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**QUALITATIVE ANALYSIS OF LEARNER RESPONSES AND EVALUATION OF QUESTION PAPERS: NSC 2021**

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| **REPORT 1: EVALUATION OF THE QUESTION PAPER AND MARKING GUIDELINE** |

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| **SUBJECT** | **ACCOUNTING** | |
| **PAPER** | **1** | |
| **DURATION OF PAPER:** | **2 HOURS** |  |

**REPORT FORMAT**

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

The graphs presented below are based on data from a random sample of 100 candidates in the different districts. They provide a clear picture of the general performance in each topic

(Graph 1.1). This is useful in assessing the relative degrees of challenge of each question as experienced by candidates (Graph 1.2).

**Graph 1.1**

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| **Question** | **Topic/s** |
| **1** | Statement of financial position |
| **2** | Share Capital, Financial Indicators and Cash Flow Statement |
| **3** | Interpretation of Company Financial information |
| **4** | Corporate Governance |

**Graph 1.2**

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| **Sub-question** | **Topic(s)** |
| **1.1** | Calculate the value of closing stock – FIFO |
| **1.2** | Calculate the correct net profit for the year |
| **1.3a** | Complete the Retained Income Note |
| **1.3b** | Complete the Statement of Financial Position |
| **2.1** | Prepare the Ordinary Share Capital Note |
| **2.2a** | Calculate % operating expenses on sales |
| **2.2b** | Calculate Dividend per share |
| **2.2c** | Calculate % return on shareholders’ equity |
| **2.3** | Complete the Cash Flow Statement |
| **3.1** | Matching: Choose a category of financial indicators from Column B |
| **3.2.1** | Profitability: Quote and explain TWO financial indicators |
| **3.2.2a** | Dividend pay-out policy: Comment and explain |
| **3.2.2b** | % Return on shareholders’ equity: Comment for each company |
| **3.2.2c** | Earnings per share (EPS): Explain why the one company is better than other |
| **3.2.3a** | Comment on the price paid for the shares repurchased |
| **3.2.3b** | Calculate the number of shares purchased |
| **3.2.3c** | Explain the effect of share repurchase on the % shareholding in each company |
| **3.2.4a** | Financing strategies:  Explain the decisions taken by directors and how it will benefit the company |
| **3.2.4b** | Risk and gearing:  Explain how the decisions taken affected the risk and gearing |
| **4.1** | Why disclaimer audit report would be bad for the company’s reputation |
| **4.2a** | Why shareholders have to appoint directors to the board |
| **4.2a** | Factors and characteristics of directors to get your vote as a shareholder |
| **4.3** | CFO of company paid R2 m in cash to CEO of hospital group for a tender.  As a shareholder what would you say at the AGM. |
| **4.4** | In your opinion, why would the company find it necessary to implement this policy? |

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

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| **QUESTION 1** |
| **(a) General comment on the performance of candidates in the specific question. Was**  **the question well answered or poorly answered?** |
| The question was well-answered at an average of 50%, although it was the question with the lowest average %. Candidates who were well prepared scored excellent marks while the others did not take the opportunity to score easy marks where it was available to them.  Many candidates were challenged by Q1.2 (correction of the net profit) and Q1.3b (Statement of Financial position). |

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| **(b) Why was the question poorly answered? Also provide specific examples, indicate**  **common errors committed by candidates in this question, and any misconceptions.** |
| 1. Q1.1:  * The returns from the purchases on 18 May were not subtracted. * Weighted-average method used. * Calculation of net sales minus cost of sales.  1. Q1.2  * Workings done were misunderstood for entries in the Statement of Comprehensive Income – therefore the correct sign (+/-) were not indicated to show the effect on the incorrect net profit. * Calculating interest on loan: easy marks for workings could not be scored. * Rent income: Analysis application of the information was a challenge to score marks.  1. Q1.3a  * Repurchase of shares and dividends were not shown in brackets in the Retained Income Note.  1. Q1.3b:  * Inventories:   The incorrect figure in 1.1 was not transferred to earn a method mark.  Calculating the correct figure for returns according to adjustment F.  Did not subtract the figure for returns in inventories also in Trade and other payables.   * Trade and other receivables: Incorrect figures in 1.2 for rent income not transferred to earn method mark * Cash and cash equivalents: The balancing figure could not be calculated. * Shareholders’ Equity:   Could not use the financial indicator (NAV) to calculate this figure.  The correct figure at times entered as Ordinary share capital.   * Mortgage loan: The calculation of the current portion of the loan. * Current liabilities: Could not use the financial indicator (acid-test ratio) to calculate this figure. * Trade and other payables: The figures calculated for rent and returns not transferred. * Shareholders for dividends: This figure was given in the list of balances. Supposed to be an easy mark. * Current portion of loan: Transferring of this figure from non-current liabilities. * Bank overdraft is a balancing figure but left blank as the figure for current liabilities were not calculated. * Total equity and liabilities not transferred to total assets.   General:  Loosing marks for the following: misplaced items, foreign items, presentation. |

