Province of the
EASTERN CAPE
EDUCATION

Iphondo leMpuma Kapa: Isebe leMfundo
Provinsie van die Oos Kaap: Department van Onderwys
Provense ya Kapa Botjhabela: Lefapha la Thuto

NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2026

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 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 workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark for that figure (not the method mark for the answer). ***Note:*** if figures are stipulated in marking guideline 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. 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. 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, marker must inspect the reasonableness of the answer.
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 marking guideline.
11. In calculations, do not award marks for workings if 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 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.

This marking guidelines consists of 10 pages.

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QUESTION 1

1.1 Calculate:

(a)

Depreciation on equipment	
WORKINGS	**ANSWER**
206 100 Old = (366 400 – 160 300) x 10/100 = 20 160 ✓☑ one part correct 120 000 New = [486 400 – 366 400] ✓ x [10/100 x 5/12] ✓ = 5 000 ☑ one part correct	25 610 ☑* one part correct

6

(b)

Carrying value of equipment on 30 June 2026	
WORKINGS	**ANSWER**
See (a) 206 100 + 120 000 – 25 610 **OR** 185 910 486 400 – (160 300 + 25 610)	300 490 ✓☑* one part correct

2

(c)

Disposal at carrying value for vehicle	
WORKINGS	**ANSWER**
45 750 + 18 000	63 750 ✓☑* one part correct

2

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1.2 STATEMENT OF COMPREHENSIVE INCOME ON 30 JUNE 2026

Sales (4 120 000 – 86 000)✓ x 220/100✓ + (86 000✓ x 90/100✓) (4 034 000)	9 038 200	☑*
Cost of sales	**(4 120 000)**	
Gross profit		
Other operating income		
Rent income (116 150✓ – 15 500✓✓)	100 650	☑*
Trading stock surplus (15 800 – 12 500)	3 300	✓✓
Provision for bad debts adjustment (12 850 – 11 564)	1 286	✓✓
Gross operating income		
Operating expenses		
Audit fees	**199 000**	
Salaries and wages	**767 000**	
Advertising	**34 900**	
Insurance (20 000 ✓+ 26 000✓✓) OR (40 000 one mark + 6 000 two marks)	46 000	☑*
Packing material	91 300	✓
Directors' fees (240 000 + 62 500✓✓+ 144 000✓✓)	446 500	☑*
Depreciation (25 610 see 1.1 + 124 400) #must add both	150 010	☑#
Loss on sale of asset	18 000	✓
Operating profit		
Interest income		
Profit before interest expense		
Interest expense	**(237 600)**	
Profit before tax	1 211 875	☑
Income tax (872 550 x 28/72)	(339 325)	✓✓
Net profit for the year	**872 550**	

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1.3 STATEMENT OF FINANCIAL POSITION ON 30 JUNE 2026

EQUITY AND LIABILITIES

Shareholders' equity (6 040 100 – 1 154 044 – 1 073 510)		3 812 546 ☑
Ordinary share capital		**3 300 000**
Retained income	SHE-OSC	512 546 ☑
Non-current liabilities		1 073 510
Loan (1 415 654 ✓ – 342 144 ✓✓)		1 073 510 ☑*
Current liabilities		1 154 044 ☑*
Trade and other payables (**364 200** – 12 500 ✓ + 3 000 ✓ + 15 500 ☑ + 206 500☑)	Stock return Transfer See rent See Director's Fees	576 700 ☑*
SARS (Income tax) (339 325 - 320 125)		19 200 ✓
Short-term portion of loan	See Loan above	342 144 ☑
Shareholders for dividends (1 200 000 x 18c)		216 000 ✓☑*
Total equity and liabilities (3 775 300 + 2 264 800)		6 040 100 ✓

17

TOTAL MARKS
55

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QUESTION 2

2.1 ZURIE LTD

ORDINARY SHARE CAPITAL NOTE

980 000 ✓	Shares at the beginning of the year	6 860 000 ✓	
(160 000) ✓	Shares repurchased at R7 ✓	(1 120 000) ☑*	
100 000 ☑	Additional shares during the year balancing figure	1 440 000 ☑	
920 000	Shares at the end of the year	**7 180 000**	**7**

