GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2025

MARKING GUIDELINES

ACCOUNTING

(PAPER 1)

12 pages

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 answers. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working 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 the 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 the benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max. -2 per Q).
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 reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if the numerator & 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 with an ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation; s = superfluous item

QUESTION 1

1.1

1.1.1	External auditors	✓
1.1.2	IFRS	✓
1.1.3	Memorandum of Incorporation (MOI)	✓

3

1.2

1.2.1 Statement of Comprehensive Income for the year ended 28 February 2025

Sales	(690 000 x 100/15)	4 600 000✓✓
Cost of sales		**(2 150 000)**
Gross profit		
Other operating income	**2**	
Bad debts recovered		**15 400**
Rent income (107 500✓ + 22 500 ✓✓) One part correct	[11 250 + 11 250] see both for two marks	130 000 ☑*
Provision for bad debts adjustment (16 260 – 15 160✓)	**6**	1 100 ☑
Gross operating income		
Operating expenses		
Salaries and wages		**1 030 000**
Audit fees (45 000 + 45 000)		90 000 ✓✓
Directors' fees (930 150 ✓ – 35 550 ✓✓) One part correct	must see both for two marks [– 31 350 – 4 200]	894 600 ☑*
Stationery		57 500✓✓
Depreciation		87 600 ✓
Trading stock deficit (920 000 ✓ – 2 600✓ – 890 400 ✓)	917 400 two marks	27 000 ☑*#
	13	
Operating profit		**690 000**
Interest income		
Profit before interest expense		
Interest expense Must be in brackets		(22 000) ✓
Profit before income tax		
Income tax (130 300 ✓ + 33 200 ✓ – 34 460 ✓) One part correct and must be in brackets	163 500 two marks	(129 040) ☑*
Net profit after tax	**5**	

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*# If shown as surplus, mark the workings and penalise on the answer
* One part correct
-1F for dividends on ordinary shares

1.2.2 Statement of Financial Position (Balance sheet) on 28 February 2025

ASSETS		
NON-CURRENT ASSETS		
Fixed assets		
Fixed Deposit		
CURRENT ASSETS		
Inventory (890 400 ✓ + 5 750 ✓) [63 250 – 57 500] must see both figures for a mark		896 150 ☑*
Trade and other receivables rent Inc transfer Pro b.d Dir. fees **382 700** + 22 500 ☑ – 3 700 ✓ – 15 160 ☑** + 35 550 ☑ Must see both figures for one mark [-16 260 + 1 100]		421 890 ☑*
Cash and cash equivalents	**8**	
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		**2 069 000**
Ordinary share capital		**1 189 000**
Retained income		**880 000**
NON-CURRENT LIABILITIES (2 069 000 x 0,5)	**2**	1 034 500✓✓
Loan: King Bank (if R1 034 500 not shown at non-current liabilities, give marks if shown only next to loan)		1 034 500
CURRENT LIABILITIES		879 200 ☑*
Trade and other payables aud. fees Def. stock transfer cred for salary **198 400** + 45 000 ☑ – 2 600 ☑ – 3 700 ✓+ 24 750✓)		261 850 ☑*
Must see both figures for two marks [594 500 + 30 000] Shareholders for dividends (624 500 ✓✓ x 0,30 ✓)		187 350 ☑*#
SARS: Income tax		33 200 ✓#
Current portion of loan (21 500 x 12)		258 000✓ #
Bank overdraft Repurchase of shares Fixed Dep [30 000 x 3,1] or [60 000 + 33 000] (100 900 ✓– 55 100 ✓ + 93 000 ✓)	**16**	138 800 ☑*
TOTAL EQUITY AND LIABILITIES		

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*one part correct #could be included as part of Trade and other payables
** only if shown in workings of provision for bad debt adjustment in1.2.1
Calculations must be shown to earn method marks for one part correct in all questions