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| 1. **Provide suggestions for improvement in relation to Teaching and Learning** |
| 1. Use the same set of information to calculate closing balance of stock for FIFO and weighted-average method.   Integrate the calculation of closing stock balance with inventories in the balance sheet and use a variety of adjustments to calculate closing stock.  Refrain from encouraging candidates to use the lengthy method of cost of sales to calculate stock balance according to the FIFO method.   1. Do not only focus on the completion of the Statement of Comprehensive Income but also the correction of errors in calculating net profit.   Use a variety of adjustments to correct the net profit.  A variety of methods for calculating the balance, interest and current portion of loan. Make use of ledger accounts.  Make use of the same set of information in various scenarios to calculate rent if the amount increased or decreased during the year.   1. Emphasise the correct use of brackets in the notes to the financial statements because in this question marks were allocated for the correct use of brackets. 2. The format of the Statement of Financial Position should be drilled (from grade 10). a Lot of easy marks are lost due to the lack of knowledge thereof. Teach this statement using the accounting equation as reference. 3. Use various activities applying the use of financial indicators in the Financial Statements. 4. Use the same set of information to calculate the closing stock balance for FIFO and weighted-average method.   Integrate the calculation of closing stock balance with inventories in the balance sheet and use a variety of adjustments to calculate closing stock.  Refrain from encouraging candidates to use the lengthy method of cost of sales to calculate stock balance according to the FIFO method.   1. Do not only focus on the completion of the Statement of Comprehensive Income but also the correction of errors in calculating net profit.   Use a variety of adjustments to correct the net profit.  A variety of methods for calculating the balance, interest and current portion of loan. Make use of ledger accounts  Make use of the same set of information in various scenarios to calculate rent if the amount increased or decreased during the year.   1. Emphasise the correct use of rackets in the notes to the Financial Statements because in this question, marks were allocated for the correct use of brackets. 2. The format of the Statement of Financial Position should be drilled (from grade 10). A lot of easy marks are lost due to the lack of knowledge thereof. Teach this statement using the accounting equation as reference. 3. Use various activities applying the use of financial indicators in the financial statements.   Write informal class tests to assess the understanding of the above and give feedback to candidates immediately.  Make use of relevant questions in recent examination papers to address the above during, especially during revision sessions. |

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| **(d) Describe any other specific observations relating to responses of candidates and**  **comments that are useful to teachers, subject advisors, teacher development etc.** |
| * In Q 1.3, some candidates put figures in the shaded areas – especially Afrikaans. * Calculation of balancing figures. * Transferring of figures from workings * Identification of accounts for Trade, and other payables, Trade, and other receivables. * Understanding formulae for financial indicators   Study the diagnostic report released by DBE.  Register and attend workshops organised by Teacher Development Units to be empowered to teach with confidence.  Attend subject clinics for challenges in certain topics and discussion of recent question papers.  Assess candidates regularly with informal tests.  Make full use of available time for teaching and learning. Organise extra classes with candidates if more time is needed before moving to new topics. |

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| **QUESTION 2** |
| 1. **General comment on the performance of candidates in the specific question. Was the question well answered or poorly answered?** |
| The question was well answered and the best at average of 63%. Candidates who were well prepare scored excellent marks while the others did not take the opportunity of scoring easy marks where it was available. Question 2.2b (DPS) posed the biggest challenge followed by 2.3 (CFS). |

