



basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

## SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

### ACCOUNTING P1 MAY/JUNE 2024 MARKING GUIDELINES

#### MARKING PRINCIPLES:

**MARKS: 150**

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.**

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## 1.3 STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024

<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		<b>10 377 480</b>
<b>Fixed assets</b>		<b>9 952 480</b>
<b>Investment: Fixed deposit</b>		<b>425 000</b>
<b>CURRENT ASSETS</b>	operation, one part correct	3 848 020 <input checked="" type="checkbox"/>
Inventories	1 064 200 ✓ – 40 200 <input checked="" type="checkbox"/> see 1.2	1 024 000 <input checked="" type="checkbox"/> *
Trade and other receivables	see 1.2 see 1.2 744 900 ✓ + 27 300 <input checked="" type="checkbox"/> + 104 000 <input checked="" type="checkbox"/> – 8 400 ✓ Rent inc. Dir. fees	867 800 <input checked="" type="checkbox"/> *
<b>Cash and cash equivalents</b>		<b>1 956 220</b>
<b>TOTAL ASSETS</b>	<b>10</b> NCA + CA	14 225 500 <input checked="" type="checkbox"/>
<b>EQUITY AND LIABILITIES</b>		
<b>ORDINARY SHAREHOLDERS' EQUITY</b>	TE & L – CL – NCL	12 164 650 <input checked="" type="checkbox"/>
Ordinary share capital		11 151 000 ✓✓
<b>Retained income</b>	<b>4</b> Balancing figure accept negative amount	1 013 650 <input checked="" type="checkbox"/>
<b>NON-CURRENT LIABILITIES</b>		608 000
Loan: PTA Bank	564 000 two marks – 168 000 one mark 1 004 000 ✓ – 396 000 ✓✓✓ <b>5</b>	608 000 <input checked="" type="checkbox"/> *
<b>CURRENT LIABILITIES</b>	operation	1 452 850 <input checked="" type="checkbox"/> *
Trade and other payables	audit fees 518 950 ✓ + 45 600 <input checked="" type="checkbox"/> – 8 400 ✓	556 150 <input checked="" type="checkbox"/> *
Shareholders for dividends		472 500 ✓✓#
Current portion of loan	see NCL	396 000 <input checked="" type="checkbox"/> #
SARS Income tax		28 200 ✓✓#
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11</b> See Total Assets	14 225 500 <input checked="" type="checkbox"/>

\*one part correct

# Inspect: if included in T&amp;OP

- 1 foreign item (max -2); presentation -1 (max -1); misplaced items, award marks for workings only

Note Principle 11 when awarding method marks: Operation as per candidate's operation, unless specified.

**TOTAL MARKS****55****30**

**QUESTION 2**

2.1	2.1.1	Liquidity	✓
	2.1.2	Outflow	✓
	2.1.3	Inflow	✓

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**2.2 RETAINED INCOME NOTE**

\*one part correct

<b>Balance at the beginning of the year</b>	<b>2 819 000</b>
Net profit after tax (1 950 000 x 70/30) OR 6 500 000 – 1 950 000	4 550 000 ✓✓*
Buy back of shares ignore brackets	(111 000) ✓✓
<b>Dividends</b> Int Div + Final Div ignore brackets	(5 746 000) ✓
Interim dividend (5 728 000 – 2 320 000)	3 408 000 ✓✓*
<b>Final dividend</b>	<b>2 338 000</b>
<b>Balance at the end of the year</b> Inspect operation from top, must subtract SBB and OSD	1 512 000 ✓*

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**2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024**

# Be aware of signs reversed &amp; use of brackets or ledger account formats

<b>Cash effects of operating activities</b>	
<b>Cash generated from operations</b>	
Interest paid	(966 000)
<b>Dividends paid</b>	<b>(5 728 000)</b>
Income tax paid (86 000 ✓ + 1 950 000 ✓ – 115 000 ✓) OR – 86 000 – 1 950 000 + 115 000	(i) 4 (1 921 000) ✓*#
<b>Cash effects of investing activities</b>	
Fixed assets purchased 43 095 000 ✓ + 232 000 ✓ + 1 620 000 ✓ – 39 365 000 ✓ OR – 43 095 000 – 232 000 – 1 620 000 + 39 365 000	(ii) 5 (5 582 000) ✓*#
<b>Proceeds of sale of fixed assets</b>	<b>232 000</b>
<b>Change in investments</b>	
<b>Cash effects of financing activities</b>	
Proceeds of shares issued	(iii) 4 300 000 ✓✓
Shares repurchased (30 000 x 15,80) (30 000 x 3,70) 474 000 ✓✓ + 111 000 ✓ see 2.2 OR (30 000 x 19,50) three marks	(iv) 6 (585 000) ✓*
<b>Change in loans</b>	
<b>Net change in cash &amp; cash equivalents</b>	
<b>Cash &amp; cash equivalents on 1 March 2023</b>	<b>1 030 000</b>
Cash & cash equivalents on 29 February 2024	(v) 2 (3 219 000) ✓✓ one mark if figure correct but no brackets

