



# NATIONAL SENIOR CERTIFICATE

**GRADE 12**

**JUNE 2024**

## 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 (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 correct answer. If the answer is 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 and 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.

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This answer book consists of 10 pages.

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## QUESTION 1

1.1

1.1.1	Prospectus	✓
1.1.2	Shares	✓
1.1.3	Directors' Report	✓
1.1.4	Independent Auditors' Report	✓

4

1.2.1

**Calculate: The value of closing stock of AI generators using the Specific Identification-method.**

WORKINGS	ANSWER
$22\,400 \times 100/140 = 16\,000$ ✓ one part correct (either 22 400 or 100/140)	
$15 + 95 - 89 = 21$ ✓ $\times 16\,000$	336 000 ✓ One part correct

3

1.2.2

**Calculate the correct net profit after tax for the year ended 29 February 2024. Indicate '+' for increase and '-' for decrease at each adjusted amount.**

No	WORKINGS	ANSWER
	Incorrect net profit before tax	3 609 320
(ii)	Provision for bad debts adjustment (51 180 – 36 074)	+ 15 106 ✓✓*
(iii)	Profit on sale of asset (65 000 – 1)	+ 64 999 ✓
(iv)	Insurance (21 540 $\times$ 9/12)	+ 16 155 ✓✓*
(v)	Rent Income (213 300/2 370 = 90) 90 ✓ $\times$ 180 ✓ $\times$ 2 ✓	- 32 400 ✓*
(vi)	Consumable stores	+ 5 320 ✓
(vii)	Directors' fees (1 237 500 $\times$ 4/44)	- 112 500 ✓✓*
	Net profit before tax	3 566 000
	Income tax (3 566 000 $\times$ 30%)	- 1 069 800 ✓*
	Correct net profit after tax <span style="float: right;">operation</span>	2 496 200 ✓

14

\*One part correct



## QUESTION 2

2.1

2.1.1	Capital employed	✓
2.1.2	Outflow	✓
2.1.3	Net current assets / net working capital	✓

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2.2

MIMOSOA LTD

2.2.1

Cash Flow Statement for the year ended 30 September 2023

<b>CASH EFFECTS OF OPERATING ACTIVITIES</b>	795 500 <input checked="" type="checkbox"/>
<b>Cash generated from operations</b>	<b>2 229 940</b>
<b>Interest paid</b>	<b>(195 750)</b>
<b>Taxation paid</b> (53 200 ✓ + 497 400 ✓ + 48 090 ✓)	(598 690) <input checked="" type="checkbox"/>
<b>Dividends paid</b> (390 000 ✓ + 250 000 ✓) or (390 000 + 780 000 – 530 000) <small>ONE mark                      ONE mark for both</small>	(640 000) <input checked="" type="checkbox"/>
<b>CASH EFFECTS OF INVESTING ACTIVITIES</b>	
Fixed assets purchased (310 000 – 268 000)	(42 000) ✓ <input checked="" type="checkbox"/>
Proceeds from sale of fixed assets (250 000 ✓ + 80 000 ✓)	330 000 <input checked="" type="checkbox"/>
<b>CASH FLOWS OF FINANCING ACTIVITIES</b>	200 000 <input checked="" type="checkbox"/>
Proceeds from sale of shares (150 000 x 7)	1 050 000 ✓ <input checked="" type="checkbox"/>
Repurchase of shares (200 000 ✓ x 7 ✓)	(1 400 000) <input checked="" type="checkbox"/>
Change in loan (2 400 000 – 1 850 000)	550 000 ✓ <input checked="" type="checkbox"/>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1 483 500</b> <input checked="" type="checkbox"/>
<b>Cash (balance at the beginning of the year)</b> (509 500 – 145 700)	363 800 ✓ <input checked="" type="checkbox"/>
<b>Cash (balance at the end of the year)</b>	<b>1 847 300</b> <input checked="" type="checkbox"/>

25

NOTE: Allocate **method mark** for both 'one part correct' and 'correct sign'.

