education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

SEPTEMBER 2025

MARKING GUIDELINES

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. Full marks for correct answer. If answer incorrect, mark the workings provided.
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 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 method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. 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 ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 10 pages.

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QUESTION 1

1.1 Calculate:

(a)

Disposal of Land and Building at Carrying Value during the year.	
WORKINGS	**ANSWER**
1 200 000 – 1 450 000	250 000✓✓

2

(b)

Accumulated depreciation on vehicles on 1 March 2024	
WORKINGS	**ANSWER**
880 000 – 120 000	760 000✓✓

2

(c)

Depreciation on vehicles on 28 February 2025	
WORKINGS	**ANSWER**
Depreciation on new vehicle 360 000 x [15% x 4/12] 350 000 x [15% x 4/12]	18 000✓☑* *One part correct 17 500
Depreciation on old vehicle [880 000 x 15%] = 132 000 [880 000 – 760 000] = 120 000 – 1	119 999✓✓☑*
TOTAL DEPRECIATION ON VEHICLES Should add new and old	137 999☑*

6

*part correct

(d)

Depreciation on equipment on 28 February 2025	
WORKINGS	**ANSWER**
270 000 x 20%	54 000✓✓

2

(e)

Cost price of equipment on 28 February 2025	
WORKINGS	**ANSWER**
450 000✓ + 50 000✓ – 120 000✓	380 000☑* *One part correct

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1.2 ORDINARY SHARE CAPITAL NOTE FOR THE YEAR ENDED 28 FEBRUARY 2025

800 000	Ordinary shares at beginning of the year	5 600 000☑ balancing figure
200 000	Issued during the year at R8	1 600 000✓
(75000) ✓	**Shares repurchased @** R7 20✓✓ (600 000 – 60 000)	(540 000) ☑*
925 000☑ operations	Ordinary shares at end	6 660 000☑

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1.3 Statement of financial position for the year ended 28 February 2025

ASSETS		
NON CURRENT ASSETS		**2 776 921**
Fixed assets		**1 861 921**
Fixed deposit		**915 000**
CURRENT ASSETS	TA- NON CA	6 660 329✓
Trading inventory	balancing figure	2 901 080☑
Trade and other receivables (1 808 149✓ + 31 300✓✓ + 16 300✓ + 13 500✓✓)	(383 700 – 4	1 869 249☑*
Cash and cash equivalent (2 490 000✓ - 600 000✓✓)	(75 000 x R8) two marks	1 890 000☑*
TOTAL ASSETS	**14**	9 437 250✓
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS EQUITY	**3**	7 166 850☑*
Ordinary share capital	see 1.2	6 660 000☑
Retained income		506 850✓
NON CURRENT LIABILITIES	7 166 850 x 0,2 see OSE **2**	1 433 370☑☑
Loan: DBSA Bank		1 433 370
CURRENT LIABILITIES	balancing figure	837 030☑
Trade and other payables (418 000✓ + 16 300✓trf + 14 800✓✓ + 26 400✓✓)		475 500☑*
Short term loan	balancing figure	130 280☑
Shareholders for dividends	See 1.2 (925 000 x 25cents)	231 250✓☑*
TOTAL EQUITY AND LIABILITIES	see TA **12**	9 437 250✓

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*one part correct

TOTAL MARKS
55

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QUESTION 2: CASH FLOW STATEMENT (40 marks; 35 minutes)

HOPE LIMITED

2.1 Reconciliation of profit before taxation and cash generated by operations

Net profit before tax		**1 283 100**
Adjustments		
Depreciation		**65 000**
Interest paid		**42 600**
Operating profit before change in working capital		**1 390 700**
Change in working capital		(84 600)☑*
Increase in inventory		(139 600)✓✓
Decrease in Debtors' (538 000✓ - 489 000✓)		49 000☑*
Increase in creditors (96 800✓ - 90 800✓)		6 000☑*
Cash generated by operations	operation	1 306 100☑

*part correct

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2.2 Cash Flow Statement on 30 April 2025