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| **b) Why was the question poorly answered? Also provide specific examples, indicate**  **common errors committed by candidates in this question, and any misconceptions.** |
| 1. Q2.1:  * Calculation of the average share price was a challenge. * Calculating the balancing figure for new shares issued.  1. Q2.2a  * This was well answered by most candidates. * The numerator and denominator were swopped in some instances. * Correct workings but final answer incorrect.  1. Q2.2b  * The correct method to calculate the interim dividend per share was not applied. * The change in the number of shares issued were not taken into account. Change from 900 000 to 870 000 due to the shares re-purchased. * Method marks were not awarded for the using the incorrect method.  1. Q2.2c   Final answer written as 13% or as a ratio.   1. Q2.3  * Calculation for dividends and income tax paid. * Calculation for proceeds of shares repurchased was a challenge, as candidates could not calculate the average share price. * Completion for the section net change cash and cash equivalents. Figures in answer book not taken into consideration to do these calculations. The bank overdraft still confused some candidates. * Change in the number of shares for the calculation of final dividends was not considered. * Transferring of relevant figures from OSC note to CFS not done. * Could not differentiate between inflows and outflows in the CFS * Evidence that this section was neglected by certain centres is evident as foreign entries were put in the CFS or left blank. |

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| 1. **Provide suggestions for improvement in relation to Teaching and Learning** |
| 1. Q2.1:  * Do not always teach the notes for ordinary share capital and Retained income in isolation – also show how it effects cash flow from financing activities in the Cash Flow Statement. * Show the different ways of calculating the average share price for the repurchasing of shares. E.g. Before issuing of new shares and after issuing of new shares. * Give incomplete notes so candidates have to calculate balancing figures.  1. Q2.2a and c  * Make use of the formulae sheet during teaching for financial indicators – regular use of this sheet in class makes it more relevant and useful.  1. Q2.2b  * Make use of different examples to calculate the interim dividend per share where number of shares in issue changed during the year.  1. Q2.3  * Make use of the ledger accounts to understand the calculations for dividends and income tax paid for the year. * Do not teach the financial statements in isolation – Candidates should see the relationship between these. * Revise the format of the Cash flow statement by using textbook examples and short tests to assess the understanding of the format. |

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| **(d) Describe any other specific observations relating to responses of candidates and**  **comments that are useful to teachers, subject advisors, teacher development etc.** |
| * Afrikaans candidates wrote in the shaded areas and wasted time. * It is evident that the Cash flow statement was not done in certain centres – blank spaces or foreign items was common throughout. * Study the diagnostic reports released by the DBE in January each year. * Register and attend workshops organised by Teacher Development Units to be empowered to teach with confidence. * Attend subject clinics for challenges in certain topics and discussion of recent question papers. * Assess candidates regularly with informal tests. * Make full use of available time for teaching and learning. Organise extra classes with candidates if more time is needed before moving to new topics. |

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| **QUESTION 3** |
| **(a) General comment on the performance of candidates in the specific question. Was**  **the question well answered or poorly answered?** |
| This question was well answered at an average of 54%, and the third best answered question. Candidates who were well prepared scored excellent marks while the others did not take the opportunity of scoring easy marks where it was available. Many candidates were challenged by Q3.2.2c to Q 3.2.4a. |
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| **(b) Why was the question poorly answered? Also provide specific examples, indicate**  **common errors committed by learner’s in this question, and any misconceptions.** |
| 1. Q3.2.1:  * Do not know the profitability indicators (done in grade 10) but instead quote risk and gearing indicators. * Figures quoted without trends, e.g., Operating expenses on sales for   2020, 20,5% and 2021, 24,2%.   * Quoting figures for both companies without indicating which company is better.  1. Q3.2.2a  * Could not accurately comment on dividend pay-out policy. * Lack of understanding of the relationship between EPS, DPS and dividend pay-out policy. * Explanation of why the dividend pay-out-policy was an irresponsible decision was a challenge. Common answer was no plans for future expansion.  1. Q3.2.2b  * Some candidates confused this with return on total capital employed * The comments did not include a comparison with alternative investments |
| 1. Q3.2.2c  * EPS not compared with the NAV or MP and therefore not scoring full marks.  1. Q3.2.3a   Full marks not scored as price paid not compared to market price or NAV   1. Q3.2.3c  * Majority shareholding is a popular question but is still a challenge to comment on % shareholding and calculation of % shareholding. * Did not mention majority shareholding status * Quote number of shares instead of percentage shareholding  1. Q3.2.4a  * Financing activities are confused with investing activities * Explaining the benefits of financing activities was a challenge.  1. Q3.2.4b  * Explaining the decisions taken on risk and gearing – referring to high/low risk or positively/negatively geared. * Quoting figures for risk and gearing but could not interpret as high/low risk or negatively/positively geared * ROSHE not compare with alternative investment. |