2.2 Calculate the following for the Cash Flow Statement:

Taxation Paid		
WORKINGS	**ANSWER**	
(-792 000 ✓+ 186 400 ✓ + 209 900 ✓) **OR** (792 000 – 186 400 – 209 900)	(395 700) ☑*	**4**
Dividends Paid		
WORKINGS	**ANSWER**	
[820 000 x 21c] two marks 172 200 ✓✓ + 165 000 ✓ **OR** -172 200 – 165 000	(337 200) ☑*	**4**
Net change in cash and cash equivalents		
WORKINGS	**ANSWER**	
16 000 ✓– 68 000 ✓– 389 600 ✓	(441 600) ☑*	**4**

*one part correct

2.3	**CASH FLOWS FROM FINANCING ACTIVITIES**	861 740 ☑*
	Sale of shares	see 2.1 1 440 000 ☑
	Shares repurchased see 2.1 [160 000 x R2, 80] (1 120 000 ☑ + 448 000 ✓✓) **OR** (160 000 one mark x R9,80 one mark + one m/mark)	(1 568 000) ☑*
	Loan (2 189 740 ✓✓ – 1 200 000 ✓) (7 820 500 one mark x 0,28 one mark)	989 740 ☑* **10**

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2.4 Calculate the following financial indicators for the year ended 28 February 2026:

Mark-up %	
WORKINGS	**ANSWER**
3 145 800 x 100 7 650 000	41,1% ✓☑* One part correct; x 100 not one part correct

2

Acid-test ratio	
WORKINGS	**ANSWER**
584 490 ✓☑ : 1 188 550 ✓☑ (568 490 + 16 000) (940 550 + 68 000 + 180 000)	0,5 : 1 ☑* One part correct

5

Stock-turnover rate	
WORKINGS	**ANSWER**
7 650 000 ✓ ½ ✓[764 450 + 885 660] ✓ 825 055 two marks	9,3 times ☑* One part correct

4

TOTAL MARKS
40

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QUESTION 3

3.1 Profitability:

Quote and explain TWO financial indicators to show which company is managing its expenses more efficiently.	
Financial indicator ✓ ✓ figures and trends ✓ ✓ **Adel Ltd:** • % operating expenses on sales decreased from 19,5% to 16,8% • % operating profit on sales increased from 26,2% to 28,7% • % net profit on sales increased from 19,6% to 23,4%	**4**

3.2 Liquidity:

One of the shareholders at Lyfo Ltd is of the opinion that trading stock is not well managed. Quote TWO financial indicators to explain why he feels this way.	
Financial indicator, figures and trends ✓ ✓ Explanation ✓ ✓ current ratio must be compared with acid-test ratio • The difference between Current ratio and Acid-test ratio increased from 1,7 : 1 to 2,1 : 1. This shows that there is stock piling. **OR** • Current ratio increased from 2,8 : 1 to 3,0 : 1 but Acid-test ratio decreased from 1,1 : 1 to 0,9 : 1 indicating stock piling/overstocking. • Stock-turnover rate decreased from 5 times to 3,2 times. Stock is moving slower in the current year / there is reduced demand of stock. More funds are tied up in stock.	**4**
With reference to the above, provide a recommendation to the directors on how they can more effectively manage their trading stock. State TWO points.	
TWO valid points ✓✓ ✓✓ • Implement stock clearance strategies such as discounts / bundles / promotions to shift slow moving stock. • Optimize inventory levels by balancing stock levels with the rate of sales. • Use sales trends to inform ordering decisions.	**4**

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3.3 Dividends, earnings and returns:

Comment on each company's dividend payout policy and explain the reasons for any changes made to the policy.

Financial indicator, figures and trends ✓ ✓ explanation ✓ ✓

Adel Ltd:

- Dividend payout rate decreased from 89% to 58% / have retained 42% of profits (47c of 112c).
- This shows that they have plans for future expansions which will benefit shareholders in the future / allowed reinvestment in profitable projects.