Cash Flow from Operating Activity		130 200☑*
Cash Generated from Operations	see 2.1	1 306 100☑
Interest Paid		**(42 600)**
Taxation paid		**(290 300)**
Dividends Paid		(843 000)✓✓
Cash Flow from Investing Activities		(736 800) ✓
Purchase of tangible assets		**(839 800)**
Proceeds from asset disposal		103 000✓✓
Cash Flows from Financing Activities		530 000☑*
Proceeds from issued shares		560 000✓✓
Repayment of loan		(30 000)✓✓
Net Change in Cash and Cash Equivalents		(76 600)☑*
Cash and cash equivalents at the beginning of the year		38 600✓
Cash and cash equivalents at the end of the year		(38 000) ✓✓

*part correct

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2.3 Calculate the following on 30 April 2025:

2.3.1 Acid test ratio

✓ ✓ ✓
1 347 400 – 850 400 : 475 400
1,05 : 1☑ part correct

489 000 + 8 000 : 475 400 three marks

4

2.3.2 % return on shareholders equity

$$\frac{987\,000\ \checkmark}{0{,}5\ (3\,534\,000 + 2\,880\,000)\checkmark\ \checkmark} \times 100 = 30{,}8\%\ \☑\ \text{part correct}$$

3 207 000 two marks

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2.4 What major decisions by the directors are reflected in the Cash Flow Statement? State TWO decisions and quote the relevant figures. Also explain how EACH of these decisions would benefit the company in future.

Decision ✓✓ figures ☑☑	Benefit for company ✓✓
Dividends was paid, R843 000	This will attract new shareholders; Price on the JSE could increase; Current shareholders will be satisfied with their dividends;
Fixed/tangible assets purchased, R839 800 Fixed/tangible assets sold, R103 000 see 2.2	New assets will increase the efficiency of the company. This will lead to an increase in profits. Money received from asset disposals will improve cash flow – could be used to finance new assets purchased.
Repayment of loan @ R30 000 see 2.2	Decrease the liabilities/Low financial risk
New share issued, R560 000 see 2.2	Improves cash flow of the company; Money was used to purchase new tangible/fixed assets

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TOTAL MARKS
40

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QUESTION 3:

3.1

Which company is not handling its working capital effectively?

Jerry Ltd ✓

Explain what the main problem is in respect of their working capital, by quoting TWO financial indicators.

Explanation ✓✓

There is an over-investment in their inventories/ stock piling / too much cash tied up in stock/ Debtors are not complying with credit term – 30 days.

TWO financial indicators figures ✓ ✓ **Figures** ✓ ✓

- Current ratio: Tom Ltd (1,8 :1) and Jerry Ltd (5,5 : 1)
- Debtors' collection period: Tom Ltd (22 days) and Jerry Ltd (59 days)
- Difference between current ratio and acid test ratio: Tom Ltd (0,9 :1) and Jerry Ltd (2,4 :1)

Acid test ratio on its own is not valid

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3.2

The directors of Jerry Ltd decided to increase the loan during the current financial year. Explain whether this was a good decisions or not. Quote Two financial indicators.

	DEGREE OF RISK Financial indicator with figures ✓ ✓	**FINANCIAL GEARING** Financial gearing with figures ✓ ✓
Jerry Ltd	Debt/equity 0,2:1	ROTCE 10,2%
Comment ✓ ✓	Jerry Ltd has low financial risk but is negatively geared since the ROTCE of 10,2%, lower than the interest rate on loan of 11%	

6

3.3

Comment on the % return to shareholders of each company. Quote financial indicators to support your opinion.

Figures ✓ ✓

Financial indicator	**Tom Ltd**	**Jerry Ltd**
% return to shareholders'	16,2%	8,9%
Comment Compare returns to interest on fixed deposit ✓ ✓	returns to shareholders' 16,2% earned by Tom Ltd are higher than interest on fixed deposit 10%	returns to shareholders' 8,9% earned by Jerry Ltd are lower than interest on fixed deposit 10%

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3.4

Comment on the value of shares on the JSE for each company. Explain how this will influence your decision in which shares to buy.

