KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P1

MARKING GUIDELINES

PREPARATORY EXAMINATION

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 10 pages.

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QUESTION 1

1.1 **Use the table provided to calculate the correct net profit after tax for the year ended 28 February 2026. Indicate '+' for increase and '- ' for decrease.**

No	WORKINGS	ANSWER
	Incorrect net profit	**4 900 000**
(i)	Rent income 115 620 – 3 200 = 112 420✓ x660/1460✓ **OR** = 50 820 x 2/6 two marks	(16 940) ☑ one part correct
(ii)	Audit fees	+ 86 940✓
(iii)	Interest on loan 2 160 000 – 2 280 000 Or 2 280 000 + 540 000 – 2 700 000	(120 000) ✓✓ Two or nothing
(iv)	Income tax 1 365 000 + 90 000	(1 455 000)✓
	Net profit after tax Operation one part correct	3 395 000☑

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1.2

	WORKINGS	ANSWER
(i)	**ADDITIONS AT COST LAND AND BUILDINGS** 2 049 700 – 1 820 000	229 700 ✓
(ii)	**DISPOSAL AT CARRYING VALUE** 140 600 ✓ – 66 650✓	73 950 ✓
(iii)	**DEPRECIATION ON EQUIPMENT** 140 000 x 20/100 x 9/ 12 = 21 000✓✓ 918 500 x 20/100 = 183 700✓✓ 21 000 + 183 700	204 700 ☑ Operation one part Correct
(iv)	**CARRYING VALUE OF EQUIPMENT** 1 826 000✓ – 972 200✓✓ (767 500 + 204 700)	853 800☑ Operation one part Correct

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1.3 Statement of Financial Position on 28 February 2026.

Assets		
Non-current assets	4 912 500 ☑	
Tangible assets (2 049 700 + 321 500 + 853 800)see 1.2 (iv)	3 225 000 ☑	
Fixed deposit	**1 687 500**	
Current assets TA- NCA	3 000 000 ☑	
Inventory Operation one part correct	1 850 000 ☑	
Trade and other receivables (93 060✓ + 14 000✓ + 86 940☑ see 1.1 + 20 000 ✓)	214 000 ✓	
Cash and cash equivalents	**936 000**	
Total assets Operation one part correct	7 912 500 ☑	
Equity and liabilities		
Shareholders' equity 1 850 000/0.4	4 625 000 ✓	
Ordinary share capital	3 415 000 ☑	
Retained income	**1 210 000**	
Non-current liabilities Operation one part correct	1 850 000 ☑	
Loan (2 280 000✓ – 430 000✓)	1 850 000	
Current liabilities Operation one part correct	1 437 500 ☑	
Trade and other payables (149 060✓ + 14 000✓ + 16 940 ☑ see 1.1)	180 000 ✓	
SARS- Income tax	90 000 ✓	
Shareholders for dividends	737 500 ✓	
Current portion of loan SEE NCL	430 000 ☑	
Total equity and liabilities Operation one part correct	7 912 500 ☑	**24**

TOTAL MARKS
45

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QUESTION 2

2.1 Retained income Note on 28 February 2026.

Balance at the beginning		**50 000**	
Net profit after tax (364 500 x 73/27)		985 500	✓
Buy back of shares (30 000 x 1.20)		(36 000)	✓
Dividends	operation one part correct	(353 400)	☑
Paid (900 000 x 0.18)		162 000	✓
Final		191 400	✓
Balance at the end		646 100	☑

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2.2 Cash Flow Statement for the year ended 28 February 2026

Cash flow from operating activities		**1 180 000**	
Cash generated from operations			
Interest paid			
Dividends paid (115 300✓ + 162 000✓) operation one part correct 115 300 one m + 353 400 one m – 191 400 one m		(277 300)	✓☑
Tax paid (364 500✓ + 35 900✓ + 29 100✓) operation one part correct -364 500 – 35 900 – 29 100		(429 500)	☑
Cash flow from investing activities		**(1 320 000)**	
Cash flow from financing activities	operation one part correct	409 000	☑
Proceeds from shares issued (7 395 000✓ + 255 000✓ – 6 400 000✓)		1 250 000	☑
Buy-back of shares (30 000✓ x 9.70 ✓) or (255 000 + 36 000)		(291 000)	☑
Changes in loan (2 200 000 – 1 650 000)		(550 000)	✓✓
Net change in cash and cash equivalent	operation	269 000	☑
Cash and cash equivalents at the beginning (20 000✓ – 95 200✓)		(75 200)	✓
Cash and cash equivalents at the end		193 800	☑

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2.3.1

% Operating expenses on sales	
WORKINGS	**ANSWER**
1 458 600 ✓ x 100 / 7 293 000✓ 1 — operation one part correct	20%☑

3

2.3.2

Dividend per share (DPS)	
WORKINGS	**ANSWER**
18✓ + 22✓ — operation one part correct or 353 400 x 100 cents / 870 000	40 cents☑ or 40.6 cents

3

2.3.3

% Return on average shareholders' equity	
WORKINGS	**ANSWER**
985 500✓ / ½✓ (8 041 100 ✓ + 6 450 000✓) x 100 / 1	operation one part correct 13.6 % ☑

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TOTAL MARKS
40

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QUESTION 3

3.1

Choose a term from COLUMN B that matches the description in COLUMN A. Write only the letter (A–D) next to the question number (3.1.1–3.1.4)	
3.1.1	C ✓
3.1.2	D ✓
3.1.3	B ✓
3.1.4	A ✓

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3.2 SIVUKILE LTD

3.2.1 **The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement.**

Financial indicator with figures and trend ✓✓ ✓✓

- Stock turn-over rate increased from 7 times to 9 times / by 2 times
- Current ratio increased from 0.9 to 2.5 / by 1.6

Do not accept debtors collection period.

