

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



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 incorrect at least in part.
9. Codes: f=foreign item; p=placement/presentation.

QUESTION 1: FINANCIAL STATEMENTS: Statement of Financial Position.

(40 marks; 30 min)

1.1 Calculate the **correct Net Profit after tax.**

Workings	Answer
Incorrect Net Profit	1 705 600
Directors fee (1 334 400 – 1 278 800)	(55 600) ✓✓
Rent income (3 x 13 000) Also accept a calculating together for 4 marks	39 000 ✓✓ (16 600)
Packaging material must be positive for mark	15 300 ✓
Provision for bad debts adjustment (35 450 – 33 400) ✓	2 050 ✓
Repairs	440 000 ✓✓
Interest on Loan	(266 000) ✓✓
Salaries (1 250 000 x 0,56) = 700 000 x ¼ ✓ Amount must be positive for marks.	175 000 ✓
Correct Net Profit before tax	2 055 350 ✓
Income tax	(617 000)
Net Profit after tax Check calculation	1 438 350 ✓

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1.2

Statement of Financial Position:	
FAST Ltd. on 29 February 2024	
ASSETS	
NON – CURRENT ASSETS	12 650 000 <input checked="" type="checkbox"/>
Fixed assets (11 060 000 + 440 000) ✓	11 500 000 ✓
Fixed deposit	1 150 000
	(3)
CURRENT ASSETS	1 498 350 <input checked="" type="checkbox"/>
Inventory (828 500 + 15 300 ✓ – 48500 ✓✓)	795 300 <input checked="" type="checkbox"/>
Trade and other receivables (668 000 – 33 400 <input checked="" type="checkbox"/> + 58 000 ✓✓) SEE 1.1	692 600 <input checked="" type="checkbox"/>
Cash and cash equivalents	10 450
TOTAL ASSETS	14 148 350 <input checked="" type="checkbox"/>
	(10)
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	11 000 000
Ordinary Shares Capital	10 150 000
Retained Income	850 000
NON – CURRENT LIABILITIES	
Loan: Furious Bank (1 984 000 ✓ – 316 000 ✓)	1 668 000 <input checked="" type="checkbox"/>
CURRENT LIABILITIES	1 480 350
Trade and other payables (629 000 + 16 600 <input checked="" type="checkbox"/> – 48 500 ✓) SEE 1.1	597 100 <input checked="" type="checkbox"/>
Short term portion of loan	316 000 <input checked="" type="checkbox"/>
Shareholders for dividends (700 000 x ¾) ✓	525 000 <input checked="" type="checkbox"/>
Bank overdraft Balancing figure	42 250 <input checked="" type="checkbox"/>
TOTAL EQUITY AND LIABILITIES	14 148 350 <input checked="" type="checkbox"/>
	(12)

25

TOTAL MARKS
[40]



QUESTION 2: CASH FLOW STATEMENT, NOTES AND FINANCIAL INDICATORS

(55 marks; 50 min)

2.1	List of items in annual report	
2.1.1	C – Cash flow statement ✓	
2.1.2	D - Director's report ✓	
2.1.3	A - Statement of Comprehensive Income ✓	

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2.2.1 Ordinary Share Capital

1 200 000 ordinary shares

480 000	Shares issued on 1 May 2023	1500 000 ✓
220 000 ✓	Shares issued during the year	460 000 ✓
(50 000) ✓	Repurchase of shares @ R2,80 ✓	(140 000) ✓
650 000 ✓ ✓	Shares issued on 30 April 2024	1 820 000

NOT AWARDED OR 220 000

NAV = 425 cent $(1\ 820\ 000 + 942\ 500) \div 4,25$
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Retained income

Balance at beginning of year		732 500 ✓
Net profit after tax (360 000 ✓ x 70/30 ✓)	ONE PART CORRECT	840 000 ✓
Repurchase of shares (220 000 ✓ – 140 000 ✓)		(80 000) ✓
Ordinary share dividends		(550 000) ✓
Interim (700 000 ✓ x 0,21)	if x 0,21	147 000 ✓
Final (650 000 ✓ x 0,62)	if x 0,62	403 000 ✓
Balance at end of year		942 500

