education

Department of Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P1

SEPTEMBER 2025

MARKS: 150

MARKING GUIDELINES

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 a 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 the correct answer. If the answer is 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 marking guidelines for component parts within workings that earn no part marks, these will 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 different 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 question)
8. This memorandum is not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
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 before awarding the mark.
11. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios. If only one line is presented, assume it is the numerator.
13. 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 ☒.
14. Be aware of candidates who provide alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 11 pages.

Copyright reserved

QUESTION 1

1.1.1

Do a calculation to prove the value of the closing stock on 28 February 2025 is R1 067 800.	**ANSWER**
70 X 790 = 55 300 ☑✓* 1 250 X 810 = 1 012 500 ☑✓* 1 320 one part correct 55 300 + 1 012 500	R1 067 800

4

1.1.2

Calculate the cost of sales	**ANSWER**
5 318 690 two marks 988 000✓ + 4 330 690✓ – 1 067 800☑	☑ R4 250 890 one part correct

4

1.2 STATEMENT OF COMPREHENSIVE INCOME OF ROBBY LIMITED FOR THE YEAR ENDED 28 FEBRUARY 2025

	✓✓
Sales (9 351 958 – 51 958)	9 300 000
	☑
Cost of sales see 1.1.2	(4 250 890)
	*☑
Gross profit operation, one part correct **(4)**	5 049 110
	*☑
Other income operation, one part correct	359 980
	☑
Rent income (211 825 + 21 275✓✓)	233 100
	✓✓
Commission income (123 400 – 1 850)	121 550
	✓
Bad debts recovered	3 500
See note for Trade and other receivables	☑☑
Provision for bad debts adjustment (23 400 – 21 570)	1 830
	*☑
Gross operating income operation, one part correct **(10)**	5 409 090
	*☑
Operating expenses operation, one part correct	(4 727 470)
Depreciation	**321 500**
Salaries (1 680 000 + 13 690✓ + 3 440✓ + 1 032✓) (18 162 three marks) (17 130 two marks) (4 472 two marks) (14 722 two marks)	☑ 1 698 162
	☑
Salaries: Contributions (151 200 + 1 548✓)	152 748
(1 537 500 x 7/41) (187 500 one mark + 75 000 one mark)	☑
Directors' fees (1 537 500 + 262 500✓✓)	1 800 000
	☑
Audit fees (135 000 + 45 000✓✓)	180 000
	☑
Insurance (576 000 – 13 440✓✓)	562 560
	✓
Bad debts	12 500
	☑
Operating profit operation **(18)**	681 620
	✓
Interest income	18 330
	☑
Profit before interest expense operation	699 950
	✓☑
Interest expense (100 100 + 9 100) or (780 000 x 14%)	(109 200)
	☑
Net profit before income tax operation	590 750
	☑☑
Income tax 28% of NPbT	(165 410)
	☑
Net profit after tax operation **(8)**	425 340

40

- 1 foreign item (max -2); presentation -1 (max -1); misplaced items, award marks for workings only
Note Principle 11 when awarding method marks: Operation as per candidate's operation, unless specified.

Copyright reserved

1.3 Trade and Other Receivables

Net trade debtors	☑ 337 930
Trade debtors (356 000 + 3 500)	✓✓ 359 500
Provision for bad debts (23 400 – 1 830) OR /(359 500 x 6%)	☑☑ (21 570)
Accrued income (see 1.2 – rent)	☑ 21 275
Prepaid expense (see 1.2 – insurance)	☑ 13 440
one part correct	☑ 372 645

8

1.4 Trade and other payables

Trade creditors	**287 652**
Creditors for salaries	✓ 13 690
Pension fund (6 820✓ + 1 032✓ + 1 548☑) (See 1.2 – contr)	one part correct ☑ 9 400
SARS: PAYE (12 770 + 3 440)	✓☑ 16 210
SARS: Income tax (160 000 – 165 410) (See Statement of Compr Inc) (Can be under Trade and other receivables)	☑☑ 5 410
Income received in advance/Deferred income (see 1.2 – comm inc)	☑ 1 850
Accrued expense (262 500☑ + 45 000☑) (see 1.2 – dir fee) (see 1.2 – audit fees)	☑ 307 500
one part correct	☑ 641 712

