



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1 MAY/JUNE 2025 MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, 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 a correct answer. If 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 the marking guidelines for 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. These marking guidelines are not for public distribution as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for an operation, the marker must inspect reasonableness of the answer.
11. '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 guidelines.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. 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 ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guidelines. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1**1.1 Statement of Comprehensive Income for the year ended 28 February 2025**

Sales	(12 171 200 ✓ – 31 200 ✓)	12 140 000	✓*
Cost of sales	sales/1,6 OR sales x 100/160	(7 587 500)	✓✓#
Gross profit	Sales – CofS 6	4 552 500	✓
Other income		225 250	✓*
Service fee income		174 580	
Provision for bad debts adjustment		2 030	✓✓
Rent income	[6 080 x 4] OR [72 960 x 4/12] (72 960 – 24 320 ✓✓)	48 640	✓*
Gross operating income	GP + OI 7	4 777 750	✓
Operating expenses		(3 307 800)	✓*
Salaries and wages		763 000	
Depreciation		285 860	
Audit fees	(75 168 + 18 792)	93 960	✓✓
Directors fees	one mark one mark two marks 49 500 + 49 500 + 44 055 (1 595 385 – 143 055 ✓✓✓✓)	1 452 330	✓*
Trading stock deficit	[31 200 x 100/160] (22 150 – 19 500 ✓✓)	2 650	✓*
Sundry expenses		710 000	✓
12			
Operating profit	GOI - OE	1 469 950	✓
Interest income	balancing figure	59 450	✓
Profit before interest expense	NPBT + Int. exp	1 529 400	✓
Interest expense	16 950 two marks (330 000 ✓ – 126 600 ✓) OR (27 500 – 10 550) x 12 one mark one mark	(203 400)	✓
Net profit before tax	NPAT + IT	1 326 000	✓
Income tax		(397 800)	
Net profit after tax	[397 800 x 70/30] 9	928 200	✓✓

34

*one part correct

-1 foreign items (max -2) i.e SFP items; -1 presentation (max -1).

Prov. for bd adjust must be shown as an income.

Trading stock deficit could be shown as an income, mark as per principle 11.

If trading stock deficit is shown as an income with correct workings, -1 for answer.

#two m marks will be awarded only if the candidate has used the sales figure calculated above.

1.2 Statement of Financial Position on 28 February 2025

EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS' EQUITY		
(TE&L – TL)	3 041 500	✓
Ordinary share capital	2 480 000	
Retained income balancing figure 2	561 500	✓
NON-CURRENT LIABILITIES		
[5 214 000 / 2,4] (2 172 500 ✓✓ – 972 000 ✓) 4	1 200 500	✓*
Loan: Oracle Bank	1 200 500	
CURRENT LIABILITIES	972 000	
Trade and other payables		
Audit fees Rent income correction (420 358 + 18 792 ✓ + 24 320 ✓ – 22 750 ✓)	440 720	✓*
SARS Income tax (397 800 – 363 100)	34 700	✓✓
Shareholders for dividends (1 550 000 x 19/100)	294 500	✓✓
Bank overdraft	75 480	✓
Current portion of loan	126 600	
TOTAL EQUITY AND LIABILITIES 10	5 214 000	✓

16

*one part correct

-1 foreign items (max -2); presentation -1 (max -1)
Inspect: SARS:IT and SFD may be included in T&OP

Note principle 11 when awarding method marks; Operation as per candidate's operation, unless otherwise specified.

