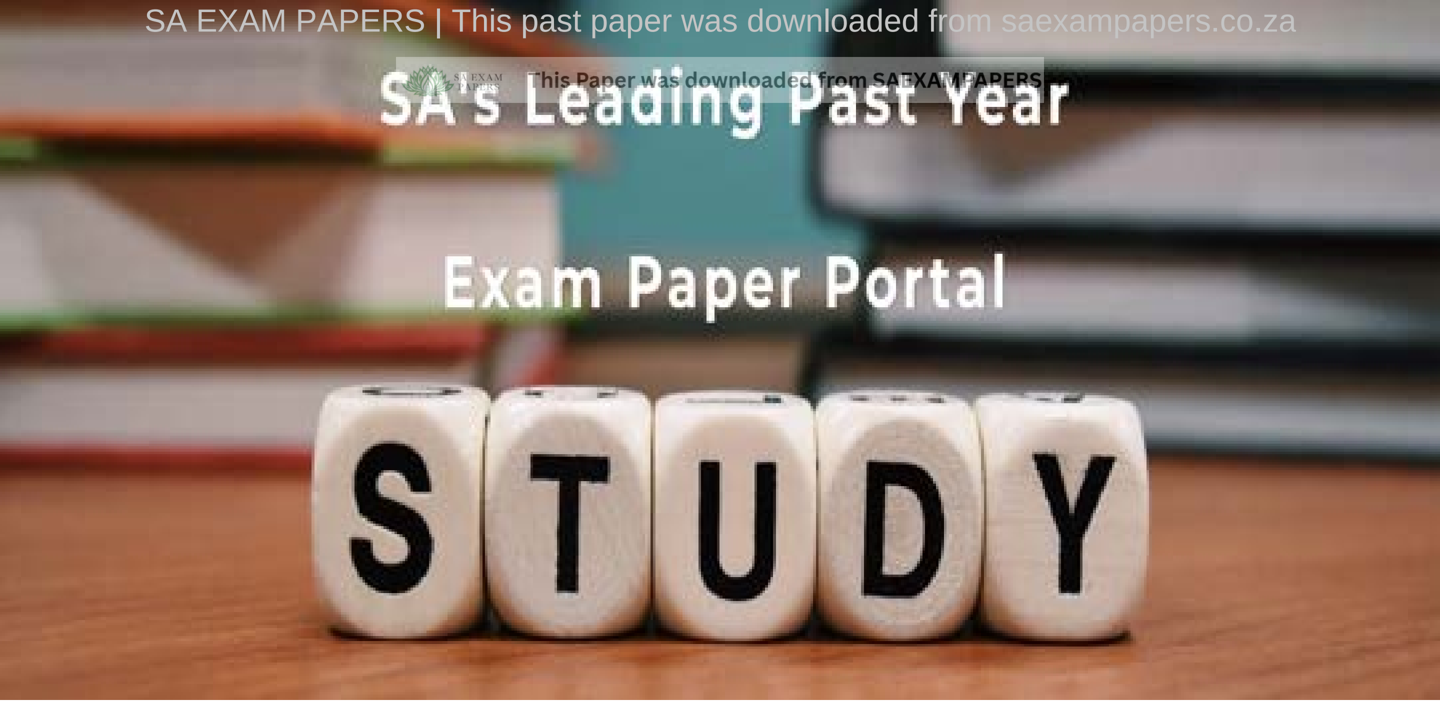
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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 12

ACCOUNTING P1

MARKING GUIDELINES

JUNE 2026

M.G [illegible]

Examiner 19/06/20

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.

This marking guideline consists of 8 pages.

QUESTION 1

1.1.1

	Calculate	Answer
(i)	**Carrying value** 460 000 – 396 750	63 250 ✓
(ii)	**Depreciation on vehicles** 63 250 -1 = 63 249✓✓ 510 000 x 15/100 x 4/12 = 25 500✓✓	88 749☑ operation one part correct
(iii)	**Disposal at carrying value** 75 000 – 36 600 = 38 400 x 20/100 x 7/12 = 4 480✓✓ 38 400 – 4 480 75 000 -36 600 -4 480	33 920☑ operation one part correct
(iv)	**Depreciation on equipment** 285 000 – 150 995 = 134 005 x 20/100 **OR** 172 405 – 38 400 = 134 005 x 20/100 = 26 801✓ 4 480☑ +26 801 See (iii) above	31 281☑ operation one part correct

12

1.1.2

Calculate the profit / loss on the sale of equipment on 1 October 2025	
40 000 ✓– 33 920 ☑ **see (iii) above**	6 080 ☑ profit operation one part correct