Lyfo Ltd:

- They did not retain any funds (used up all earnings for the current year to pay dividends) but used 5% (82c of 78c) of funds from previous financial year which accounts for the 105% dividend payout rate.
- This was to distract shareholders from the decrease in the profitability (EPS) of the company for the current financial year / hiding company share performance / shares are undervalued.
- Keeping shareholders happy at the expense of the company's growth.

4

Should the shareholders of Adel Ltd be satisfied with the return on their investment? Explain by quoting a relevant financial indicator.

Financial indicator, figures and trend ✓✓ Comment ✓✓

- ROSHE increased from 12,7% to 16,4%.
- ROSHE exceeds the interest on alternative investment of 13%

4

3.4 Shareholding of Mr Long at Lyfo Ltd:

Calculate Mr Long's % shareholding after the repurchase of shares.

WORKINGS	ANSWER
$\frac{460\,000}{900\,000}$ ✓ x 100 ✓	51,1% ☑

3

An internal auditor expressed concerns over the decision taken by the CEO to persuade the board of directors to repurchase shares. State TWO reasons for this concern.

TWO valid explanations ✓✓ ✓✓

- The CEO is now a majority shareholder / reduce the influence of the minority shareholders.
- The price paid was above the MP/ NAV
- The CEO acted for personal gain, not for the company's benefit
- He took advantage of his position to convince the board

4

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Explain TWO reasons why certain shareholders were pleased with the board of directors decision to buy back the company's shares.	
TWO valid explanations ✓✓ ✓✓ • Increased value of remaining shares /can lead to higher share prices which will benefit existing shareholders. • Boost EPS because of fewer shares in issue. • Reduced number of outstanding shares increases existing shareholders' ownership percentage.	**4**

3.5 Financing strategies and gearing: Adel Ltd

To what extent does the company rely on debt financing? Explain by referring to a relevant financial indicator.	
Financial indicator with figures and trends ✓ ✓ explanation ✓ • Debt-equity ratio increased from 0,4 : 1 to 1,1 : 1. The company is a high financial risk.	**3**
Comment on whether borrowed funds were effectively utilised by the directors of the company. Quote ONE financial indicator.	
Financial indicator with figures and trends ✓✓ Explanation ✓ • ROTCE increased from 18% to 18,9% and is above interest on loan of 16% • The company is positively geared/ used the borrowed funds to generate higher profits.	**3**

3.6 Share price:

Based on the current performance of share prices, which company would be better investment? Comment and quote TWO financial indicators.	
Comparison of MP and NAV ✓✓ figures ✓ Adel Ltd, MP is 955c, and is higher than NAV of 890c / by 65c Adel's shares are overvalued by 65c / shows increased demand / public confidence in company's shares.	**3**

TOTAL MARKS
40

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QUESTION 4

4.1

4.1.1	C ✓
4.1.2	A ✓
4.1.3	B ✓

3

4.2.1 **Explain the difference between unethical and criminal acts within a company.**

Any reasonable explanation of unethical conduct ✓✓
Any reasonable explanation of criminal acts ✓✓
Part marks for partially correct answers

Unethical conduct: refers to behaviour that violates moral principles or company values but might not be necessarily illegal.

Criminal acts: are specific actions that break the law and can lead to prosecution.

4

4.2.2 **Discuss why it is essential for a company to establish an ethical code of conduct for its employees. State TWO points.**

TWO valid points ✓✓ ✓✓

- It promotes accountability / good ethical behavior / ensures employee's commitment to ethical values.
- Promotes positive culture of being honest and transparent / reduces the risk of misbehavior
- Protects the company's reputation.

4

4.3.1 **Discuss the impact of this audit report on the company and its directors with regards to the following aspects:**

Existing investors' confidence
One valid explanation ✓✓

Existing investors might question the company's accounting practices or management integrity / might want to sell their shares and leave the company.

Credit ratings
One valid explanation ✓✓

The company may be viewed by credit lenders as having an increased financial risk which can affect its borrowing ability / the borrowing costs may increase / less attractive terms from suppliers.

4

TOTAL MARKS
15

TOTAL: 150

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