



**EXAMINATIONS AND ASSESSMENT CHIEF DIRECTORATE**

Home of Examinations and Assessment, Zone 6, Zwelitsha, 5600

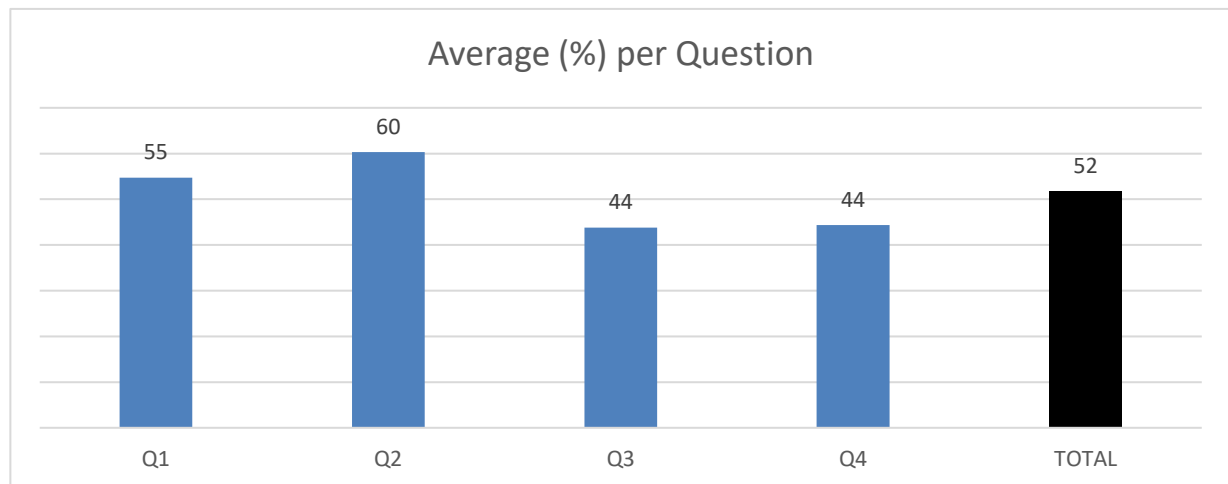
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**2023 NSC CHIEF MARKER'S REPORT**

<b>SUBJECT</b>	<b>ACCOUNTING</b>	
<b>PAPER</b>	1	
<b>DURATION OF PAPER:</b>	2 Hours	
<b>PROVINCE</b>	EASTERN CAPE	
<b>DATES OF MARKING</b>	7 – 19 DECEMBER 2023	

**SECTION 1: (General overview of Learner Performance in the question paper as a whole)**

The graphs below are based on data from a random sample of 100 candidates, who attempted the questions, across different districts in the province. They provide a clear picture of the general performance in each question.



Question	Topic/s
1	Company Financial Statements
2	Cash Flow Statement and Financial Indicators
3	Interpretation of Financial Information
4	Corporate Governance

**SECTION 2: Comment on candidates' performance in individual questions**

<b>QUESTION 1</b>									
(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?									
<p style="text-align: center;"><b>Average (%) per sub-question</b></p> <table border="1"> <caption>Average (%) per sub-question</caption> <thead> <tr> <th>Sub-question</th> <th>Average (%)</th> </tr> </thead> <tbody> <tr> <td>1.1</td> <td>69</td> </tr> <tr> <td>1.2</td> <td>55</td> </tr> <tr> <td>1.3</td> <td>51</td> </tr> </tbody> </table>		Sub-question	Average (%)	1.1	69	1.2	55	1.3	51
Sub-question	Average (%)								
1.1	69								
1.2	55								
1.3	51								
1.1	Calculate the value of closing stock using the FIFO method								
1.2	Complete the Statement of Comprehensive Income								
1.3	Complete the Statement of Financial Position								

<b>(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.</b>	
1.1	The number of bicycles returned was not taken into account to calculate the value of closing stock. The weighted average method was used in some responses. The number of units was calculated instead of the value of closing stock.
1.2	Trade discount was deducted from cost of sales. The mark-up of 120% was applied incorrectly. The calculation for trading stock deficit did not take the closing stock (calculated in 1.1 in account). Cost of sales could be calculated by working from the bottom up. Items that should be recorded in the SOCI are placed in the SOFP and vice-versa (format of financial statements). Commission income was treated as received in advance. Fee income adjustment was a challenge with the 5% increase. Director's fees - they made it too complicated for themselves; it is a word sum. Rent expense proof to be the biggest challenge as it was to be calculated according to square meters of space. Some candidates calculate figures in the shaded areas or ignore shaded areas and calculate missing figures. A challenge for some to use figures in millions and making calculation mistakes/errors. They wasted time by calculating figures for the shaded areas.