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| **(b) Provide suggestions for improvement in relation to Teaching and Learning** |
| 1. Q3.2.1:  * Ensure candidates know the different categories of financial indicators. * Understanding of the importance of trends to enhance comments.  1. Q3.2.2a   Clarify the difference between depleting retained income and retaining some of the  net profit for the year.   1. Q3.2.2b  * Understand the categories of indicators to differentiate between ROSHE and ROTCE. * Comments do not always just require trends and figure, teach candidates to comment further on the implication of the trends  1. Q3.2.2c   Ensure understanding of the relationship between EPS to NAV or MP.   1. Q3.2.3a   Ensure that the relationship between repurchase price, issue price, market price, average price and net asset value is understood.   1. Q3.2.3c   Make use of different examples to calculate % shareholding.   1. Q3.2.4a   When teaching CFS let candidates talk about the benefits of inflows and out flows  to enhance their interpretation.  Ensure understanding of the sections (format) of the CFS. |
| 1. Q3.2.4b   Candidates know the financial indicator but do not understand the implication if it  increase or decrease, improves or drops. |

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| **(d) Describe any other specific observations relating to responses of candidates and**  **comments that are useful to teachers, subject advisors, teacher development etc.** |
| * Candidates scored good marks for quoting financial indicators, but the figures are often omitted or even carelessly quoted wrong. Improve the quality of the comments to support these indicators. * Make use of recent examination papers to improve analysis and interpretation and therefore performance candidates. |

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| **QUESTION 4** |
| 1. **General comment on the performance of candidates in the specific question. Was the question well answered or poorly answered?** |
| The question was well answered at an average of 54% with Q4.3 performing the worst at an average of 40%. A few candidates attempted part of the question while others did not even try. Responses to the question indicated that many experience a language barrier in expressing themselves. |

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| **(b) Why was the question poorly answered? Also provide specific examples,**  **indicate common errors committed by candidates in this question, and any**  **misconceptions.** |
| 1. Q4.1  * Responses refers to a definition of a disclaimer rather than the consequences for the company. * Even though the question stated that, the disclaimer is ‘bad’ some painted it as a positive report back. This indicates a lack of understanding of an audit report. * One of the possible answers ‘bad impression/publicity’ could be taken from the question ‘bad for company’s reputation’. This was two easy marks to score.  1. Q4.2a  * Fail to explain the director’s duties to manage and run the company. * Unable to differentiate between the role of a shareholder and the director – common answer being shareholders are the owners of the company or have the right to appoint.  1. Q4.2b  * Lack understanding the qualities of a good director.   iv) Q4.3   * Responses to these questions indicates a misunderstanding of the scenario and the question. * Some candidates misunderstood the R2 m bribery. Their understanding was that R18 m of the R20 m tender was still outstanding – and therefore R18 m were stolen. * Some only expressed their disappointment or concern as a ‘shareholder’ * Some candidates refer to the AGM as a person. * Candidates do not read or familiarised themselves with recent issues. * Ethics should be incorporated in every lesson.  1. Q4.4  * Unable to interpret and analyse the information from the extract to answer the questions. * Some quoted text directly from the article as their response. |
| **(c) Provide suggestions for improvement in relation to Teaching and Learning** |
| * Teachers must familiarise themselves with the topic of corporate governance. * Read recent articles and post in class and encourage the learners to read. * Familiarise candidates with roles of shareholders and directors * Corporate governance and KING Code 3 * Qualities of a good director. * Focus on these topics which are neglected * Let auditors visit school, have newspapers available in class * Teach candidates to expand on their responses * Subject clinics to share methodology in order to build capacity. * Candidates should refrain from quoting text directly from articles – rephrase or expand on it. * Corporate governance should be a topic for scoring good marks – some candidates did that. * Use case studies for discussion in class or groups. |

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| **(d) Describe any other specific observations relating to responses of candidates and**  **comments that are useful to teachers, subject advisors, teacher development etc.** |
| * Language barrier is a challenge in these type of questions * Code switching (not using LOLT) will disadvantage candidates in answering these types of questions. * Candidates mix responses to answers e.g., 4.1 would be answered as 4.3 or 4.2 as 4.4 – indicating poor understanding and interpretation. * Lack of reading and discussing news articles relating to corporate governance. * Refrain from using one-word responses, use full sentences or expand to score maximum marks. * Words like ‘unethical, illegal, corruption or fraud’ is mostly suitable answers to some questions regarding corporate governance – just expand on it * Engage candidates frequently in the use of case studies to get used to concepts * Organise virtual lessons on how to present this topic. |