TOTAL MARKS

50

QUESTION 2:**2.1**

(i)	Calculate: Carrying value of buildings on 1 March 2024	
	WORKINGS	ANSWER
	15 479 600 – 7 909 600	7 570 000 ✓✓
(ii)	Calculate: Disposal of vehicle at carrying value	
	WORKINGS	ANSWER
	$510\,000 \checkmark - 330\,000 \checkmark - 21\,000 \checkmark \checkmark$ $180\,000 \times [20\% \times 7/12]$ 180 000 two marks OR 510 000 – 351 000 one mark two marks one m mark Accept ledger format	159 000 <input checked="" type="checkbox"/> CP – AccD@B – Curr Depr
(iii)	Calculate: Total depreciation on equipment	
	WORKINGS	ANSWER
	New 320 000 x [15% x 3/12] 12 000 ✓ <input checked="" type="checkbox"/> Old 2 630 000 x [15% x 12/12] 394 500 ✓✓ Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R320 000 or R2 630 000.	406 500 <input checked="" type="checkbox"/> one part correct new + old depr

12

2.2

	Calculate: Taxation paid	
	WORKINGS	ANSWER
	$148\,000 \checkmark + 1\,736\,000 \checkmark + 220\,000 \checkmark$ OR – 148 000 – 1 736 000 – 220 000 Accept ledger format or use of brackets as workings. Be aware of signs reversed; Ensure that only one option is marked consistently.	2 104 000 <input checked="" type="checkbox"/> one part correct ignore brackets
	Calculate: Dividends paid	
	WORKINGS	ANSWER
	$840\,000 \checkmark + 1\,296\,000 \checkmark \checkmark$ [4 050 000 x 0,32] OR 840 000 + [2 696 000 – 1 400 000] one mark two marks Accept ledger format or use of brackets as workings	2 136 000 <input checked="" type="checkbox"/> one part correct ignore brackets

4

4

2.3 Cash effects from financing activities in the Cash Flow Statement for the year ended 28 February 2025

Cash effects from financing activities	9 608 500 <input checked="" type="checkbox"/> *	
Issuing of shares	6 300 000 ✓	
Shares repurchased (50 000 ✓ x R8,50 ✓✓) OR 175 000 + 250 000 one mark two marks	(425 000) <input checked="" type="checkbox"/> * Must be in brackets	
Change in loan	3 733 500 ✓✓	
-1P if no details (max -1)		

8

2.4 Calculate: % operating expenses on sales

WORKINGS	ANSWER
$\frac{4\,667\,600}{26\,480\,000} \times \frac{100}{1}$	17,6 % <input checked="" type="checkbox"/> one part correct

3

Calculate: % return on average shareholders' equity

WORKINGS	ANSWER
$\frac{4\,464\,000}{\frac{1}{2}(22\,556\,000 + 14\,913\,000)} \times \frac{100}{1}$ 18 734 500 two marks	23,8% <input checked="" type="checkbox"/> one part correct if average SHE (x ½) is used

4

Calculate: Dividends per share

WORKINGS	ANSWER
$\frac{1\,296\,000}{32} + \frac{1\,400\,000}{35}$ OR 0,32 + 0,35 [1 296 000/4 050 000] [1 400 000 / 4 000 000] one mark two marks 32 ✓ + 35 ✓✓	67cents <input checked="" type="checkbox"/> one part correct Do not accept 67,4

4

Ensure that only one option is marked consistently.

- For EACH calculation, the 'x 100' does not constitute 'one part correct'.
- Numerator and denominator must be marked as such.
- Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R4 667 600.

2.5

	SOURCE OF FUNDING (with figures)	NEGATIVE EFFECT ON CASH FLOW
SOURCE 1	Shares issued, ✓ R6 300 000 ✓	Expectations of shareholders to receive regular dividends in the future ✓
SOURCE 2	Change in loan, ✓ R3 733 500 <input checked="" type="checkbox"/> See 2.3	Loan has to be repaid with interest. ✓

6

TOTAL MARKS**45**

QUESTION 3:

3.1	3.1.1	Profitability ✓	No abbreviations	3
	3.1.2	Limited ✓		
	3.1.3	Solvency ✓		

3.2 Liquidity:

The liquidity position of the company has improved. Quote TWO financial indicators with figures to support this statement.