1.3	Some candidates do not know the format of the SOFP. Figure for trading stock in the SOFP - Some used the pre-adjustment figure, others add the figure calculated in 1.1 to the pre-adjustment. Figures for trade and other payables are used under trade and other receivables and vice-versa. Workings not indicated to score method marks. The amount for income tax owed indicated as either provisional income tax amount or the amount as per the SOCI. Could not calculate ordinary shareholders equity given the net asset value per share. The information on fixed deposit was treated incorrectly, current portion was not placed with cash and cash equivalents.
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**(c) Provide suggestions for improvement in relation to Teaching and Learning**

Make use of different mark-up percentages in revision using the same activity. Provide learners with sheets to calculate the missing details and figures for financial statements.

Use examples on mark allocation for workings for learners to understand why the show of workings is important. Ensure learners know how to use their calculators. Teach SOCI and SOFP at the same time. Stock evaluation should not be seen as a topic for paper 2 only because figures which will appear in the financial statements will be assessed in Paper 1.

Clarity to candidates when an adjustment indicates that a transaction was recorded or not recorded. Differentiate between Balance sheet and Nominal accounts – to avoid foreign entries. How to read, analyse an adjustment (2 accounts affected, 2 statements).

How to split the figures in groups of three: Example 10 / 000 / 000 (to teach them to write and read millions). Use T-accounts to teach adjustments, numbering N or B accounts to assist them when they have to enter the amounts in the statements. They need to know that  $A = OE + L$  and that income and expenses affects OE. Make use of peer teaching.

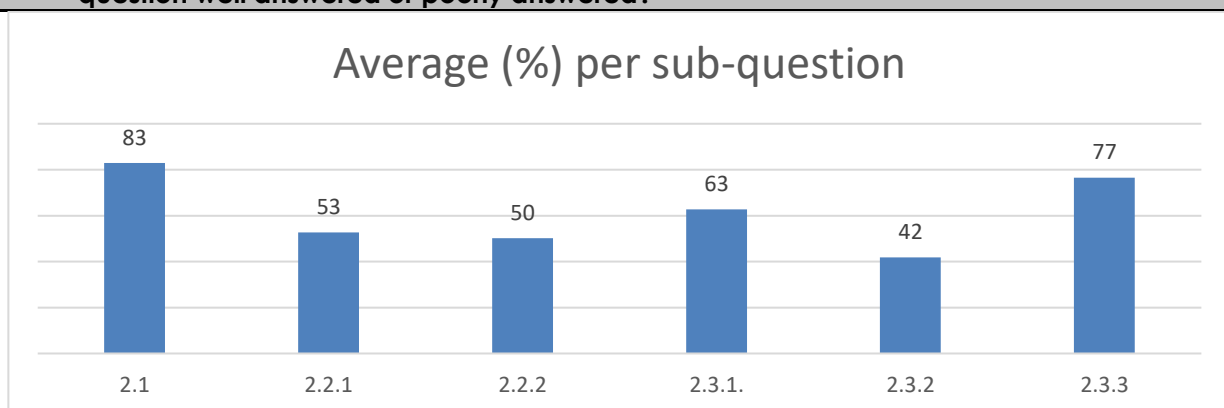
**(d) Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.**

Provide extra resources to educators to improve the understanding of formats for financial statements – ensure that teachers are using these resources.

Encourage team teaching in clusters. Make use of activities to complete both the SOCI and SOFP together. In SOCI candidates calculate commission income/Fee income as missing figures – They did not consider the shaded areas. Use past papers with shaded areas as revision for learners to understand why some areas are shaded.