Check calculation

12



2.2.2	Calculate the Income tax paid.																									
	WORKINGS <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <th colspan="4" style="text-align: center;">SARS</th> </tr> <tr> <td style="width: 10%;">BANK</td> <td style="width: 10%;">#</td> <td style="width: 10%;">369 800</td> <td style="width: 10%;">Balance</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">b/d</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">22 600</td> </tr> <tr> <td>Balance</td> <td>c/d</td> <td>12 800</td> <td>Income tax</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">360 000</td> </tr> </table> $22\ 600 \checkmark + 360\ 000 \checkmark - 12\ 800 \checkmark$	SARS				BANK	#	369 800	Balance				b/d				22 600	Balance	c/d	12 800	Income tax				360 000	ANSWER 369 800 <input checked="" type="checkbox"/>
SARS																										
BANK	#	369 800	Balance																							
			b/d																							
			22 600																							
Balance	c/d	12 800	Income tax																							
			360 000																							
	Calculate the dividends paid.																									
	WORKINGS $220\ 500 \checkmark + 147\ 000 \checkmark$ <i>Check 2.2.1 interim dividend</i>	ANSWER 367 500 <input checked="" type="checkbox"/>																								
	Calculate the net change in cash and cash equivalents.																									
	<table border="1" style="width: 100%;"> <tr> <td style="width: 70%;">Net change in cash and cash equivalents</td> <td style="text-align: right;">105 000 <input checked="" type="checkbox"/></td> </tr> <tr> <td>Cash equivalents starting balance (22 000 <input checked="" type="checkbox"/> - 35 600 <input checked="" type="checkbox"/>)</td> <td style="text-align: right;">(13 600) <input checked="" type="checkbox"/></td> </tr> <tr> <td>Cash and cash equivalents end balance</td> <td style="text-align: right;">91 400 <input checked="" type="checkbox"/></td> </tr> </table>	Net change in cash and cash equivalents	105 000 <input checked="" type="checkbox"/>	Cash equivalents starting balance (22 000 <input checked="" type="checkbox"/> - 35 600 <input checked="" type="checkbox"/>)	(13 600) <input checked="" type="checkbox"/>	Cash and cash equivalents end balance	91 400 <input checked="" type="checkbox"/>																			
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Cash and cash equivalents end balance	91 400 <input checked="" type="checkbox"/>																									

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2.2.3 Cash flow from investing activities

Purchase of fixed assets (3 890 000 <input checked="" type="checkbox"/> + 26 900 <input checked="" type="checkbox"/> + 22 000 <input checked="" type="checkbox"/> - 3 328 000 <input checked="" type="checkbox"/>)	(610 900) <input checked="" type="checkbox"/>
Proceeds on sale of asset	22 000
Fixed deposit matured (210 000 x 1/2) <input checked="" type="checkbox"/>	105 000 <input checked="" type="checkbox"/>
	(483 900) <input checked="" type="checkbox"/>

MUST BE BRACKET FOR PART MARK
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8



2.2.4	Calculate the following financial indicators:				
	Mark-up percentage on Cost of sales				
	WORKINGS $\frac{1\ 890\ 000 \checkmark}{(6\ 090\ 000 \checkmark - 1\ 890\ 000 \checkmark)} \times 100$ $4\ 200\ 000$	ANSWER 45% <input checked="" type="checkbox"/> one part correct calculated as %			
	Debt – Equity ratio				
	WORKINGS 1 135 000 <input checked="" type="checkbox"/> : 2 762 500 <input checked="" type="checkbox"/>	ANSWER 0,4 : 1 <input checked="" type="checkbox"/> Must be x:1			
	% Return on shareholders' equity (ROSHE)				
	WORKINGS <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">840 000 <input checked="" type="checkbox"/> RI 2.2.1 check calculation</td> <td rowspan="2" style="width: 20%; text-align: center; vertical-align: middle;">X 100</td> </tr> <tr> <td>$\frac{1}{2} \checkmark (2\ 232\ 500 \checkmark + 2\ 762\ 500 \checkmark)$ 2 497 500</td> </tr> </table>	840 000 <input checked="" type="checkbox"/> RI 2.2.1 check calculation	X 100	$\frac{1}{2} \checkmark (2\ 232\ 500 \checkmark + 2\ 762\ 500 \checkmark)$ 2 497 500	ANSWER 33,6% <input checked="" type="checkbox"/> one part correct calculated as %
840 000 <input checked="" type="checkbox"/> RI 2.2.1 check calculation	X 100				
$\frac{1}{2} \checkmark (2\ 232\ 500 \checkmark + 2\ 762\ 500 \checkmark)$ 2 497 500					

12

TOTAL MARKS
[55]



QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(35 marks; 25 min)

3.1	Choose the correct word.	
3.1.1	Solvency ✓	
3.1.2	Profitability ✓	
3.1.3	Gearing ✓	
3.1.4	Liquidity ✓	

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3.2 FURIOUS Ltd.

3.2.1	The directors are satisfied with the improvement in the current ratio and the acid-test ratio. Explain why you would disagree with them. Quote TWO other financial indicators in your response.
	<p>Financial indicators Two financial indicators – ✓✓ Figures – ✓✓</p> <ul style="list-style-type: none"> • Stockholding period increased from 63 days to 102 days • Average debtors' collection period increased from 31 days to 46 days <p>Do not accept current ratio and acid-test ratio – no marks</p>
	<p>Explanation ✓✓</p> <p>The liquidity is not good, although there is an improvement in current ratio and acid-test ratio, debtors takes longer to pay off debt and the company is holding too much stock. Too much cash is tied up in inventory.</p>

