✓ ✓

##### Shorts Ltd

- They did not retain any funds but had used 24,6% (162c of 130c) of funds from the previous financial year / it increased (from 49,1%) to 124,6%.
- This was to distract shareholders from the decrease in the profitability (EPS) of the company in the current financial year.
- Hiding company share performance in the market/shares undervalued.
- They wanted to make the shareholders happy.

##### Lynn Ltd

- They have retained 46,1% (235c of 510c) of its earnings / it increased (from 49,2%) to 53,9%.
- This indicates that they have plans for future expansion purposes which will benefit shareholders in the future / allowed reinvestment in profitable projects.

4

**3.3.2 Share price:**

**Comment on the shareholders' satisfaction with the performance of their share price. Quote TWO financial indicators to support your response.**

Comparison of NAV – MP ✓ ✓ Figures with trends ✓ ✓

**Shorts Ltd**

- NAV of 270 cents is higher than the MP of 256 cents/by 14 cents.

**Lynn Ltd**

- MP of 976 cents is higher than the NAV of 958 cents/by 18 cents.

**FOR FOUR MARKS:**

In Shorts Ltd shares are undervalued at 14 cents, while in Lynn Ltd shares are overvalued at 18 cents.

4

### 3.4 Lynn Ltd

**The debt-equity ratio indicates that additional loans were acquired during the financial year. The directors are of the opinion that this was a good decision. Quote ONE financial indicator to support their opinion.**

Financial indicator with figures ✓ Explanation ✓✓

- ROTCE has increased (from 19,2%) to 21,8%/by 2,6% points/by 13,5%.
- ROTCE is higher than the interest rate (12,5%), the company is positively geared / company has effectively used the borrowed funds to generate higher profits.

3

### 3.5 Audit report of Lynn Ltd

**Explain why the shareholders should be concerned about this audit report. Provide TWO points.**

Any TWO valid points ✓ ✓

- This is a qualified report / this implies bad report.
- This report will affect the company's image or reputation.
- There is lack of internal control processes (poor recording).
- Possibility of mismanagement of funds or fraud.
- Reduces confidence in directors' integrity.
- It can reduce market confidence and cause a fall in share price / it will create doubt to possible new investors.
- It can lower the company's creditworthiness / contribute to a lower credit rating.

2

**State TWO possible decisions that the shareholders could make based on this audit report.**

Any TWO valid points ✓ ✓

- Investigate financial practices in the company.
- Vote against reappointing directors / vote against rewarding current directors.
- Appoint a new internal auditor due to lack of trust in the current one.
- Demand clarification from directors to ensure transparency / demand improved internal controls or governance.
- Sell their shares due to increased risk.
- Avoid additional investment in the company / pause further investment until issues are resolved.

2

TOTAL MARKS

**QUESTION 4****4.1**

**Some shareholders are concerned about the donations made for environmental initiatives, believing that it is not their responsibility.**

**Advise the shareholders on why corporate donations are important for the company. Provide TWO points.**

Any TWO valid points ✓ ✓

- Reflects good governance, which will contribute to well-being of community / donating to community projects helps improve people's lives / it builds a stable society.
- King Code encourages investment in environmental sustainability.
- It reduces company's taxable income.
- Companies that help the community are more popular with customers.
- Good publicity boosts company image or share demand.
- Builds strong community relationships to prevent disruptions / maintains loyalty through good community relations.

2

4.2

**Explain TWO points why it is important for employees to report unethical behaviour in a business.**

Any TWO valid points ✓ ✓

- It promotes accountability / good ethical behaviour / ensures employee's commitment to ethical values / shows commitment to ethical standards.
- It guarantees employees investment in the long-term success of the company / it proves that employees care about the success of the company.
- Helps detect and solve issues early / motivates employees by addressing misconduct effectively.
- Encourages a positive culture of being honest and transparent.
- Protects company reputation / protects company financial health.
- Creates a safe, productive work environment / protects employees' performance.
- Boosts morale by ensuring fairness and addressing misconduct / enhances confidence by ensuring fairness

2

**Suggest TWO actions that the company could take to prevent similar incidents in the future.**

Any TWO valid points ✓ ✓

- Improve internal financial controls system / perform regular audits to identify irregularities early.
- Regular ethics training to all employees.
- Protect whistle-blowers / create a safe reporting channel for employees.
- Monitor and evaluate leadership conduct more often / increase oversight of leadership behaviour.
- Use a suggestion box for employees to share their views on ethical conduct.
- Establish clear rules of conduct and consequences for violations / apply strict consequences for any harassment or bullying.
- Encourage transparency to reduce conflict / promote openness to reduce toxic behaviour.

2

**4.3 Explain the meaning of the term *insolvent*.**

Any valid explanation ✓✓

- The liabilities exceed the assets / company does not have enough money or assets to pay what you owe.
- The company will not be able to settle its liabilities with its assets if it is liquidated / financially unable to meet obligations.
- The company has a negative equity.

2

**4.4 Comment on how the 'rights issue' improved the solvency of the company to a favourable position. Refer to the effect of the rights issue on the assets, equities and liabilities of the company, assuming that the company's bank balance was favourable.**

- Assets will increase as more cash is received. ✓
- Equity will increase as more shares have been issued. ✓
- Liabilities will remain unchanged. ✓

3

**4.5 Give TWO reasons why the existing shareholders responded positively to participating in the rights issue.**Any TWO valid reasons ✓✓ ✓✓ **part-marks for incomplete/unclear answers**

- They want to safeguard their previous investments in the company.
- They are getting the shares at a discounted price.
- They can resell these shares at the market price and make a profit.
- Minimise the chances of liquidation / save the company from insolvency.
- They showed confidence in the company's recovery and management.

4

<b>TOTAL MARKS</b>
15

**TOTAL: 150**