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	EXPLANATION (with figures) ✓ ✓ ✓ ✓ comment ✓ ✓
Tom Ltd	The market price of 1 900 cents is below the NAV of 2 100 cents. The market price has dropped by 300 cents over the past years
Comment	This indicates that the public is not really interested in buying shares of this company.
Jerry Ltd	The market price of 960 cents is above the NAV of 720 cents. The market price has increased by 460 cents over the past years.
Comment	This indicates that there is public demand for shares of this company.

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3.5 **Refer to information A and B.**

3.5.1 **Calculate the maximum number of shares you can afford to purchase in each company today. Note that you will have to buy in lots of 100 (i.e 100 shares, 200 shares, 300 shares, etc)**

	Workings/Calculations	Answer/Shares
Tom Ltd	100 000✓/ 19.00✓	5 263.2 (5200 shares) ☑
Jerry Ltd	100 000✓/ 9.60✓	10 416.7 (10 400 shares) ☑

6

3.5.2 **If dividends per share remain the same next year, what is the amount of dividends you can expect from each company?**

	Workings	Answer
Tom Ltd	5 200 see above x 6.50	R33 800✓☑
Jerry Ltd	10 400 see above x 4.00	R41 600✓☑

4

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3.5.3 **Apart from dividends, what other factors would you consider to be important in deciding on the company in which should invest? List Two points.**

- Type of goods sold
- Reputation of the business
- Quality of directorship
- Future prospectus
- Quality of customer service
- Degree of risk
- Possible capital gain on sale of shares
- Solvency
- Liquidity
- The content of the audit report
- Earnings per share
- Net assets value per share compared with MPS on JSE
- ROSHE

2

3.6 **Refer to information C**
Jerry Ltd will issue a further 300 000 shares during the new financial year. The Mzanzi family is interested to buy 180 000 of these shares.

3.6.1 **Calculate the % percentage shareholding of the Mzanzi family if they buy these shares.**

Workings	Answer
808 000 + 180 000 988 000 ✓ / 1 900 000 ✓ x 100/1 (1 600 000 + 300 000)	52% ☑ part correct % sign not necessary

3

3.6.2 **As a shareholder, why would you be concerned about the interest shown by the Mzanzi family? Provide Two points**

Any TWO 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.
- 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.

2

TOTAL MARKS
40

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QUESTION 4

4.1

Where, why and when is this audit report expected to be presented?	
Where	Any one valid answer ✓ • At the annual General Meeting (AGM) • On the Annual report to shareholders • On financial publications and newspapers on the internet
Why	Any one valid answer ✓ • Inform shareholders/potential investors about the performance/progress of the company • If there is any compliance with the IFRS. • Transparency • Public company financial statement needs to be published Independent/External auditors, appointed by shareholders, are answerable to them.
When	Any one valid answer ✓ • At the end of the financial period • Upon completion of the independent audit process On the date of the AGM and thereafter

3

4.2

Explain TWO points on the impact of this report on the company.
Any Two valid points ✓✓ ✓✓ • Prospective investors may no longer be interested to this company. • Existing shareholders may want to sell their shares. • It will ruin the reputation/image of the company. • Will reduce the value of shares on the JSE.

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4.3 **One of the most important decisions that shareholders have to make at the annual general meeting (AGM) is to appoint directors to serve on the board.**
Explain why the shareholders have been given this responsibility.

The shareholders are the major investors, but they cannot all work at the company. They will have to appoint directors to run the company for them and they have entrusted their investment to the directors. ✓✓

2

If you were a shareholder, what factors or characteristics would you want to find out about the directors who would get your vote? Explain TWO points and give a reason for each.

	EXPLANATION ✓✓ ✓✓	**REASON** ✓ ✓
POINT 1	Integrity /honesty/clear crime record.	The shareholders have entrusted their investment to the directors.
POINT 2	Relevant qualifications and experience	They need expertise to run a company well.

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TOTAL MARKS
15

TOTAL:150