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3.2.2	Dividends:
•	Comment on the dividend per share over the last two years. Quote figures.
	DPS decreased from 91 cents to 72 cents. ✓✓
•	Explain the change in the dividend pay-out rate and give a reason for this change. Quote figures.
	<p>Dividend pay-out rate increased from 70% to 124,1%. Higher pay-out rate. ✓✓</p> <p>Give a reason for this change.</p> <p>Directors see to keep shareholders happy over low profitability. ✓✓</p> <p>Dividends paid from previous years retained income.</p>
•	Jakob Toretto feels that he is more satisfied with the dividends he received at FURIOUS Ltd. Explain why you agree with him. Show calculation and quote figures.
	<p>Show calculation</p> <p>FAST has a pay-out rate of 46,9% - $\frac{92 \text{ cents}}{196 \text{ cents}}$ ✓✓</p> <p>Explanation</p> <p>If Furious Ltd. had paid out a pay-out of 46,9% shareholders would have received only 27cents DPS. ✓</p>



3.2.3	<p>Comment on the risk and gearing for both years. Quote TWO financial indicators (with figures).</p>
	<p>Financial indicators</p> <p>Two financial indicators – ✓✓ Figures – ✓✓</p> <p>Debt-equity ratio increased from 0,2 : 1 to 0,4 : 1</p> <p>Return on total capital employed (ROTCE) decreased from 32% to 19,2%</p> <p>Comment</p> <p>Increase in the loan <u>was not effectively</u> used to improve profitability. ✓</p> <p>Although a positive gearing is still maintained, interest rate of 13,5 % and ROTCE at 19,2%✓</p>

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3.2.4	<p>Existing shareholders are unhappy that the new shares issued on 1 July 2023 have been sold to the CEO, Brian O’Conner. Give TWO reasons why you think their feelings are justified. Show calculation and quote figures.</p>
	<p>Show Calculation Figures ✓✓</p> $\frac{562\,500}{250\,000} = R2,25 \quad \checkmark\checkmark$ <p>The shares were issued to Brian O’Conner at a lower price. R2,25 is lower than the Net Asset value of R3,91 and the Market price of R4,50.</p> <p>Must compare R2,25 to 2023 figures as the sales of shares is at beginning.</p> <p>Reason - two reasons ✓ mark each</p> <ul style="list-style-type: none"> • Company loses out on additional funds because shares were issued for such a low price. Low issue price causes net assets to decrease. • Available shares must be advertised. CEO has unfair influence on the shares and issue price. (inside trading)

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3.2.5	The Cash Flow Statement showed a positive change of R1 470 000. Give TWO reasons why this should still be a concern for the directors. Quote figures.
	<p>Two reasons - ✓ ✓ figures - ✓✓</p> <ul style="list-style-type: none"> • Cash flow from operating activities their outflow decreased (222 120). (2 marks) • Large part of R1 470 000 is due R977 000 loan increased / Financing activities increased by R1 539 000 is mainly because of loan increase of R977 000 • Sales of shares R562 500 (low issue price). • High dividends pay-outs of R1 387 500.

4

TOTAL MARKS
[35]


QUESTION 4: SHAREHOLDING AND CORPORATE GOVERNANCE (20 marks; 15 min)

4.1	Choose the correct word.	
4.1.1	Internal auditors ✓	
4.1.2	Limited ✓	
4.1.3	Non-Executive Directors ✓	
4.1.4	Pty Ltd. ✓	
4.1.5	Executive directors ✓	

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4.2.1	Calculate the percentage shareholding of Canal+ in Multichoice.
	$\frac{140\ 160\ 277}{442\ 512\ 678} \times 100$ <p>= 31,67 ✓✓ also accept 31,7</p>
4.2.2	Why is Canal+ so determined to acquire the shares?
	To become a majority shareholder. ✓
4.2.3	Provide TWO benefits for Canal+ if they acquire the shares.
	<p>Two Benefits - ✓✓ ✓✓</p> <ul style="list-style-type: none"> • Wants to have full control over company. • Wants to be able to influence all decisions of the company in future. • Wants to be able to address the issue of incompetent directors / the influence of new hires that can contribute to the growth of the company. <p>One-mark options</p> <ul style="list-style-type: none"> • To get more dividends. • Improve capital gains on the shares or increase the price of shares.

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4.3.1	Why does the CEO use the above as an argument to Multichoice as a reason to why they are interested in the shares?
	<p>Corporate social responsibility.</p> <p>Canal+ is prepared to fulfil their corporate social responsibility as well as the sustainability of the company. ✓✓</p>
4.3.2	In which report will the non-financial information be communicated in the AGM?
	Directors Report ✓✓
4.3.3	What do you understand by the “Three-part baseline” reporting?
	<p>One valid point ✓✓</p> <p>The goal is not just profit, but prosperity for all. This is a recommendation of the King Code which encourages companies to concentrate on the positive and negative effect that an organisation has on community and environment / planet</p>
4.3.4	Briefly explain what you understand by “good corporate governance”.
	<p>One valid point ✓✓</p> <ul style="list-style-type: none"> • Manage the business in an ethical and transparent manner/ ensure fairness and accountability to build a successful organization. • Look after the interests of the employees, the community, the environment and all other stakeholders involved in the company. • To ensure that proper rules and procedures are in place and implemented.

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TOTAL MARKS
[20]