**QUESTION 2**

**(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?**



- 2.1 Ordinary Share Capital Note
- 2.2.1 Cash flow of operating activities
- 2.2.2 Cash flow of financing activities
- 2.3.1 Net asset value per share
- 2.3.2 Dividend payout rate
- 2.3.3 % return on average shareholders' equity

**(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.**

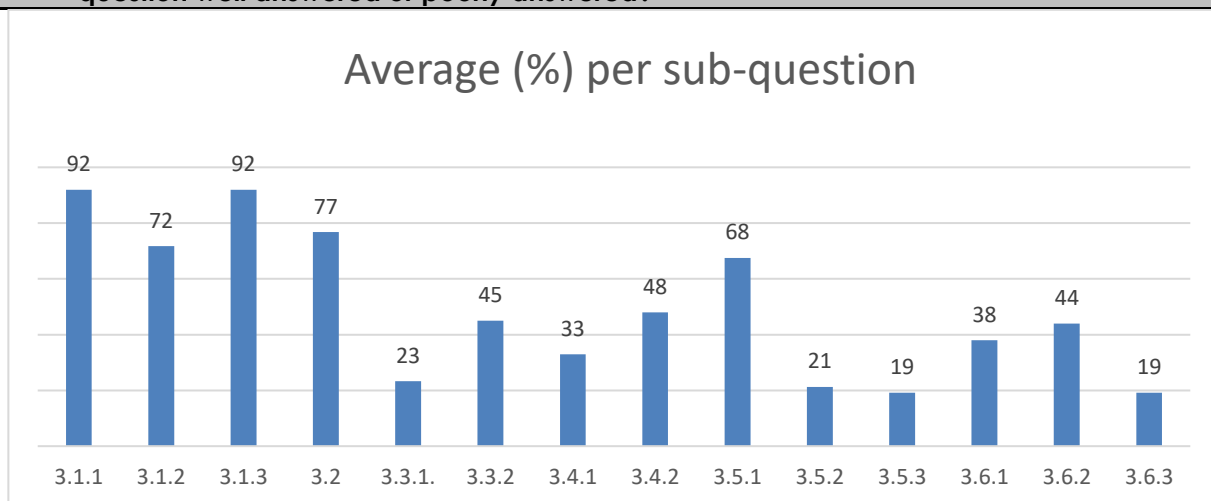
2.1	The calculation of average share price and how to split repurchase price of shares between ordinary share capital note and the cash flow statement. A penalty was given for incorrect / not any details given in the note.
2.2	Cash flow from operating activities and financing activities
	Income tax. Calculation of tax expense from amounts given and if the balance should be added to the expense or deducted. Calculation of dividends paid – the figures for the two ways of calculating are mixed-up, i.e. i) opening balance plus interim dividend and ii) opening balance plus total dividends minus final dividends. The correct figures were calculated but brackets were not used to indicate an outflow of cash. Lack of understanding which details to be placed in the components of the cash flow statement. Calculating the change in loan from the loans statement given.
2.3	Calculation of the dividend payout rate – Incorrect method used to calculate interim and final dividend.  % return on average shareholders' equity – average shareholders' equity was not used in the calculation and therefore the method mark for the final answer was not awarded.

<b>(a) Provide suggestions for improvement in relation to Teaching and Learning</b>	
2.1	Calculation of the average share price - calculate the average share price using all the options in different scenarios. E.g. repurchase before issuing of additional shares or repurchase after issuing of additional shares. Ensure a good understanding of how to calculate average share price, the difference between average share price, repurchase price and price above average share price.
2.2	The format of the cash flow statement should be understood as candidates do not know where to place certain information. Compare this with questions where these figures are required to be done as a calculation (not in the CFS) where brackets are not needed as oppose the brackets if required in the CFS. Apply the same figures in different scenarios to calculate income tax and dividends and also using T-accounts.
2.3	Dividend payout policy is not well understood and contributes to incorrect calculation of dividend payout rate. Consider the number of shares to calculate dividends paid for interim and final dividend. 1 200 000 shares were used instead of 1 410 000. % return on average shareholders' equity – should be divided by the average shareholders' equity ( $\frac{1}{2}$ ). Identify financial indicators using the formula sheet provided in the question paper. Remember 'value' relates to cents and "rate" to percentage.

(d)	Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.
	The application of brackets and use of workings for indicating outflow of cash. Indication wrong symbols for financial indicators, e.g. % instead c; etc. Analysis of cash flow statements in terms if discussions around decisions to be taken by directors for e.g. on financing activities.

### QUESTION 3

(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?



3.1 Concepts – Matching

3.2 Liquidity

3.3.1 What were the causes for the change in the debt-equity ratio?

3.3.2 Explain why it was wise for the company to make more use of loans. Quote and explain ONE other financial indicator to support this opinion.

