



# NATIONAL SENIOR CERTIFICATE

**GRADE 12**

**JUNE 2023**

## 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 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 working for that figure (not the method mark for the answer). NOTE: If figures are stipulated in marking guideline 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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
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, the marker must inspect the reasonableness of the answer before awarding the 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 memorandum.
11. In calculations, do not award marks for workings if numerator and 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 by 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.

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This marking guideline consists of 12 pages.

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## QUESTION 1

1.1.1

Calculate: The profit/loss on the trade-in of the old vehicle	
WORKINGS	ANSWER
270 000 ✓ – 111 240 ✓ – 105 000 ✓	53 760 ✓

4

1.1.2

Calculate: The total depreciation for the year	
Depreciation on equipment 923 260 – 800 900	122 360 ✓
Depreciation on vehicles $\frac{(1\,350\,000 - 855\,000)}{495\,000} \times 20\%$	99 000 ✓ one part correct
	221 360 ✓ one part correct

4

**NOTE:** The amounts calculated above must be transferred to QUESTION 1.2.1, the Statement of Comprehensive Income.

### 1.2.1 Statement of Comprehensive Income for the year ended 28 February 2023

<b>Sales</b>	(28 800+28 800) 11 724 000 ✓ + 57 600 ✓	11 781 600	<input checked="" type="checkbox"/> *	
<b>Cost of sales</b>	(18 000 + 18 000) 7 327 500 ✓ + 36 000 ✓✓	(7 363 500)	<input checked="" type="checkbox"/> *	
<b>Gross profit</b>	Sales – CoS	4 418 100	<input checked="" type="checkbox"/>	8
<b>Other income</b>		195 055	No mark	
<b>Discount received</b>		<b>32 400</b>		
Provision for bad debts-adjustment		2 000	<input checked="" type="checkbox"/>	
Rent income	174 675 ✓ – 14 025 ✓✓	160 650	<input checked="" type="checkbox"/> *	
<b>Gross operating income</b>	GP + OI	4 613 150	<input checked="" type="checkbox"/>	6
<b>Operating expenses</b>	GOI – OP	(3 746 850)	<input checked="" type="checkbox"/>	
<b>Audit fees</b>		<b>180 060</b>		
<b>Insurance</b>		<b>56 920</b>		
Loss on sale of vehicle	see 1.1.1 above	53 760	<input checked="" type="checkbox"/>	
Depreciation	se 1.1.2 above	221 360	<input checked="" type="checkbox"/>	
Bad debts	15 090 + 3 230	18 320	<input checked="" type="checkbox"/> ✓	
Salaries and wages	982 290 ✓ + 62 930 ✓✓	1 045 220	<input checked="" type="checkbox"/> *	
Directors' fees	1 925 000 ✓ + 70 000 ✓✓	1 995 000	<input checked="" type="checkbox"/> *	
Employer's contribution		63 620	<input checked="" type="checkbox"/>	
<b>Sundry expenses</b>	balancing figure	112 590	<input checked="" type="checkbox"/>	
<b>Operating profit</b>	PBIE – Int inc	866 300	<input checked="" type="checkbox"/>	16
<b>Interest income</b>		<b>120 000</b>		
<b>Profit before interest expense</b>	NPBT + Int exp	986 300	<input checked="" type="checkbox"/>	
Interest expense	1 260 000 + 1 125 000 – 2 205 500	(179 500)	<input checked="" type="checkbox"/> ✓*	
<b>Net profit before tax</b>	242 040 x 100/30	806 800	<input checked="" type="checkbox"/> ✓	6
<b>Income tax</b>		<b>(242 040)</b>		
<b>Net profit after tax</b>	NPBT – Tax OR 242 040 x 70/30	564 760	<input checked="" type="checkbox"/>	<b>36</b>

-1 foreign items (max. -2)  
For misplaced items mark workings

\*one part correct

## 1.2.2 Extract: Statement of Financial Position on 28 February 2023

<b>EQUITY AND LIABILITIES</b>			
<b>ORDINARY SHAREHOLDERS' EQUITY</b>		<b>5 870 750</b>	
Ordinary share capital OSHE – RI		4 900 000 <input checked="" type="checkbox"/>	
Retained income		970 750 ✓	2
<b>NON-CURRENT LIABILITIES</b>			
Mortgage loan 1 125 000 – 625 000		500 000 ✓ <input checked="" type="checkbox"/> *	2
<b>CURRENT LIABILITIES</b>		1 965 250 No mark	
<b>Trade and other payables</b> (616 500 – 105 000) Rent Inc. D fees 448 725 ✓ + 511 500 ✓✓ + 14 025 <input checked="" type="checkbox"/> + 70 000 <input checked="" type="checkbox"/>		1 044 250 <input checked="" type="checkbox"/> *	
SARS: Income tax (242 040 – 196 040)		46 000 ✓✓	
Current portion of loan		625 000 ✓	12
Shareholders for dividends (410 000 – 160 000)		250 000 ✓✓	
<b>TOTAL EQUITY AND LIABILITIES</b> operation		<b>8 336 000</b> ✓	
			<b>16</b>