55

QUESTION 2

2.1 Ordinary Share Capital note on 31 May 2025

556 100	**Ordinary shares at the beginning**	R5 944 050 ☑	
120 000	**Ordinary shares issued during the year**	**R2 169 150**	
(56 100) ✓ Ignore brackets	Ordinary shares repurchased at R12 ☑ (*7 440 000 / 620 000 = 12) **check operation**	(R673 200) ☑ Must be x by repurchase average price	
620 000 ✓	**Shares at the end of the year** [8 512 300 – 1 072 300]	R7 440 000✓	6

*** Must be the end of year rand value / 620 000 to earn method mark for average price**

2.2 Calculate the following financial indicators for the year ended 31 May 2025:

2.2.1

% Net profit before tax on sales		
WORKINGS	**ANSWER**	
$\frac{2\ 501\ 070}{11\ 420\ 130}$ X 100	21.9%✓✓ Accept 22% Do not accept 0,219, 0,21 or 0,22 Ignore % sign	2

2.2.2

Net asset value		
WORKINGS	**ANSWER**	
$\frac{8\ 512\ 300}{620\ 000}$ ✓ X 100 ✓	1 373 cents ☑ Accept 1 372,95 cents Method mark for one part correct. X 100 not one part correct. Accept R13.73	3

2.2.3

% Return on total capital employed		
WORKINGS	**ANSWER**	
2 839 850 one mark $\frac{[2\ 501\ 070 + 338\ 780]\ ✓}{(8\ 512\ 300✓ + \#6\ 762\ 570✓ + 1\ 200\ 000✓ + 2\ 606\ 000✓)\ /2✓}$ x100 15 274 870 two marks 3 806 000 two marks 19 080 870 four marks 9 540 435 five marks **# 11 274 570 – 2 606 000 – 1 906 000 or 11 274 570 – 4 512 000** Be aware of other valid permutations. Numerator and denominator may not be swapped.	29,8 % ☑ Accept 30% or 29,77% Do not accept 0,30 or 0,29 or 0,298 Method mark for one part correct. X 100 not one part correct. Ignore % sign	7

2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2025

Signs must be correct

CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from operations (no marks for workings) (3 000 000 + 2 285 490)	5 285 490✓✓
Interest paid	**(338 780)**
Income tax paid	(895 400) ✓
must see both for two marks [676 100 x 0.35] For one mark if only (556 100 x 0.35= 194 635) Dividends Paid (415 000 ✓ + 236 635 ✓✓) One part correct & brackets to earn method mark	(651 635) ☑
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets (7 112 300 ✓ – 450 000 ✓ – 160 150 ✓ – 9 300 000 ✓) Accept T-Account or reverse signs	(2 797 850) ☑ One part correct & brackets
Proceeds from the disposal of non-current assets	450 000 ✓
Change in investments	
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from the issue of ordinary shares	2 169 150 ✓
Repurchase of shares	
Change in loans	
NET CHANGE IN CASH AND CASH EQUIVALENTS (-78 000 – 575 000) (Check bottom-up operation)	(653 000) ☑ Must be in brackets
CASH AND CASH EQUIVALENTS AT BEGINNING (11 274 570 ✓ – 7 112 300 ✓– 593 200 ✓– 1 300 000 ✓ – 2 191 070 ✓)	78 000 ☑
CASH AND CASH EQUIVALENTS AT END	(575 000) ✓

22

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QUESTION 3

3.1

3.1.1	SARS ✓
3.1.2	Financial Institutions ✓
3.1.3	Creditors ✓

3

3.2

Shanice Krates, one of the shareholders and CEO argued that the directors did not deserve the performance bonus due to the fact that they failed to efficiently manage the company's working capital. Quote TWO financial indicators to support Shanice's argument.
Any two Indicators ✓ ✓ Figures and trend ✓ ✓ Comment ✓✓ Current Ratio Increased from 1,9:1 (2024) to 4,5:1 (2025)/ by 2.6:1 Acid-Test Ratio Decreased from 1,8:1 (2024) to 0,5:1 (2025)/ by 1.3:1 Stock turnover rate Decreased from 13 times (2024) to 7 times (2025)/ by 6 times **Comment** • Too much cash is tied up in current assets/stock. • The company relies too much on trading stock to pay off its current debts. • Stock is selling slowly, poor strategies implemented to improve turnover. • Company will not be able to cover short term debts without selling stock. • According to Acid-Test Ratio, company will experience problems to pay short term debts.