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\*One part correct and in brackets; if no brackets, award marks to workings only

**2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:**

<b>Acid-test ratio</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\frac{[9\ 623\ 000 - 4\ 190\ 000]}{5\ 433\ 000} \times 100$ <p style="text-align: center;">[9 623 000 – 4 190 000] two marks 5 433 000 ✓✓ : 18 310 000 ✓</p>	<p>0,3 : 1 ✓</p> <p>one part correct In the form x : 1 Accept 0,29 : 1</p>

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<b>Interim dividend per share (in cents)</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\frac{3\ 408\ 000}{1\ 420\ 000} \times 100$ <p style="text-align: center;">See 2.2 3 408 000 ✓ 1 420 000 ✓✓ (1 450 000 – 30 000) two marks</p>	<p>240 cents ✓</p> <p>one part correct cents is not necessary accept R2,40</p>

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<b>% return on average shareholder's equity (ROSHE)</b>	
<b>WORKINGS</b>	<b>ANSWER</b>
$\frac{4\ 550\ 000}{\frac{1}{2}(28\ 248\ 000 + 25\ 729\ 000)} \times 100$ <p style="text-align: center;">See 2.2 4 550 000 ✓ ½ (28 248 000 ✓ + 25 729 000 ✓) 53 977 000 two marks 26 988 500 two marks</p>	<p>16,9% ✓</p> <p>one part correct, must use average (½) % sign not necessary; Accept 17%</p> <p>Do not accept 0,169 or 0,17</p>

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**2.4 All calculations**

- The 'x 100' is not deemed as 'one part correct'
- Numerators and denominators must be marked as such.
- Do not award marks for any operations done to stand-alone figures e.g. no tick if anything else added to R3 408 000 or R4 550 000.

**TOTAL MARKS****40**

**QUESTION 3****3.1**

**Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.**

TWO valid points (with figure) ✓✓ ✓✓

part marks for incomplete or unclear response

- Average spending of clients increased (from R120 000) to R160 000 / by R40 000.
- Sales revenue increased (from R33,6m) to R39,2m.
- Customers still supported the business although the % mark-up increased (from 40%) to 60%.
- Drop in customer numbers (from 280) to 245 / by 35 / by 12,5%.

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**3.2**

**Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.**

TWO financial indicators ✓ ✓ figures and trends ✓ ✓

- % operating expenses on sales improved/decreased (from 28%) to 22% / by 6% points / by 21,4%.
- % operating profit on sales improved/increased (from 10,2%) to 15,6% / by 5,4% points / by 52,9%.
- % net profit on sales improved/increased from 8,8% to 13,5% / by 4,7% points / by 53,4%.

**Do not accept mark-up %**

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**3.3.1**

**One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide an explanation for him.**

Reason ✓✓

The company increased the share capital / The company increased the loan.

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**3.3.2**

**The chief financial officer (CFO) is of the opinion that the increase in loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion including ONE relevant financial indicator.**

Financial indicator ✓ figures and trend ✓

Explanation (comparing interest) ✓✓

<b>POINT 1</b>	<ul style="list-style-type: none"> <li>• % ROTCE improved / increased from 11% to 19,7% / by 8,7% points / by 79%.</li> </ul>
<b>POINT 2</b>	<ul style="list-style-type: none"> <li>• The degree of gearing has moved (from negative) to positive. Now exceeds the interest rate on loans (13% p.a.).</li> </ul>






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**3.4.1 Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE relevant financial indicator.**

Financial indicator ✓ figures and trend ✓  
 Explanation (compare alternative investment) ✓✓

<b>POINT 1</b>	% ROSHE improved significantly from 8% to 15,6% / by 7,6% points / by 95%.
<b>POINT 2</b>	This greatly exceeds the returns on most other investments (7% p.a.).

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**3.4.2 Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.**

EPS: figures and trend ✓ Explanation on EPS ✓  
 DPR: figures and trend ✓ Explanation on DPR ✓

<b>EARNINGS PER SHARE</b>	<ul style="list-style-type: none"> <li>• EPS increased (from 113 cents) to 224 cents / by 111 cents / by 98%.</li> <li>• This shows improved profits in the company.</li> </ul>
<b>DIVIDEND PAY-OUT POLICY</b>	<ul style="list-style-type: none"> <li>• The dividend pay-out rate decreased from 80% to 40% / by 40% points / 100%.</li> <li>• The business retained more earnings that would be used to benefit the business in the future.</li> </ul>

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**3.5 Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.**

<b>POINT 1</b>	<ul style="list-style-type: none"> <li>• The market price of the share improved from 1 342c to 1 610c / by 268c.✓</li> <li>• due to the good returns earned / positive image of the company.✓</li> </ul>
<b>POINT 2</b>	<ul style="list-style-type: none"> <li>• In 2024 the market price (1 610c) exceeded the NAV of (1 543c) by 67c ✓ indicates good demand for shares.✓</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>• In 2023 NAV (1 413c) was higher than the market price (1 342c) by 71c; This indicates poor demand for shares</li> </ul> <p><b>NB: Do not award marks if only the NAV for both years were compared.</b></p>

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3.6.1

Allan Ashwin owns shares in Britesun Ltd. He is pleased with his investment in the shares of this company. Provide TWO points with figures or calculations to support his opinion.