3.4.1 Explain one financial indicator which indicates that a concerned shareholder should not be satisfied with the change in the dividend policy of the company.

3.4.2 Explain whether the shareholders should be satisfied with the earnings and returns of the company. Quote TWO financial indicators.

3.5.1 Identify the effect that the repurchase of Nathan's shares had on his % shareholding.

3.5.2 Explain how the company was able to raise approximately R4,4 million to finance the repurchase of shares and dividends earned by shareholders

3.5.3 Give TWO reasons why the decision to repurchase Nathan's shares should be considered as irresponsible.

3.6.1 The CFO (chief financial officer) has a significant influence on the success of a company.' Explain why you would agree with this statement.

3.6.2 Explain whether the directors should be satisfied or not with the share prices of the companies at the end of the financial year.

3.6.3 The CEO (chief executive officer) of Guardian Ltd intends to offer the vacant position of CFO to Nathan Crewe in March 2023. Explain ONE point of advice to the CEO.

<b>(b) Why was the question poorly answered? Also provide specific examples, indicate common Errors committed by learners in this question, and any misconceptions.</b>	
3.1	Candidates could not always differentiate between an unqualified and a disclaimer of opinion report.
3.2	Identified the incorrect company or identified the correct company but quote the figures of the other company. Could not relate working capital to liquidity, even though it was typed in bold letters. The change in trend is indicated as "0.2" instead of "0.2:1"
3.3.1	Identify the causes in the change of the debt-equity was a huge challenge - could not relate it to loans and shareholders' equity. Many discussed ROTCE and liquidity indicators as a cause. Quoting liquidity indicators shows a lack of understanding that the debt-equity indicator relates to loans and shareholders' equity.
3.3.2	Some merely quoted the change in interest rate without mentioning ROTCE. A lack of understanding the relationship between ROTCE and interest rate on loans – positive gearing.
3.4.1	Candidates could identify the dividend pay-out rate but were not able to explain why the shareholders should be satisfied, or not. Other indicators mentioned incorrectly were NAV and market price per share.
3.4.2	Did not compare ROSHE with alternative investments to earn full marks. The expected financial indicators were EPS and ROSHE but ROTCE was also quoted.
3.5.1	To earn full marks the figures and trend should have been mentioned with a further comment that he is not anymore a majority shareholder.
3.5.2	Could not identify how the funds were raised. Debt equity and interest rate were incorrectly used here. Most candidates did not identify the bank overdraft as a response.
3.5.3	Reasons why decision to repurchase shares – indicates a lack of understanding in cash flow statements. Could not identify the risk or potential corruption
3.6.2	Lack of understanding the relationship between NAV & market price per share and what the implication is on the demand for shares. Financial indicators for DPS and EPS were often used as responses.
3.6.3	This question was not well answered at all. Responses were that it was a good idea to appoint Nathan – could not see the drop in trends of financial indicators for Navara Ltd.

**(c) Provide suggestions for improvement in relation to Teaching and Learning**

Encourage learners to describe the trends in basic terms e.g. decrease from 1,5 : 1 to 1,7 : 1, instead of decrease by 0,2 : 1 etc. Train learners on time-management when doing informal assessment. Drill learners on categories of financial indicators and the effect of it on business activities. Make use of the formula sheet as part of teaching financial indicators. Explain what the meaning of the indicator is, e.g. Debt-equity refers to loans and share capital (NCL + Equity). Start with learners to only identify the trend in activities. Provide more activities where two companies are involved with the same questions to get use to the different styles of answering. The use of recent question papers during the process of teaching and learning as an assessment strategy can expose learners to typical exam questions. Prepare learners on the expectations in answering analysis and interpretation questions. Identifying financial indicator and trends can assist learners to get 50% of the marks. Teach financial indicators as groups i.e. liquidity, risk and gearing etc. Use different terms e.g. working capital//liquidity/short term debt etc. Learners should highlight financial indicator/information in the question. Learners should be taught to understand rather than memorize financial indicators. Allow learners creativity by engaging in debate with them on (real-life scenarios) relating to this topic. Make use of the formulae sheet when teaching or revising financial indicators (make it relevant).