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3.3 **Some shareholders are not satisfied with the change in the dividend pay-out policy. Explain the reason for this change.**

2024: Dividends Pay-out
$\frac{105}{96} \times \frac{100}{1} = 109,4\%$

2025: Dividends Pay-out
$\frac{48}{80} \times \frac{100}{1} = 60\%$

Figures:

Dividend pay-out rate in 2024, 109,4% ✓**and**
dividend pay-out rate in 2025, 60% ✓

or

In 2024, 105 cents of 96 cents declared as dividend / 9 cents more than earnings declared as dividends **and**
in 2025, 48 cents of 80 cents declared as dividends / 32 cents less than earnings declared as dividends

Comment ✓✓ Part mark for incomplete/partially correct comment

In 2024, 9,4% of the retained income was distributed as dividends. Pay-out rate of 109,4% was to keep shareholders happy or no earnings were held back. **/** In 2025, 40% of earnings were retained for future expansion/ offset of future debts.

Or

In 2024, 105 cents of 96 cents / 9 cents more than earnings per share were declare as dividends. No earnings retained in the business. More dividends were declared to keep shareholders happy. **/** In 2025, 48 cents of 80 cents were declared as dividends and 32 cents of earnings were retained for future expansions.

4

3.4 **Reeves, a potential shareholder, is confused on whether to invest in the company or invest his money in long term investments in other financial institutions. Provide ONE point of advice by quoting ONE relevant financial indicator.**

Indicator ✓ Figure and trend ✓ Comment and Advice ✓✓

ROSHE increased from 17% (2024) to 25% (2025) by 8% points by 47%.

ROSHE is higher than the interest rate on investments of 9%/ by 16% points, therefore Reeves can invest in the company since she will be getting better returns than alternative investments at the moment.

4

3.5

The directors decided to allow the issue of more shares on 31 January 2025 instead of taking an additional loan in order to finance the operations of the company. Quote TWO financial indicators to justify the decision taken by the directors.

Indicator ✓ ✓ Figures and trend ✓ ✓ Comment ✓ ✓

Debt-equity ratio
Decreased from 2,2 : 1 (2024) to 1,9 : 1 (2025).
The company is still a high risk.
The company is still not in a favourable position to take out further loans

ROTCE
Decreased from 15,5% (2024) to 10,3 (2025)
This is lower than the interest rate on long term loans of 11,5%.
The company is negatively geared/
Loans are currently not benefiting the company, the interests paid are too high.

6

3.6

3.6.1

Calculate the amount spent by Shanice on the shares she bought on 31 January 2025. (She was allowed to buy shares equal to one fifth of the shares she already owned.)
NOTE: No shares were repurchased during the financial year.

$1\ 267\ 200 \times \frac{1}{5}$ = 253 440 shares

If used 2025 market price:

253 440 ✓ x R6 ✓ = R1 520 640 ☑

Or

If used 2024 market price:

253 440 ✓ x R6.50 ✓ = R1 647 360 ☑

3

3.6.2

Shanice wanted to be a majority shareholder. Explain whether she managed to achieve her goal. Show ALL calculations.

Before issue of shares: 1 267 200 x 100 = 48%
2 640 000

[1 267 200 + 253 440 see 3.6.1]
1 520 640 ✓☑ X 100 = 50,9% ☑ accept 50,86% or 51% or 51.3%
2 990 000 ✓✓ accept 2 963 077 if used R6.50 in 3.6.1
[2 640 000 + 350 000]
[2 100 000 ÷ 6] or /6.50 if used R6.50 in 3.6.1)

#She did achieve her goal. She is now a majority shareholder. ✓

Alternative calculations:

[2 990 000/2 +1] accept if R6.50 in 3.6.1[2 963 077/2 +1]
1 520 640✓☑ – 1 495 001✓✓ accept 1 481 540 = 25 639 accept 30 100 more than needed to have more than 50% ☑ of shares and therefore a majority shareholder✓

Or

[2 990 000/2] accept [2 963 077/2 if R6.50 in 3.6.1]
1 520 640✓☑ – 1 495 000✓✓accept 1 481 539 = 25 640 accept 39 101 more than 50% ☑ of shares and therefore a majority shareholder. ✓

Calculations must agree with the response.
Numerator and denominator may not be swapped.
Mark one option/line. Lines can not be mixed

6

3.6.3

Explain ONE consequence of the decision to the company to allow Shanice to buy shares equal to one fifth of the shares she already owns.

