

MARKING GUIDELINES

EXAMINATION		NATIONAL SENIOR CERTIFICATE	
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SUBJECT		ACCOUNTING	
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SOUTH AFRICAN COMPREHENSIVE ASSESSMENT INSTITUTE
SUID-AFRIKAANSE KOMPREENSIEWE ASSESSERINGSINSTITUUT

FINAL APPROVED MARKING GUIDELINES

DATE OF MEETING	
UMALUSI MODERATOR	
CHIEF MARKER	
INTERNAL MODERATOR	

MARKING GUIDELINES

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no foreign item penalty for misplaced item). No double penalty applied.
2. Full marks for correct answer. If answer incorrect, mark the workings provided.
3. 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).
4. 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.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where penalties are applied, the marks for that section of the question cannot be a final negative.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
8. In awarding method marks, ensure that candidates do not get full marks for any item that is partially incorrect.
9. Codes: f=foreign item; p=placement/presentation.

QUESTION 1: Statement of Comprehensive Income and Retained Income Note
(55 marks; 45 min)

1.1 Retained income

Balance at the beginning of year		1 820 000 ✓
Net profit after tax	see Income Statement	1 445 000 ✓
Repurchase of shares (80 000 ✓ x 1,9 ✓)	do not accept 6,9	(152 000) ✓
Ordinary share dividends		(1 037 500) ✓
Interim		675 000 ✓
Final (1 450 000 x 0,25)		362 500 ✓✓
Balance at the end of year	check operations	2 075 500 ✓

10

1.2.1 Calculations

Total depreciation for the year		
Vehicles	Equipment	Answer
4 220 000 x 20/100 = 844 000 ✓	Old 968 000 ✓ – (327 000 – 18 000) ✓✓ = 659 000 x 15/100 = 98 850 Asset disposal 40 000 – 18 000 = 22 000 ✓ x 15/100 x 7/12 ✓ = 1 925	844 000 + 98 850 + 1 925 = 944 775 ✓
Profit/Loss on sale of fixed asset		
See above → 40 000 – (18 000 + 1925) = 20 075 Carry value 22 500 ✓ – 20 075 ✓ see calculation above, don't accept only 18 000 OR: 19 925 + 22 500 – 40 000 = 2 425		Answer Profit of R2 425 ✓

(7)
See amount in
Income
statement

1.2.2 Trading stock deficit

Momsen: 275 x 6 750 = 1 856 250 ✓ Avalance: 90 ✓ x 3 500 = 315 000 ✓ (640 – 550) = 2 171 250 ✓	Answer (2 340 000 – 2 171 250) = 168 750 ✓ See amount in Income statement
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(5)

1.3 Statement of Comprehensive Income for the year ended 30 June 2025.

Sales		13 500 000
Cost of sales (13 500 000 + 275 000 ✓) x 100/250 ✓		(5 510 000) ✓
Gross profit		7 990 000 ✓
Other operating income		771 745 ✓
Commission income (589 070 + 180 250 ✓✓)		769 320 ✓
Profit on sale of fixed asset		2 425 ✓
Gross operating income	[9]	
Operating expenses		
Salaries and Wages		2 740 000
Audit fees (356 250 x 100/75) or +118 750 ✓✓		475 000 ✓
Sundry operating expenses (252 500 – 53 000 ✓✓) 13250x4		199 500 ✓
Directors' fees (1 278 800 x 48/46) ✓ OR (1 278 800 + 55 600) OR (1 278 800 + 83400 – 27 800)		1 334 400 ✓
Consumables stores (815 800 + 7200 ✓ – 18 000 ✓)		805 000 ✓
Depreciation		944 775 ✓
Trading stock deficit		168 750 ✓
Operating profit	[13]	2 094 320
Interest income	balance figure Must be PBIE - OP	176 680 ✓
Profit before interest expense	Check operation	2 271 000 ✓
Interest expense (38 500 x 12) 2 300 000 – 1 984 000 – 462 000		(146 000) ✓✓
Net Profit before tax (100/32 x 680 000)	100% ↑	2 125 000 ✓
Income tax (32 750 + 647 250)	32%	(680 000) ✓✓
Net Profit after tax (68/32 x 680 000)	Check calculation [8]	1 445 000 ✓

30

TOTAL MARKS
[55]

QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS

(45 marks; 35 min)