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3.2.2 **Calculate the dividend pay-out rate for the year ended 28 February 2026.**

$\frac{159}{150}$ ✓ x $\frac{100}{1}$ ✓

= 106% ☑ one part correct

3

Explain why directors decided to change the policy. Give THREE reasons.

Any three valid points with figures ✓✓ ✓✓ ✓✓

- The company wants to keep shareholders happy/increase shareholder's satisfaction.
- They are trying to influence the market price of shares by increasing dividends
- Equalising dividends over several years.
- Not planning for future expansions
- The company had sufficient reserves from previous years.

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3.2.3 **Explain whether the shareholders should be satisfied or not with the earnings per share and returns on average shareholders' equity of the company. Quote TWO financial indicators with figures**

Expressing a change for EPS to a % ✓✓

- The earnings per share increased by 30 cents / by 25%

Comment mentioning ROSHE with trend✓ and compare it with interest rate on alternative investment ✓✓ explanation✓

- Return on Shareholders' equity increased from 18 % to 18.5% by 0.5 point / 2.8%
  Return on shareholders' equity of 18.5% is above the interest rate on alternative investment of 12% by 6.5 point/ 35.1%.
- Shareholders are receiving better returns.

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3.2.4 **The directors of Sivukile Ltd want to expand the business by opening more branches in other Districts. Explain why would you not recommend that they should borrow more money. Quote TWO financial indicators, with figures.**

Financial indicator with figures and trend✓
Explanation could be combined with figures or separate, risk must be mentioned✓✓

Debt/equity ratio increase from 0.5 : 1 to 0.9 : 1 by 0.4 (80%)
The company is more reliant on debt to finance its operations. / the financial risk has increased.

Financial indicator with figures and trend✓ explanation, a candidate must compare ROTCE with interest rate on loan✓✓

The % return on average capital employed (ROTCE) decreased from 17% to 13% by 4 points / 23.5%
The company is negatively geared ROTCE is lower than the 15% interest rate / using loans ineffectively, it means the borrowed funds (loan) is costing more interest than the profit

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The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points.

Any two valid points ✓✓ ✓✓

- Dividends will only be declared if the company can afford to do so.
- No interest is paid, this will improve profits.
- Improvement in the debt-equity ratio.
- The capital raised does not have to be repaid to the shareholders.

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3.2.5 **Explain why the shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators and other related information.**

Financial indicators with figures ✓ ✓ Explanation ✓ ✓

- Net asset value per share decreased from 920 cents to 850 cents / by 70 cents/ 7.6 %. Shareholders net worth is decreasing.
- Market price per share decreased from 900 cents to 825 cents / 75 cents / by 8.3%. Low demand of shares/ negative publicity.

Four marks

- Market price per share of 825 cents is lower than the net asset value per share of 850 cents. Shares are undervalued.

4

3.2.6 **Calculate the number of new shares that Freedom purchased on 1 September 2025.**

CALCULATION	ANSWER
1 000 000 x 47/100 = 470 000 602 400✓ – 470 000✓✓	132 400 shares✓☑ one part correct

5

Calculate Freedom % shareholding on 28 February 2026.

CALCULATION	ANSWER
602 400 ✓ / 1 200 000✓ x 100	50.2%✓☑ one part correct

4

Why should the independent auditor be concerned about this? Give TWO reason.

Any two valid point ✓✓ ✓✓

- The decision was not fair and transparent.
- Unethical, as Freedom is taking advantage as the majority shareholder / this is a conflict of interest.
- Insider trading.

4

TOTAL MARKS
50

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QUESTION 4

4.1 **Choose the correct word from those in Brackets, Lubanzi Ltd received a / an (qualified / unqualified / disclaimer opinion) audit report**

AUDIT REPORT	EXPLANATION
Unqualified✓	Any suitable relevant response ✓ No errors / problems / irregularities were discovered. Opinion indicates that the financial statement fairly present the financial situation of the company.

2

4.2 **Name TWO reliable types of audit evidence that Owami auditors used as the basis for their opinion.**

Any TWO valid different types ✓✓ ✓✓

Source documents
journals
Signed contracts
Bank statements
Asset register
Creditors statements

4

4.3 **Explain how this audit report could have a positive influence on the company in the future. Provide TWO points.**

Any TWO valid points ✓✓ ✓✓

- Shareholders have confidence in the management of the company and would want to retain their shares.
- It would attract potential shareholders.
- It will make it viable for the company to raise more capital in the future.
- It may increase the share price of the company on the JSE.

4

4.4 **Explain the role of an independent external auditor. Provide ONE point.**

Any suitable relevant response ✓✓

- Provides an unbiased audit report on the financial statements of the company.
- Presents an opinion on the fair presentation of the financial statements.
- Protects the interest of the shareholders

2

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4.5 **State THREE possible consequences for the independent external auditor if he was influenced by the directors of the company to deliberately provide the shareholders with an incorrect audit report.**

Any suitable relevant response ✓ ✓ ✓

Accept one-word answer

Possible consequences for **auditor** as employee:

- Deregistered / struck off the roll by auditing board/ loss of professional license/ revocation of his certificate.
- Disciplinary hearing / suspended (during investigation)/ fired by his employer / fined/ arrested.
- Sued for negligence / bad reputation to his name.
- Lose clients / removed as auditors by clients/ bad image for the auditing company.

3

TOTAL MARKS
15

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