Any ONE valid response ✓✓

- This is an unethical business practice/Insider trading.
- The company may tarnish its image, and this will further drop the market share price.
- Loss of potential and existing minority shareholders.

2

3.7

At an AGM the directors stated that they were planning to repurchase 15 000 shares of a recently deceased shareholder during the following financial period at a share price of R8 per share.

Some shareholders disagreed with this decision. Explain why they disagree with this decision by quoting TWO relevant financial indicators (with figures).

Any valid response
One mark for partial response

Repurchase price compared with
NAV and figure ✓ ✓ JSE and figure ✓ ✓ Comment ✓✓

- The repurchase price of R8 is too expensive and is higher than the NAV of R6,35
- The repurchase price of R8 is higher than the market price of R6.

COMMENT

- The company experienced a drop in market price and NAV price.
- The repurchase price should be below or equal to NAV or market price since the company is struggling financially.
- Paying R30 000 more for 15 000 shares than what the market price would be for the shares. (120 000 – 90 000)

6

40

QUESTION 4

4.1

4.1.1

Provide ONE key factor that should be checked before donating items.	
Any ONE valid point ✓✓ part marks for incomplete/partially correct answers • Registration of the care centre receiving the donation. • Specific needs of the community centre. • Evaluation of the centre's specific needs to be useful. • Food parcels must still be in good condition/not expired.	2

4.1.2

Explain why it is important for a business to engage in Corporate Social Responsibility (CSR). Provide TWO points.	
Any TWO valid points ✓✓ ✓✓ part marks for incomplete/partially correct answers • It enhances the company's reputation which can attract more customers. • It fosters strong customer loyalty which leads to better profits/market price. • It helps the company to have the upper hand over competitors. • This ensures long-term operational success.	4

4.2

4.2.1

Give TWO benefits of good governance for companies.	
Any TWO valid benefits ✓✓ ✓✓ part marks for incomplete/partially correct answers • It can lead to better financial results and improved performance./ It can also help a company achieve its financial goals and be more financially sustainable. • It can make a company more attractive to investors. • It can help a company build a good reputation. • It can help build trust with employees, customers, and investors. This can lead to higher job satisfaction and commitment, and lower turnover of employees. • It can help a company to identify risks / manage risk effectively. • Help companies avoid costly mistakes and legal issues. • It can help a company comply with laws and regulations. • Decision-making: Good governance can help a company make more effective decisions. • It can help a company establish strong internal controls.	4

4.2.2 **How can businesses apply the King Code principles of transparency and accountability? Provide TWO points.**

Any TWO valid points ✓✓ ✓✓

part marks for incomplete/partially correct answers

- Make governing documents, policies, and financial information available to stakeholders. /Share information.
- Include key stakeholders in decision-making processes.
- Oversee reporting to stakeholders on the organisation's performance and financial position.
- Disclose any transactions between related parties.
- Disclose directors' remuneration and other benefits.
- Provide opportunities for members to ask questions and hold the board accountable.
- Conduct board appointments in a formal and transparent manner.
- Consider outcomes across the organisation's triple context and all the capitals it uses.
- Disclose what performance measures and targets were used to award performance remuneration.
- Auditing of financial statements by internal and external auditors to ensure transparency of information.

4

4.2.3 **What should directors do if they have a conflict of interest? Provide ONE point.**

Any valid point ✓

- Immediately disclose the conflict of interest to the board of directors in writing.
- Recuse/Remove themselves from any discussions about matters related to the conflict of interest.
- Not attempting to influence decisions or vote on the matter.
- If the director informs the board outside of a meeting, the next board meeting's minutes must include notice of the conflict of interest.

1

15

TOTAL: 150