2.1	Choose the correct word.	
2.1.1	operating asset ✓	
2.1.2	operating activity ✓	
2.1.3	profitable ✓	

3

2.2.1	Calculate the following financial indicators:	
	Debt – Equity ratio	
	WORKINGS 900 000 ✓ : 8 980 300 ✓	ANSWER 0,1 : 1 <input checked="" type="checkbox"/> Must be x:1
	Earnings per share (EPS)	(3)
	WORKINGS $\frac{968\,800 \checkmark}{(800\,000 + 200\,000) \checkmark \checkmark} \times 100$ Don't accept 910 000 share – repurchase shares qualify for dividends	ANSWER 96,8 cent Accept 97 cent <input checked="" type="checkbox"/> Answer must be in cents for part mark
	Net asset value	(4)
	WORKINGS $\frac{8\,281\,000 + 699\,300 \checkmark \checkmark}{910\,000 \checkmark} \times 100$	ANSWER 986,85 cent <input checked="" type="checkbox"/>
	% Return on average shareholders' equity (ROSHE)	(4)
	WORKINGS $\frac{968\,800 \checkmark}{\frac{1}{2} (7\,411\,500 \checkmark + 8\,980\,300 \checkmark)} \times 100$ 8 195 900	ANSWER 11,8% <input checked="" type="checkbox"/> one part correct calculated as %
		(4)

2.2.2	
CASH FLOW STATEMENT ON 28 February 2025	
CASH FROM OPERATING ACTIVITIES	
Cash from Operations	
Interest paid	(88 000)
Dividend paid (160 000 ✓ + 280 000 ✓✓) <i>Interim dividend</i>	(440 000) ✓
Income tax paid (23 800 ✓ + 415 200 ✓ + 4 500 ✓)	(443 500) ✓
CASH FROM INVESTING ACTIVITIES	
Purchase of Fixed assets (9 528 300 ✓ + 48 000 ✓ + 234 000 ✓ - 8 320 300 ✓) <i>(accept reverse signs)</i>	(1 490 000) ✓
Proceeds from the sale of assets	48 000
Change in fixed deposit (22 500 x 100/4,5) ✓✓	500 000 ✓
CASH FROM FINANCING ACTIVITIES	
Proceeds from the sale of shares (8 281 000 ✓ + 819 000 ✓ - 7200 000 ✓) <i>(accept reverse signs)</i>	1 900 000 ✓
Repurchase of shares (81 000 ✓ + 819 000 ✓✓)	(900 000) ✓
Change in Loans	(300 000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	271 500 ✓
CASH AND CASH EQUIVALENTS – BEGIN (5000 – 220 000)	(215 000) ✓✓
CASH AND CASH EQUIVALENTS – END	56 500

Must be in bracket for mark

27

TOTAL MARKS
[45]

QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION (35 marks; 30 min)

3.1 REDBULL Ltd.

3.1.1	Solvency and Liquidity:
	<p>Comment on the solvency of the company. Quote one financial indicator with figures. Financial indicator financial indicators – ✓✓ Figures – ✓✓</p> <p>Solvency has decreased from 5:1 to 2:1.</p>
	<p>Explain why the directors are concerned with the change in the liquidity of the company. Quote two financial indicators with figures. Financial indicator: financial indicators – ✓✓✓ Figures WITH TREND – ✓✓✓ Do not accept Current ratio</p> <p>Acid test ratio decreased from 1,4 : 1 to 0,8 : 1. Stock turnover rate decreased from 8 times to 5 times.</p>

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3.1.2	Earnings, return and share price on the JSE:
	<p>Comment on the % return and earnings per share of the company. Quote two financial indicators with figures.</p>
	<p>Financial indicators financial indicators – ✓✓✓ Figures – ✓✓✓</p> <p>ROSHE decreased from 8,7% to 5,3%. The return rate at 5,3% is lower than interest on investments at 6,5%.</p> <p>EPS decreased from 96c to 72c suggesting the company is less profitable in 2025 than in 2024.</p>
	<p>Comment on the share price on the JSE and how the % return and earnings per share have affected the share price. Quote figures.</p>
	<p>Comment: ✓✓✓ The market price decreased from 920c to 840c on the JSE.</p> <p>Reason for change in share price ✓✓✓</p> <p>Due to lower profitability and return, the demand for shares decreased. Not good return on investment in company.</p>