-1 F foreign items (max. -2)  
For misplaced items mark workings only  
-1 P max. (if no, or inappropriate details)

\*one part correct

**TOTAL MARKS**

**60**

## QUESTION 2

2.1

2.1.1	Outflow ✓
2.1.2	Outflow ✓
2.1.3	Depreciation ✓

3

## 2.2.1 Retained Income

<b>Balance on 1 March 2022</b>	9 814 000 – 9 520 000	294 000 ✓✓
<b>Net profit after tax</b>		<b>784 000</b>
Shares repurchased	85 000 x R2	(170 000) ✓☑
<b>Ordinary share dividends</b>		(339 675) ☑
Interim dividends	(1 190 000 – 85 000) x 12c	132 600 ✓✓
<b>Final dividends</b>		<b>207 070</b>
<b>Balance on 28 February 2023</b>		568 320 ☑

8

### 2.2.2 Cash Flow Statement for the year ended on 28 February 2023.

Information is NOT required in shaded areas.

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
<b>Cash generated from operations</b>	
<b>Interest paid</b>	
Income tax paid 20 020 ✓ + 336 000 ✓✓ + 9 660 ✓ Be aware of signs reversed and use of brackets	(365 680) ✓*
Dividends paid 150 000 ✓ + 132 600 ✓ Be aware of signs reversed and use of brackets	(282 600) ✓*
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b> operation	1 384 500 ✓
Proceeds from issue of new shares	2 479 500 ✓
Repurchase of shares (680 000 + 170 000) OR 85 000 x R10 ✓ ✓	(850 000) ✓*
Loan repaid	(245 000) ✓✓
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	105 870 ✓ CCE end + CCE beg
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b> (15 450 – 28 480)	(13 030) ✓✓
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>92 840</b>

18
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\*one part correct; in brackets  
If no brackets, award marks for workings only

2.2.3 Calculate the following financial indicators on 28 February 2023.

Acid-test ratio		
WORKINGS	ANSWER	
$\frac{2\,175\,600 - 1\,469\,700}{705\,900 \checkmark} : 753\,065 \checkmark$	0,9 : 1 <input checked="" type="checkbox"/> one part correct; in the form x : 1	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; text-align: center; margin: 0 auto;">3</div>
% Return on average shareholders' equity (ROSHE)		
WORKINGS	ANSWER	
$\frac{784\,000 \checkmark}{\frac{1}{2}(11\,887\,825 \checkmark + 9\,814\,000 \checkmark)} \times 100^*$ <p style="text-align: center; margin-left: 40px;">two marks</p> <p>NOTE: * 100 is not one part correct</p>	7,2% <input checked="" type="checkbox"/> one part correct and must use average (½) % sign not necessary	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; text-align: center; margin: 0 auto;">4</div>
Dividend per share		
WORKINGS	ANSWER	
$12 \text{ cents } \checkmark + \frac{207\,070}{1\,380\,500} \times 100$ <p style="text-align: center; margin-left: 40px;">15 cents <input checked="" type="checkbox"/></p> <p style="text-align: center; margin-left: 40px;">one part correct with division</p>	27 cents <input checked="" type="checkbox"/> one part correct;	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; text-align: center; margin: 0 auto;">4</div>

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

3.1

3.1.1	C ✓
3.1.2	D ✓
3.1.3	A ✓

3

3.2.1

**Identify the company with the better profitability financial indicators. Quote TWO financial indicators.**

Wills Ltd ✓

If wrong company identified, allocate marks for relevant financial indicators only (max. 2 marks)

Financial Indicators (with figure)

% Operating expenses on sales – 18,3% ✓ (compared to 25,5% of Rock Ltd)

% Operating profit on sales – 10,3% ✓ (compared to 17,4% of Rock Ltd)

\* Mark-up % is a deliberate decision; ignore if mentioned

Max. -1 for superfluous additional financial indicators mentioned.

3

3.2.2

**Identify and explain which company is managing its liquidity more efficiently. Quote TWO financial indicators.**

TWO financial indicators of Rock Ltd ✓✓ comparative figures ✓✓ explanation ✓✓

If figures are shown for Wills Ltd, award marks for correct financial indicators identified.  
(max. 2 marks)

- Current ratio:  
Rock Ltd is 1,5 : 1 compared to Wills Ltd of 4,2 : 1  
The current assets of Rock Ltd are enough to cover current liabilities /  
Wills Ltd keep too much cash tied-up in stock (stockpiling)
- Debtors' collection period:  
Rock Ltd is 28 days compared to 45 days of Wills Ltd.  
Constant inflow of cash from debtors who pay within the acceptable credit terms

6



3.2.3

<b>Comment on the dividend pay-out policy of each company. Provide a possible reason why each company decided on the policy adopted. Quote figures.</b>		
	<b>Comment</b> ✓ ✓ (with figures)	<b>Explanation</b> ✓✓ ✓✓ part marks for incomplete / partial / unclear responses
<b>Rock Ltd</b>	Paid out 30% of earnings as dividends / Retained 70% of earnings	The company retained more profit to focus on growth / expansion / long-term sustainability of the business.
<b>Wills Ltd</b>	Paid out 76% of earnings as dividends / Retained 24% of earnings	The company wants to keep shareholders happy to distract attention from poor performance of the company.