## 2.2.2 RETAINED INCOME NOTE

<b>Balance on 1 October 2022</b>	<b>914 020</b>
Net profit after tax (497 400 x 70/30)	1 160 600 ✓✓*
Repurchase of shares (200 000 x R1,70) <i>ignore brackets</i>	(340 000) ✓✓*
<b>Ordinary share dividends</b>	(780 000)
- Paid (25/100 x 1 000 000)	250 000 ✓✓*
- Recommended	530 000 ✓
<b>Balance on 30 September 2023</b> <i>must add NPAT and deduct OSD and repurchase of shares</i>	954 620 ✓*

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\*ONE part correct

2.2.3 The directors issued more shares to improve the cash flow. Thandi Manning, a shareholder, was against the decision and has raised her concerns at the AGM.  
Provide a reason for Thandi's opinion.

ONE valid answer ✓✓

Issuing more shares dilutes the returns to existing shareholders.

2

2.2.4 Calculate: Debt-equity ratio

WORKINGS	ANSWER
5 194 620 TWO marks 2 400 000 : (4 240 000 ✓ + 954 620 ✓)	0,5 : 1 ✓ ONE part correct
<b>Calculate: Acid test ratio</b>	
WORKINGS	ANSWER
2 951 600 TWO marks (1 104 300 ✓ + 1 847 300 ✓) : 1 678 900 ✓  OR 2 951 600 two marks (4 180 200 – 1 228 600) : 1 678 900 ONE mark      ONE mark      ONE mark	1,8 : 1 ✓ ONE part correct

3

4

TOTAL MARKS

45

## QUESTION 3

## 3.1 Purchase of shares:

**Explain why directors should be interested in the price of their companies' shares on the JSE.**

Any ONE valid answer ✓✓

- To compare with other companies.
- Shareholders will want to have capital growth on their investment.
- Directors will be judged on the performance of the shares as this reflects the performance of the company.
- It shows public confidence in the company.

2

**Calculate the number of additional shares in Mabhabs Ltd that Tiger was able to buy on the JSE in 2023.**

CALCULATION	Answer
375 000 ✓ / 7,50 ✓	50 000 shares ✓

One part correct

3

**Comment on the price that Tiger paid for these shares and give TWO reasons why he might have been satisfied to pay the price.**

FOR EACH COMPANY: - Comment with figures ✓✓ Reason ✓

**MABHABS**

JSE price exceeds NAV by 90 cents (R7,50 – R6,60)

Reason:

- He wants to be a majority shareholder.
- JSE price reflects public demand for the shares.
- He feels that there is potential for high returns.
- He can have more influence over decisions by the board of directors.

**LANDA**

JSE price is lower than NAV by 50 cents (R4,25 – R3,75)

Reason:

- Landa is earning high returns for him. (ROSHE 17,9%)
- The JSE price is a good deal compared to NAV.
- Optimistic about the future.

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## 3.2 Dividends, earnings and returns:

**Explain your opinion on which company has the better dividend pay-out policy. Give comparative figures.**

Mabhabs Ltd ✓

Retaining funds for future expansion ✓

OR

Landa Ltd ONE mark

Rewarding shareholders to keep them happy. ONE mark

**FIGURES:**

Mabhabs Ltd pays out 65% of their earnings (60c of 92c) ✓✓

Landa Ltd pays out 96% of their earnings (75c of 78c) ✓✓

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**Compare and comment on the % return on equity earned by each company.**

Mabhabs Ltd is not performing well ✓

ROSHE is 6,1% which is below the interest on investment of 7%. ✓

Landa Ltd is performing well ✓

ROSHE is 17,9% which is above the interest on investment of 7%. ✓

4

**Tiger feels that the earnings per share (EPS) of Landa Ltd is much better than that of Mabhabs Ltd. Explain why he feels this way.**