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3.1.3	Risk and Gearing:
	Explain how the loan affected the risk and gearing and whether or not it was a good idea to increase the loan. Quote TWO financial indicators with figures.
	<p>Financial indicators</p> <p>Two financial indicators – ✓✓ Figures – ✓✓</p> <p>Debt-equity ratio increased from 0,3 : 1 to 0,4 : 1</p> <p>Return on total capital employed (ROTCE) decreased from 11,6% to 6,2%.</p> <p>Comment ✓✓</p> <p>Increase in the loan was not effectively used to improve profitability. Debt-equity increased but is still low risk.</p> <p>A negative gearing is maintained, interest rate of 12 % and ROTCE at 6,2%.</p>

6

3.1.4	Shareholding:
	Comment on the issue price decided by the directors.
	<p>Comment with figures: ✓✓</p> <p>The issue price of 650c is lower than the market price on JSE of 840c as well as the NAV of 732c. More funds could be obtained at a market-related price.</p>
	Explain how Scott’s decision affected his % shareholding.
	<p>Show Calculation</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> $\frac{360\,000}{5} = 72\,000 \text{ shares}$ $360\,000 + 72\,000 = 432\,000 \text{ shares } \checkmark\checkmark$ </div> <div style="width: 45%; border: 1px solid black; padding: 10px;"> $\frac{432\,000}{850\,000} \times 100$ $= 50,8\% \checkmark$ </div> </div>
	Give TWO reasons why Scott might have made this decision.
	<p>Reasons: Any TWO valid reasons ✓✓ ✓✓</p> <p>He was able to buy the shares at the same price as 4 years ago. (cheaper than JSE) Scott is now the majority shareholder and can now implement recovery plan for company.</p>

9

3.1.5	Dividends:
	One of the directors feels that the Dividends pay-out rate (%) should have remained constant.
	<p>Calculation ✓✓ Don't accept 48c as constant</p> <p>Dividend pay-out rate increased from 50% (48/96) to 66,7% (48/72)</p> <p>Reason ✓</p> <p>If 50% was paid out again 36c of the earnings would be retained for reserve funds.</p>
	Explain (with figures) why one of the shareholders, Hannah McMillan, feels that the dividends she earns in REDBULL Ltd. are not as good as those that she earns in BLUEBULL Ltd.
	<p>Compare REDBull VS BLUEBull ✓✓ Figures ✓</p> <p>The price per share Hannah paid for REDBULL Ltd., 920c, is more than double the price of BLUEBULL Ltd. of 400c. She expects the DPS to more than double, 48c versus 34c.</p> <p>REDDBULL Ltd.: $48/920 = 5,2\%$</p> <p>BLUEBULL Ltd.: $34/400 = 8,5\%$</p>

6

TOTAL MARKS
[35]

QUESTION 4: AUDIT REPORTS AND CORPORATE GOVERNANCE (15 marks; 10 min)

4.1	Types of independent auditor's reports	
4.1.1	Qualified ✓	
4.1.2	Unqualified ✓	
4.1.3	Disclaimer of opinion ✓	

3

4.2	<p>Explain why directors should be interested in the price of their company's shares on the JSE.</p> <p>Any valid reason ✓✓</p>
	<ul style="list-style-type: none"> • It shows public confidence in the company. • Can be compared to other companies. • A higher market value can enhance the company's ability to attract investors, secure financing. • The share price influences the company's public image and reputation.

2

4.3.1	<p>Explain where, why and when the financial statements and audit report are expected to be presented.</p>
	<p>Where: at AGM, annual report at AGM, Publish in newspapers, Internet. ✓</p> <p>Why: Companies Act requires that financial statements of Public companies be audited. ✓</p> <p>When: End of the financial year after completion of audit process. ✓</p>

3

4.3.2	State TWO practices that can help to maintain the integrity of accounting records within the company.
	<p>Two Practices - ✓✓ ✓✓</p> <ul style="list-style-type: none"> • Establishing clear policies and procedures. • Monitoring and reviewing financial data regularly. • Implementing effective internal controls and safeguards to prevent any data errors or fraud. (division of duties/ authorisation levels/reconciliation processes/recovery systems. • Using reliable and integrated software tools. • Training and educating employees regularly.

4

4.4	Consider the scenario which arose in a business. In your opinion:
•	Comment on CEO's choice to sell his shares: This is insider trading from CEO, and it is illegal. ✓
•	Shareholders reaction: It must be made public. Alert the board of directors who should hold the CEO accountable for his actions. ✓
•	Consequence for guilty party: CEO could be imprisoned, fined or could be prohibited from operating as a director. ✓

3

TOTAL MARKS
[15]