14

TOTAL MARKS
70

Copyright reserved

QUESTION 2

2.1.1

Mark-up %	ANSWER
$\frac{9\ 120\ 000\checkmark - 5\ 700\ 000\checkmark}{5\ 700\ 000\checkmark} \times 100$ (3 420 000 two marks)	60%☑ one part correct % sign not necessary

4

2.1.2

Net asset value per share	ANSWER
$\frac{31\ 500\ 000\checkmark}{4\ 900\ 000\checkmark} \times 100$	☑ 642,9 cents one part correct accept R6,43

3

2.1.3

Debt-equity ratio	ANSWER
9 600 000✓ + 644 000✓ – 1 272 000✓ : 31 500 000✓ (8 972 000 three marks)	☑ 0,3 : 1 one part correct In the form x : 1

5

2.2.1

Income tax paid	ANSWER
36 000✓ + 342 000✓✓ + 24 500✓ –36 000 – 342 000 – 24 500	☑ (402 500) one part correct brackets not necessary

SARS – Income tax			
		Balance	36 000
		I/T	342 000
		Balance	24 500
	402 500		402 500
Balance	24 500		

5

2.2.2

Funds used to repurchase the shares	ANSWER
(22 344 000 ÷ 4 900 000) both for two marks 100 000 x (4,56✓✓ + 3,44✓) 8,00 three marks OR Two marks one mark 456 000 + 344 000	☑ (R800 000) one part correct brackets not necessary

4

2.2.3

Proceeds from fixed assets sold	ANSWER
10 815 000✓ + 930 000✓ – 2 300 000✓ – 10 765 000✓ OR 10 765 000 + 2 300 000 – 930 000 – 10 815 000 Carrying value 10 765 000 Addition 2 300 000 Disposal (1 320 000) Depreciation (930 000) Carrying value 10 815 000	☑ R1 320 000 one part correct

5

2.2.4

Loan repaid	ANSWER
(106 000✓ x 12✓) – 644 000✓ 1 272 000 two marks **9 600 000 + 644 000 – (106 000 x 12) = 8 972 000 (✓☑)** 9 600 000✓ – 8 972 000 = 628 000	☑ (R628 000) one part correct brackets not necessary

4

TOTAL MARKS
30

QUESTION 3

3.1.1 **Calculate the number of additional shares Maria was able to buy in Nipho Limited.**

1 480 000 ÷ 7,40 = 200 000✓✓

2

3.1.2 **Comment on the price, Maria paid for these shares and give ONE reason why she might have been satisfied to pay the price.**

ONE valid point (with figures) ✓✓ Reason ✓ part marks for incomplete or unclear response

- Maria paid R7,40 and the NAV is R7,90. She paid less than what the shares were worth.
- The market price increased from 720c to 830c. It shows there is a demand for the shares.
- The market price of 830c is more than the NAV of 790c – it shows there is a demand for the shares.

3

3.1.3 **Calculate Maria's shareholding at the end of the 2025 financial year. Was it a good decision to buy the additional shares?**

Shareholding at the end of the financial year.

$$\frac{\text{640 000✓ + 200 000☑ (See 3.1.1)}}{\text{1 580 000✓}} \times 100 = 53{,}2\%☑$$

Was it a good decision?