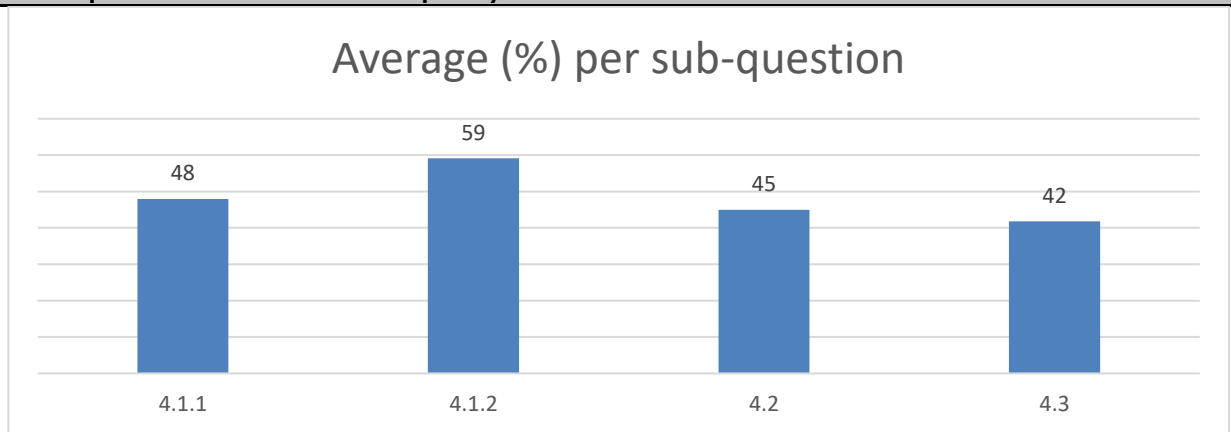
**(d) Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.**

Candidates do not respond to figures and trends as required in the question - figures are taken from question papers without indicating a trend e.g. in 2022 it was 55,2% and in 2023 it is 40,2%. Some only write figures and trends without the name of the financial indicator. It is evident that the style of questioning was mostly different from previous papers which could contributed to the misunderstanding of certain questions. Train teachers and organize to share best practices and strategies on how to teach the topic. Misinterpretation or not grasping the context between the two companies, or the negative influence of Nathan Crew. Highlight key instructions within a question (explain, cause, identify etc.). Encourage team teaching within in clusters to empower one another. Do diagnostic analysis of controlled tests and examinations as a guide to support improvement strategies on this topic. Expose learners to business news and newspaper articles.



**QUESTION 4**

**(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?**



- 4.1.1 Explain ONE duty of an internal auditor.
- 4.1.2 Give ONE reason why the accounting records of a listed company must be audited by an external auditor.
- 4.2 What would you say to Sally regarding her statement in the first paragraph about whistle-blowers not being willing to take a stand against corruption?
- 4.3 As a shareholder, explain THREE points that would concern you about the actions of the board of directors of Monaco Ltd. In EACH case, give a suitable reason for your concern.

**(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.**

4.1.1	Most candidates did not get full marks because they did not elaborate clearly on the duties of an internal auditor. Responses was that internal auditors PREPARE financial statements, which is incorrect. They did not use key words such as “implement, advice, and oversee” in the preparation of financial statements. Could not differentiate between the roles of internal, external auditors and CFO.
4.1.2	The most common response in this question: “ He provides an unbiased opinion” or “the internal auditor maybe corrupt”
4.2	Responses provided relates to corruption and not the whistle-blowers / unfair dismissal. It was evident that some learners did not understand the term “whistle-blower” and therefore just quoted from the extract to answer the question.
4.3	Learners lost marks because the reasons to a response is a repetition of a concern. Those who could not score marks in this question did not understand the extract and the roles of the parties involved. Many learners did not attempt the question, while others are pointing Sally as the one who is wrong by reporting the corruption and unethical behavior of the director. They believe that senior management is always right in their actions

**(c) Provide suggestions for improvement in relation to Teaching and Learning**

Ensure learners have a good understanding of the parties involved in the formation /running a company and their roles and responsibilities. The impact they have, the consequences for their actions as well the role of professional bodies. Many candidates perform poorly because they don't understand what is expected from them. Make more effort and time for corporate governance. Learners should be taught on how to give different answers, or look for more than one option to comment on. Many commented on the same point using different approaches and words. Make use of case studies to prepare learners in answering this type of questioning.

**(d) Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.**

Learners should not be taught to memorise previous year's questions on this topic and expect to get the same questions. Many candidates respond by using questions which relates to how questions were asked last year. Material on corporate governance should be developed by subject advisors and mediated with teacher on how to deliver this topic in class. Teachers must help learners to practice reading with understanding.