3

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1.2.1 **nded on 28 February 2026**

Sales (13 065 280 + 36 720✓)	13 102 000	✓
Cost of sales (7 698 000 + 24 000✓)	(7 722 000)	✓
Gross profit Operation one part correct	5 380 000	☑
Other operating income Operation	621 710	☑
Service fee income	332 410	
Rent income (331 200 – 50 600✓)	280 600	✓
Profit on sale of an asset see 1.1.2	6 080	☑
Provision for bad debts adjustment	2 620	✓
Gross operating profit	6 001 710	
Operating expenses Operation	(3 101 710)	☑
Salaries and wages	**1 500 000**	
Audit fees	**96 000**	
Packing material	**75 000**	
Insurance	**82 000**	
Directors fees (1 307 840 – 131 760✓)	1 176 080	✓
Bad debts (22 000 + 8 000✓)	30 000	✓
Stationery (38 000 – 15 400)	22 600	✓✓
Depreciation (88 749☑ + 31 281☑) See 1.1 operation one part correct	120 030	☑
Operating profit	**2 900 000**	
Interest income	**70 500**	
Operating profit before interest expense	**2 970 500**	
Interest expense	**(270 500)**	
Net profit before tax	**2 700 000**	
Income Tax	**(810 000)**	**20**
Net profit after tax	**1 890 000**	

Foreign entry -1 max -2

TOTAL MARKS
35

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QUESTION 2

2.1

Calculation of omitted stock	Answer		
195 x 2 800 = 546 000✓ 15 x 2 400 = 36 000✓	582 000 operation one part correct	☑	3

2.2 **Ordinary Share Capital Note on 28 February 2026**

AUTHORISED SHARES:
5 000 000 SHARES

ISSUED SHARES:

1 200 000	Shares in issue at the beginning	7 200 000		
300 000	Shares issued @ R10	3 000 000	✓	
(90 000)	Buy back of shares @ R6,80 operation	(612 000)	☑	3
1 410 000		9 588 000	✓	

Retained income Note on 28 February 2026.

Balance at the beginning	**1 620 600**		
Net profit after tax (66 x 1410 000) /100 *accept 894 300	930 600	✓✓	
Buy back of shares (90 000 x 1.36) or 612 000 x 20/100	(122 400)	✓	
Dividends operation one part correct	(1 014 000)	☑	
Paid (1 500 000 X 0.30)	450 000	✓	
Final (1 410 000 x 0.40)	564 000	✓	
Balance at the end accept 1 378 500 operation one part correct	1 414 800	☑	7

* 1 355 000 x 66 cents

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2.3 Statement of Financial Position on 28 February 2026.

Assets		
Non-current assets (TA – CA)	11 556 100	☑
Tangible assets (NCA – FD)	11 056 100	☑
Fixed deposit (760 000 – 260 000✓)	500 000	✓
Current assets Operation	2 172 000	☑
Inventory (318 000 + 582 000 ☑ see 2.1)	900 000	✓
Trade and other receivables (990 000 - 9 000 ✓+ 17 000✓) operation one part correct	998 000	☑
Cash and cash equivalent (14 000 + 260 000☑) see FD	274 000	✓
Total assets Operation	13 728 100	☑
Equity and liabilities		
Shareholders' equity Operation	11 002 800	☑
Ordinary share capital	**9 588 000**	
Retained income see 2.2	1 414 800	☑
Non-current liabilities	1 367 800	
Loan (1 523 200 – 155 400✓)	1 367 800	✓
Current liabilities *CA /1.6	1 357 500	☑
Trade and other payables (210 000 + 144 000✓ + 17 000✓) operation one part correct	371 000	☑
SARS- Income tax (361 900 – 300 900) accept 97 300	61 000	✓✓
Shareholders for dividends	564 000	✓
Current portion of loan see NCL	155 400	☑
Bank overdraft accept 169 200	206 100	☑
Total equity and liabilities operation	13 728 100	☑

27

TOTAL MARKS
40

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3.1.1 Cash Flow Statement for the year ended 28 February 2026