Financial indicators ✓ ✓ Figures and trends ✓ ✓

- Current ratio improved/increased (from 0,3 : 1) to 1,6:1 / by 1,3 : 1.
- Acid test ratio improved/increased (from 0,1 : 1) to 0,8:1 / by 0,7 : 1
- Debtors collection period improved/decreased (from 43 days) to 36 days / by 7 days

Do not accept creditors payment period

4

3.3 Dividend pay-out policy:

Calculate the dividend pay-out rate for the year ended 28 February 2025.

WORKINGS	ANSWER
$\frac{55}{51} \times \frac{100}{1}$	107,8% ✓✓ Do not accept 1,07

2

Explain why the directors decided to change the policy. Give ONE reason.

ONE valid point ✓✓

- The company wants to keep shareholders happy/increase shareholder satisfaction.
- They are trying to influence the market price of shares by increasing dividends.
- Equalising dividends over several years.
- Not planning for future expansions
- The company had sufficient reserves from previous years.

2

3.4 % shareholding and repurchase decision making:

Calculate the number of new shares that Denzel purchased on 31 July 2024.

WORKINGS	ANSWER
$494\ 000 \checkmark - 405\ 000 \checkmark \checkmark$ <p style="text-align: center;">[900 000 x 45%]</p> <p>OR $495\ 000 \checkmark - 456\ 000 \checkmark + 50\ 000 \checkmark$</p> <p style="text-align: center;">[125 000 – 75 000]</p> <p style="text-align: center;">one mark one mark one mark</p>	89 000 ✓ one part correct

4

Calculate Denzel's % shareholding on 28 February 2025.

WORKINGS	ANSWER
$\frac{494\ 000 \checkmark}{950\ 000 \checkmark} \times \frac{100}{1}$ <ul style="list-style-type: none"> • Numerator and denominator must be marked as such. • Do not award marks for any operations done to stand-alone figures. e.g. no tick if anything else is added to R494 000. 	52% ✓ one part correct

3

The independent auditor discovered that Denzel had made the decision to repurchase the shares from the estate of a deceased relative on 1 December 2024 without informing the board of directors.

Why should the independent auditor be concerned about this? Give ONE reason.

ONE valid reason ✓✓

part marks for incomplete / partial / unclear responses

- Unethical, as Denzel is taking advantage as the majority shareholder/This creates potential conflict of interest.
- Nepotism, as Denzel has favoured his relative's estate by paying R12 per share.
- This is not procedural; one person cannot determine buy-back prices.
- Shareholders may lodge a dispute, as this action could be a breach of the company's policies.
- The decision was not fair and transparent.

2

3.5 Gearing and risk:

The directors of Venus Ltd want to expand the business by opening more branches in other provinces. Explain why you would recommend that they should not borrow more money. Quote TWO financial indicators with figures.

TWO financial indicators ✓ ✓

Figures and trends ✓ ✓ Explanation ✓ ✓

- Debt/equity ratio increased (from 0,5 : 1) to 0,8 : 1 / by 0,3 : 1
The financial risk has increased / The company is more reliant on debt to finance its operations.
- The % return on average capital employed (ROTCE) decreased (from 9,5%) to 8,2% / by 1,3% points / by 13,7%
The company is negatively geared / ROTCE is lower than the (12%) interest rate/using loans ineffectively.

6

The other option of financing the proposed expansions is to issue more shares. Explain how this will benefit the company. Provide TWO points.

TWO valid points ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- The capital raised does not have to be repaid to the shareholders.
- Improvement in the debt-equity ratio.
- Dividends will only be declared if the company can afford to do so.
- No interest is paid; this will improve profits.

4

3.6 Share value:

Explain why the shareholders should not be satisfied with the share prices of the company at the end of the financial year. Quote TWO relevant financial indicators and other related data.

Financial indicators / other data ✓ ✓ Figures and trends ✓ ✓

- Net asset value per share decreased (from 1 060 cents) to 1 025 cents / by 35 cents / by 3,3%.
- Market price per share decreased (from 1 030 cents) to 1 000 cents / by 30 cents / by 2,9%.