Yes, she became and still is the majority shareholder.✓

5

3.2.1 **Calculate the dividends per share for the financial year.**

Final dividend:

$$\frac{992\,000\checkmark}{1\,600\,000\checkmark} \times 100 = 62 \text{ cents}\checkmark$$

Total dividend: 48c✓ + 62c = 110 cents☑

5

3.2.2 **The directors decided to change their dividend pay-out policy. Compare the dividend pay-out rates of the two financial years and give one reason why it would be a positive change for Maria and one reason why it would be a negative change for Maria.**

Dividend payout rates

2024: 93,2%✓

2025:

$$\frac{110}{240} \times 100 = 45{,}8\%\checkmark\checkmark$$

Positive change

The company is holding back profits for expansion, so the value of her shares might increase.✓✓

Negative change

Maria loses out because she will receive less dividends.✓✓

7

3.2.3 **Comment on the % return on average shareholders' equity of Nipho Limited.**

Figure and trend ✓ Explanation (comparing interest) ✓

The ROSHE increased (from 12,5%) to 18,4%/by 5,9 percentage points/by 47,2%.

It is more than the interest earned on the fixed deposit (7%).

2

3.3.1 **The Cash Flow Statement consists of three parts: Cash flows from Operating Activities, Cash Flows from Investing Activities and Cash Flows from Financing Activities. Name the part where you will find the following entries:**

(i)	Shares repurchased	Financing activities	✓
(ii)	Income tax paid	Operating activities	✓
(iii)	Sale of fixed assets	Investing activities	✓

(3 x 1) **3**

3.3.2 **Explain ONE decision taken by the directors of Nipho Limited that affects risk and gearing. Quote and comment on TWO financial indicators.**

Decisions

Decision one mark Any one mark

Repurchase of shares – R180 000
Repaid the loan – R400 000

Risk and gearing

TWO financial indicators ✓ ✓ figures and trends ✓ ✓ Comment ✓ ✓

The debt-equity ratio decreased (from 0,5 : 1) to 0,2 : 1.
The company has a low risk.

The ROTCE increased (from 14,3%) to 17,5%/by3,2% points/by 22,4%.

.
The returns are more than the interest on the loan (14%), therefore they have a positive gearing.

8

TOTAL MARKS
35

QUESTION 4

4.1

4.1.1	Insider trading	✓
4.1.2	Money laundering	✓
4.1.3	Price fixing	✓

3

4.2.1 **Identify the report type and explain why the auditor issued this type of report.**

Type of report:

Qualified report ✓

Reason:

One valid reason ✓

- The financial statements fairly present the financial position of the company, except for the expenses for the overseas trip.
- A specific item (overseas expenses) cannot be verified.
- Procedures were not followed/Records not prepared per GAAP/IFRS/Company Act

2

4.2.2 **Explain TWO points why shareholders would be concerned about the company receiving such a report.**

TWO valid points ✓✓ ✓✓ Part marks for incomplete or unclear response

- It shows a lack of internal control – possible mismanagement /fraud.
- It will have a negative impact on the company's image and therefore share price.
- Potential investors would not be willing to invest in the company which will lead to decrease in demand for share and decrease in MP.
- Investors might want to sell their shares.
- Directors are not reliable/Not re-elect the directors

4

Copyright reserved

4.2.3 **The CEO requested that the auditor classify the expenses for the overseas trip as marketing and adjust the audit opinion accordingly. Provide TWO reasons why the auditor would disagree with the suggestion.**

TWO valid points ✓✓ ✓✓ Part marks for incomplete or unclear response

- He is part of a professional body (SAICA) and must adhere to the code of conduct.
- The request is unethical and misleads the shareholders.
- He might be worried about his reputation and might be disciplined.
- Auditors must be independent in giving an opinion on the financial statements.
- Manipulation of figures is illegal, and SARS would consider this as Tax Evasion.

4

4.2.4 **Apart from the issues above, explain why the company would be accused of poor corporate governance.**

Any one reason ✓✓ Part marks for incomplete or unclear response

- The CEO must put the interest of the company and the shareholders first.
- He must be ethical in the execution of company matters.
- All roll players must be encouraged to be part of the decisions.
- He must take responsibility for all the tasks given to him and be accountable for his actions.
- Renumeration committee should have authorised the trip, which also indicate a lack of proper corporate governance.

2

TOTAL MARKS
15

TOTAL: 150

Copyright reserved