Cash flow from operating activities		
Cash generated from operations		
Interest paid	**(144 000)**	
Dividends paid (81 000 + 126 000)	(207 000)	
Tax paid (210 000✓ + 24 000✓ + 2 000✓) OR (-210 000 - 24 000 - 2 000) operation one part correct	(236 000)	☑
Cash flow from investing activities	**(724 000)**	
Purchases form Fixed assets	**(836 000)**	
Proceeds from sale of fixed assets	**72 000**	
Changes in financial assets	**40 000**	
Cash flow from financing activities	(18 000)	☑
Proceeds from shares issued two or nothing	640 000	✓✓
Buy-back of shares (100 000 x 4.80)	(480 000)	✓
Changes in loan (1 062 000 – 1 240 000)	(178 000)	✓
Net change in cash and cash equivalent operation one part correct	693 000	☑
Cash and cash equivalent at the beginning (- 85 000✓ + 5 000✓)	(80 000)	✓
Cash and cash equivalent at the end	613 000	✓

14

Net asset value per share (NAV)

$\frac{2\ 159\ 000✓}{420\ 000✓} \times 100$

= 514 cents☑ or 514.1 one part correct

3

Debt/equity ratio

1 062 000✓ : 2 159 000✓

0.5 : 1☑ one part correct

3

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EXAMINER

19/06/2026

AUDIT REPORTS AND CORPORATE GOVERNANCE

3.2.1 **Choose the function in COLUMN B that matches the committee in COLUMN A. Write only the letter (A–D) next to the question numbers.**

(i)	C✓
(ii)	A✓
(iii)	D✓
(iv)	B✓

4

3.2.2 **Explain how the report will affect your decision concerning the shares you would purchase in the company**

Lubanzi Ltd: Comment on and Explanation ✓

Lubanzi Ltd received an unqualified report which means that you can rely on the financial information in the financial statements decide on purchasing the shares.

Nonzuzo Ltd: Comment on and Explanation ✓

Nonzuzo Ltd received a disclaimer audit report. It means that you cannot rely fully on the financial statements in deciding on investing in the company.

2

3.2.3 **Name TWO parties who might be affected by a business rescue plan.**

ANY TWO ✓ ✓

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

2

3.2.4 **Who is the audit report addressed to? Give a reason for your answer.**

One mark for audit report addressed to and a reason

The shareholders. They are the owners of the company and have appointed the auditors. ✓

1

3.2.5 **Give ONE examples of audit evidence that the auditors would have required to complete the audit.**

Asset registers; ✓ Journals; Debtors' statements; Physical inspections; Signed contracts; Source documents (list e.g. invoice, receipts, etc. only one mark); Creditors' statements; Bank statement

1

TOTAL MARKS
30

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EXAMINER

19/06/2026

4.1 **Identify and explain which company has been more efficient in controlling its operating activities. Quote TWO financial indicators.**

Name of the Company : Dundee LTD ✓

Financial indicator and Explanation ✓✓ ✓✓

- % operating profit on sales increased by 3 points / 16.6%
- % Net profit on sales increased by 2 points / 25%

Mentioning a trend only no mark

Do not accept the% operating expense on sales

5

4.2.1 **Identify and explain which company has better liquidity financial indicators. Quote TWO financial indicators.**

Name of the Company: Dundee LTD ✓

Financial indicator and Explanation ✓ ✓

- Current ratio increased by 0.5 / 35.7%
- Acid test ratio increased by 0.6 / 60%
- Stock turnover rate increased by 5 times / 31.3%
- Stock piling decreased by 0.1 / 25%

Mentioning a trend only no mark

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4.2.2 **Explain ONE concern you have about the liquidity of the other company. Quote ONE financial indicator.**

Stock piling increased by 0.2 / 66.6%
Stock turnover rate decreased by 1 time / 7.1%.
Acid test ratio decreased by 0.1 / 16.7%

Explanation company not mentioned above with financial indicator and figures ✓✓

2

4.3 **Comment on the difference between the dividend pay-out policies implemented by the directors of the two companies and explain ONE**

	COMMENT ON POLICIES (WITH FIGURES)	POSSIBLE REASON FOR DECISION
LADYSIMTH LTD COMMENT✓ FIGURE/S✓ + REASON✓	• Dividend pay-out rate is 61.3% / company gives 61.3 % of EPS to shareholders • They retain 38.7% as a reserve for the company • Paid 190 cents of 310 cents EPS (61%)/ retained 120 cents for future growth	• To allow for expansion /growth • Decided to hold funds in reserve for contingencies.
DUNDEE LTD COMMENT✓ FIGURE/S✓ + REASON✓	• Dividend pay-out rate is 116.4%/ used retained income to pay dividends • Dividends of 640 cents exceeds the EPS of 550 cents / negative effect of 90 cents	• Trying to keep shareholders satisfied with their investment • Directors want to create positive image of company or for directors to be re-elected.