Comparison of EPS for both companies ✓ ✓

EPS of Mabhabs Ltd is 92 cents

EPS of Landa Ltd is 78 cents

Any ONE comparative comment – Financial indicator ✓ figure/s ✓ ✓

<b>MABHABS</b>	<b>LANDA</b>
EPS is earned on 450 000 shares – R414 000	EPS is earned on 1 300 000 shares – R1 014 000
ROSHE is 6,1%	ROSHE is 17,9%
Cost of shares is high – 750c or 660c	Cost of shares is low – 375c or 425c
Net profit after tax is R874 000 (92c x 950 000)	Net profit after tax is R1 950 000 (78c x 2 500 000)

\*Accept if a learner calculated EPS yield.

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### 3.3 Mabhabs Ltd was negatively affected more than Landa Ltd by the poor economy.

(a) **Explain TWO decisions taken by the directors of Mabhabs Ltd in response to the state of the economy, and how these decisions will affect the company in future.**

TWO valid decisions ✓ ✓ Figures ✓ ✓ Effect of decision on company ✓ ✓

<b>DECISION</b>	<b>EFFECT ON COMPANY</b>
Sold tangible assets, R2 000 000 / No new assets purchased, R0	Decrease in the infrastructure resulting in decrease in profits. Reduced infrastructure / no asset purchased could lead to cost saving.
Reduced investment, R750 000	Use of own funds invested to stabilise business.
Loan repaid, R1 700 000	Saving on interest / less risk.
Issued shares, R450 000	Use of more own capital to reduce risk.
Shares repurchased, R940 000	Downsizing to focus business activities on those that are more profitable.

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(b)

**Explain TWO decisions taken by the directors of Landa Ltd that affect risk and gearing. Quote and comment on TWO financial indicators.**

TWO valid decisions ✓ ✓    Figures ✓ ✓

- Increased loan, R3 200 000
- Sold shares, R400 000
- Repurchased shares, R0

TWO financial indicators with figures ✓ ✓    Comment on risk ✓    Comment on gearing ✓

FINANCIAL INDICATOR	COMMENT
ROTCE of 16% is higher than interest rate of 13%.	There is positive gearing.
Debt-equity ratio is 0,8 : 1	The degree of risk is high even though gearing is positive.

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TOTAL MARKS

40



## QUESTION 4

**4.1 Provide TWO consequences of neglecting the expectations of the stakeholders by the company.**

TWO valid points ✓✓ ✓✓

- Stakeholders will lose trust and confidence in the company
- Promote calls for boycotts, resignations or lawsuits.

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**4.2 Choose the audit opinion from COLUMN B that describes the audit report in COLUMN A. Write only the letter (A–C) next to the question numbers (4.2.1–4.2.3) in the ANSWER BOOK.**

4.2.1	B	✓
4.2.2	C	✓
4.2.3	A	✓

3

**4.3 (a) Which type of audit report will encourage shareholders to buy shares in a company?**

Unqualified audit report ✓

1

**(b) Explain why it is important for an independent auditor to be a member of a professional body.**

ONE valid point ✓

- So that readers of financial statements can have confidence in his opinion.
- Assurance to the public that he/she is well trained on an on-going basis.
- Disciplinary action if negligent in performing duties.
- Aware of latest legislation, e.g., IFRS, Companies Act, King Code, etc.
- Act in ethical manner.
- To benchmark quality of work.

1

4.4

**Explain the role of the remunerations committee. Give THREE points.**

Any THREE valid points ✓✓ ✓✓ ✓✓

- Review salaries, bonuses, and other earnings.
- Prevent directors from paying themselves too much.
- They must approve and give advice on proposals with regards to fees, bonuses, etc.
- Ensure fairness / transparency in the payment of fees / salaries.
- Detect and prevent fraud / corruption / wastage.

6

<b>TOTAL MARKS</b>
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<b>15</b>
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**TOTAL: 150**