For FOUR marks:

- Market price per share of 1 000 cents is lower than the Net asset value per share of 1 025 cents

4

3.7 Renewal of the CFO's contract:

Explain ONE reason why any company should appoint a suitably qualified person as their chief financial officer (CFO).

ONE valid point ✓✓

part marks for incomplete / partial / unclear responses

- Develop sound financial strategies aligned with company long term goals.
- Ensure that the company complies with financial regulations and standards.
- Instil confidence in the company performance and growth.
- CFO's are instrumental in identifying financial risks.
- He / She must have the relevant knowledge (experience/skill) as the CFO makes final decisions concerning all the aspects of the company's finances.
- Must be informed of all policies relevant to the effective handling of the company's finances.
- To prevent fraud and mismanagement of funds.

2

Apart from the factors and financial indicators covered in QUESTIONS 3.2 to 3.6, quote and explain TWO financial indicators why you feel that Denzel's contract should not be renewed.

Financial indicators / other data ✓ ✓ Figures and trends ✓ ✓

- Earnings per share decreased (from 58 cents) to 51 cents / by 7 cents / by 12%.
- Return on average shareholders' equity decreased from (from 6,2%) to 4,5% / by 1,7% points / by 27,4%.
- Solvency ratio decreased (from 2,6 : 1) to 2,2 : 1 / by 0,4 : 1.

Note: Do not accept % operating expenses on sales

Be aware of relevant indicators not used in Q3.2 – Q3.6 excluding positive trends. e.g liquidity.

4

TOTAL MARKS	40
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QUESTION 4**4.1.1****Identify the type of audit report that Yungs Ltd received.**

Unqualified ✓ Accept 'clean' report

1

4.1.2**Name TWO reliable types of audit evidence that VC Auditors used as the basis for their opinion.**

Any TWO valid and different types ✓ ✓

source documents (any two may be marked separately e.g. invoices /receipts)
 journals ledgers
 (signed) contracts (signed) payrolls
 debtors' statements creditors' statements
 bank statements EFT voucher (proof of payment)
 asset registers physical inspections
 Deeds/registration documents

Be aware of other valid examples that are related to financial records

2

4.1.3**Explain how this audit report could have a positive influence on the company in the future. Provide TWO points.**

Any TWO valid points ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- Shareholders have confidence in the management of the company and would want to retain their shares.
- It would attract potential shareholders.
- It will make it viable for the company to raise more capital in the future.
- The company may find it easier to secure financing from financial institutions/It will improve the company's image and result in an increased credit rating.
- Reassures shareholders that company's financials are trustworthy, reducing perceived risk.
- It may increase the share price of the company on the JSE.

4

4.2.1

What action would Vintage Ltd have taken against the two directors who appeared in court? Provide TWO points.

Any TWO valid points ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- They could have been suspended while investigations/court case are taking place.
- Directors' fees and/or directors' benefits may not have been paid out while court case is taking place.
- Dismissed or declared delinquent directors, if they are found guilty in court.
- They may have been required to pay back the bribes to the company, if found guilty.
- Vintage Ltd could claim back any directors' fees or benefits earned during the period that the offence occurred.

4

4.2.2

Explain TWO consequences Josh, the external auditor, may face for his illegal conduct.

Any TWO valid points ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- Disciplinary action by his employer/lose his licence from professional body, e.g. SAICA.
- Other auditing reports he signed off, may be investigated. He may lose creditability in his workplace.
- VC Auditors (employer) may sue him for loss of future income / other auditing contracts due to their damaged reputation.
- Vintage Ltd (client) could sue him in his personal capacity to repay the total bribe money he received/he may lose his personal possessions.
- If he is also charged for fraud, he may face jail time / not be able to practice as an auditor in future.

Do not accept:

Lose qualification; blacklisted; fired

4

TOTAL MARKS	15
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TOTAL: 150