6

4.4.1

Explain the specific decisions taken by the directors of EACH company that have affected gearing and risk. Quote rand amounts.	
LADYSMITH LTD	**Award one mark in each to decision & amount:** Issued shares R9 600 000✓ Repaid loan R2 500 000✓ **Do not accept : fixed assets or investments**
DUNDEE LTD	**Award one mark in each to decision & amount:** Shares repurchased R7 280 000✓ Increased loan R 3 000 000✓ **Do not accept : fixed assets or investments**

4

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4.4.2 **Comment on the gearing and risk of Dundee Ltd. Quote TWO financial indicators.**

Indicator with figures ✓ ✓ mention high risk ✓ mention positive gearing ✓

- Debt/equity ratio of 1.3 : 1 indicate a high risk / an over- reliance on borrowed capital / bordering on insolvency.
- ROTCE of 18 % indicate positively gearing better than interest rate of 11%. Making effective use of capital employed to generate profit

4

4.4.3 **At the Dundee Ltd AGM, an angry shareholder said that the directors' aggressive strategies would probably lead to the failure of the company in future. Explain TWO points why the shareholder might feel this way.**

Two valid items identified with figures ✓✓ ✓✓ Accept other valid alternatives
Part marks for unclear answer.

5

Overall comment could be embedded in comments on strategies: candidates must mention why these decisions could create problems for the company. ✓

Dundee Ltd Explanation for two marks

- Shares repurchased (R7 280 000)
- Increase in loan (R 3 000 000)
- Disposal of assets (R730 000)
- Redeeming fixed deposit (R150 000)

explanation for one mark

- big cash flow problems/ creating false impression of the share value (downsizing)
- placing the company at high risk
- reducing productive capacity
- investment opportunity lost

Ladysmith LTD EXPLANATION FOR TWO MARKS

- Issued more shares (300 000)
- Repayment of loan of R2 500 000
- Purchasing of fixed assets for R3 100 000

Explanation for one mark

- dilutes the ownership.
- affected a positive change in a current ratio.
- causing cash flow problem.

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4.5 **Shareholders of Ladysmith Ltd are not satisfied with the market price of their shares, whereas the shareholders of Dundee Ltd are satisfied. Explain by quoting figures or indicators and, for EACH company, identify a factor that would have affected the market price of the shares.**

LADYSMITH LTD	Market price of R23 is below the NAV of R30.50 by R7.50✓ Identify factor with figures) ✓✓ Accept other valid alternatives • Low demand • Reluctance to buy shares in this company • ROSHE dropped • Retained income less than previous year
DUNDEE LTD	Market price of R33 is better than the NAV of R26.2 by R6.8✓ Identify factor (with figures) ✓✓ Accept other valid alternatives • Shares are in demand • Investors have confidence in company • Improved returns (ROSHE) • Positive image

6

4.6.1 **Provide calculations to show the change in Jiyane's % shareholding in Dundee Ltd over the financial year. Comment on his % shareholding in EACH company**

320 000 / 600 000 x 100 = 53.3%✓✓

Comment on his % shareholding in EACH company

LADYSMITH LTD Any ONE point✓	He is still a minority shareholder (little influence on decisions) Her % shareholding dropped further (from 33.3% to 22.2%) Did not buy additional shares when shares were issued
DUNDEE LTD Any ONE point✓	She is now a majority shareholder as a result of the repurchase of the shares / shareholding increased. Decrease in share capital resulted in her gaining control by 53.3% by 16.1 point / 43.3%

4

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4.6.2 **Calculate the total profit or loss he is currently making on his shares in EACH company. Advise if it wise to sell 19 000 shares in Dundee Ltd, or not.**

LADYSMITH LTD	**DUNDEE LTD**
Invested: 200 000 x 27 = R5 400 000 Now worth: 200 000 x 23 = R4 600 000 Loss of investment R 800 000✓✓ Or 4 x 200 000 = 800 000 Also accept 14.8% two marks	Invested: 320 000 x 15 = 4 800 000 Now worth: 320 000 x 33 = 10 560 000 Growth in investment: R5 760 000✓✓ Or 18 x 320 000 = R5 760 000 Also accept 120% two marks

6

Advise if it wise to sell 19 000 shares in Dundee Ltd, or not.

One valid point (with figures) ✓✓could be influenced by on profit / loss above. Part marks could be awarded for unclear or partial answer.

Expected responses:

- It is wise to sell because the share price is currently high (R33)
- It might not be wise to sell if the share price increased above R33 in future.
- She will raise R627 000 in total (19 000 x 33)
- He will gain a profit of R342 000 on this sale
- She will be still a majority shareholder 301 000/600 000 = 50.2%

TOTAL MARKS
45

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TOTAL MARKS: 150