6

3.2.4

<p><b>The directors of Wills Ltd decided to increase the loan during the current financial year. Explain whether this was a good decision or not. Quote TWO financial indicators.</b></p> <p><b>Indicator and figure:</b> Debt/equity ratio is 0,6 : 1 ✓</p> <p><b>Indicator and figure:</b> % return on average capital employed is 9,5% ✓</p> <p><b>Explanation:</b></p> <ul style="list-style-type: none"> <li>• The company is highly geared / high financial risk / rely too much on borrowed capital ✓✓</li> <li>• The company is negatively geared / ROTCE is lower than the interest rate of 11% / does not make effective use of loan to generate profits ✓✓</li> </ul>
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6

3.2.5

**The shareholders of Rock Ltd are satisfied with the market price of their shares, whereas the shareholders of Wills Ltd are not satisfied. Explain by quoting a financial indicator for EACH company.**

<p><b>ROCK LTD</b> Comparison of MP to NAV ✓✓ Figures ✓</p>	Market price per share of 838c is higher than the Net asset value of 784c / Market price per share is 54c higher than the NAV.
<p><b>WILLS LTD</b> Comparison of MP to NAV ✓✓ Figures ✓</p>	Market price per share of 515c is lower than the Net asset value of 652c / Market price per share is 137c lower than the NAV.

6

3.2.6

**Calculate the % percentage shareholding of the Mentoor-family if they buy these shares.**

WORKINGS	ANSWER
$\frac{808\,000 + 180\,000}{1\,900\,000} \times \frac{100}{1}$ <p>(1 600 000 + 300 000)</p>	<p>52% ✓✓ % sign not necessary</p>

2

**As a shareholder, why would you be concerned about the interest shown by the Mentoor family? Provide THREE points.**

Any THREE valid and separate points ✓ ✓ ✓

**NOTE:**

The family was the majority shareholders during the past financial year and most of the financial indicators were not encouraging.

- Their control over major decisions / Influence over decisions did not benefit the company much, e.g. The company should have retained funds for expansion but pay 76% as dividends. / The company paid 76% of earnings to keep shareholders happy for poor performance.
- Their past experience in directing the company: their skills and knowledge.
- The effect on the future of the company e.g. losing shareholders / attracting new investors / possibility of instability.

3

<b>TOTAL MARKS</b>	<b>35</b>
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**QUESTION 4**

4.1.1

**Identify the type of audit report in the extract above and give a reason for your answer.**

**Type of report:** Unqualified report ✓

**Reason:** ONE valid reason ✓

- No issues found with information on the financial statements
- Financial statements “present fairly” the financial position of the company
- This it is a clean (good) report “in all material respects”

2

4.1.2

**Explain the effect of this type of report for the image of the company. Provide ONE point.**

ONE valid point ✓✓ part marks for partial / incomplete / unclear responses

- This will impact positively on the share price / demand for shares
- Potential investors would be interested to buy shares
- Directors appointed are reliable; shareholders are confident in their ability to continue good governance.
- Employees and other role players would recognise that good internal controls are employed and continue to maintain this.

2

4.2.1

**Provide TWO possible reasons why the CEO was fined, and not the company.**

TWO valid and different points ✓✓ ✓✓ part marks for incomplete / partial answers

- Is the highest-ranking executive of the company.
- Guides company practices and procedures.
- Oversee company operations.
- Communicating between board of directors and other executives.
- Making important decisions, which affect the company’s image.

4

4.2.2

**Provide TWO points why the JSE took this action.**

TWO valid and different points ✓✓ ✓✓ part marks for incomplete / partial answers

- They will not deceive the public as it is their role to ensure that sound business management practices are in place / do not want to cast doubts about their operations.
- Would want to avoid any legal action against the JSE for misleading shareholders / Reputation of JSE may become questionable.
- JSE is a vital organisation in facilitating capital funds that stimulate the economy / leads to creation of jobs / public relies on credible information JSE competes with international stock markets / need to guard their activities / ensure adherence to rules and regulations.

4

4.2.3

**Identify ONE other party (stakeholder) that could also be accountable for allowing this situation. Provide a reason.**

ONE valid party ✓ Reason ✓✓ part marks for incomplete / partial answers

- Board of directors: Plays a supervisory role / overseeing corporate activities and assessing performance / look after shareholders' interest.
- CFO (Chief financial officer): Managing the financial actions of the company / overseeing all aspects of its financial success.
- Audit and risk committee: Monitoring the financial reporting processes / the compliance processes / the performance of auditors / overseeing the audit program.

3

TOTAL MARKS
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15
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**TOTAL MARKS: 150**