Be aware of combined explanation with figures/calculations

TWO valid points ✓ ✓ with figures ✓ ✓

<b>POINT 1</b>	<ul style="list-style-type: none"> <li>His return (dividends) is 11,5% of the price he paid for the shares; <math>(90 / 780) /</math> He earned R324 000 <math>(360\ 000 \times 90/100)</math>.</li> </ul>
<b>POINT 2</b>	<ul style="list-style-type: none"> <li>He paid 780c per share that is now worth 1 610c. This is 830c more than he paid for the shares, or 106,4%.</li> <li>His return increased from 8% to 15,6% / by 7,6% points / by 95%.</li> </ul>

**NOTE:** Contact the DBE IMs if candidates used Dividend Yield (DPS/MP) as an answer.

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3.6.2

The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding and provide a calculation or figures to support your explanation.

Be aware of combined explanation with figures/calculations

Part marks for incomplete or unclear response

<b>CALCULATION</b> figures or calculation	<ul style="list-style-type: none"> <li>He is currently a majority shareholder as he owns 51,4% ✓✓ <math>(360\ 000/700\ 000)</math> of the shares.</li> <li>His % shareholding will drop to 42,9% ✓✓ <math>(360\ 000/840\ 000)</math>.</li> </ul>
<b>EXPLANATION</b> Any ONE point ✓✓  Be alert to valid explanations in calculations column	<ul style="list-style-type: none"> <li>He will no longer be the majority shareholder in the company.</li> <li>He cannot fully influence decision-making in the company.</li> <li>He cannot make a difference in the company anymore.</li> </ul>

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3.7

Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.

Any TWO valid points ✓✓ ✓✓  
Figures not required.

Part marks for incomplete or unclear response:

<b>POINT 1</b>	<ul style="list-style-type: none"> <li>Liquidity / working capital is more efficiently controlled (CR 1,8:1 &amp; ATR 0,9:1).</li> <li>Unproductive fixed assets were sold (R1 100 000) and this will improve the cash flow in the company.</li> </ul>
<b>POINT 2</b>	<ul style="list-style-type: none"> <li>Cash generated from operations has improved (by R2 921 500 / by 75,6%).</li> <li>Performance of the company improved with lesser employees and directors as compared to 2023 (from 43 to 38).</li> </ul>

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TOTAL MARKS

40



**QUESTION 4**

- 4.1 The three Board members implicated in this case each own 150 000 shares. Calculate the loss that Loma and the two directors were able to each avoid by selling their shares on 13 April 2023.**

<b>WORKINGS</b>	<b>ANSWER</b>
$\begin{aligned} & \text{(R105 – R8)} \\ & 150\,000 \checkmark \times R97 \checkmark \\ & \text{OR } 15\,750\,000 - 1\,200\,000 \\ & \text{OR } (47\,250\,000 - 3\,600\,000) / 3 \\ & \text{Be alert to alternative arrangements for workings} \end{aligned}$	$\begin{aligned} & R14,55\text{-million} \checkmark \\ & \text{OR} \\ & R14\,550\,000 \end{aligned}$

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- 4.2 Explain why the text message is so important to the investigators.**

Any valid point ✓✓

Part marks for incomplete or unclear response

It provided evidence that a crime had been committed / they would know which directors to charge / the person who leaked the information can be easily traced / It will provide evidence of parties involved / Investigators will establish the intent knowledge / It provides consistency between different sources of evidence which strengthens the case against individuals implicated.

**Explain why you think this crime is referred to as ‘insider trading’.**

Any valid point ✓✓

Part marks for incomplete or unclear response

Because it is fraud based on private information regarding the trading (buying / selling) of shares which is not yet known to others who affected / The directors (insiders) did have access to this privileged information / Using of sensitive information to one’s benefit – abuse of power.

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- 4.3 Explain how the rapid decline in the share price and the fraudulent financial statements are likely to affect the existing shareholders and its workers.**

Part marks for incomplete or unclear response

<b>Existing shareholders</b> ✓✓	They will lose their investment in the company / loss of life savings (Financial loss) / loss of dividends / will be likely to sell their shares / there may not be a demand for shares.
<b>Workers</b> ✓✓	Employees would be retrenched / lose their jobs / no job security (job insecurity) / increase in unemployment in the country / Employee’s morale and productivity / Change on compensation and benefits (reduced salary/benefits/bonus) / Cost cutting measures (layoffs).

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4.4

**If you were a shareholder in Gadram Ltd, what other questions would you raise at the AGM? Explain TWO points.**

Any TWO valid points. ✓✓ ✓✓

Part marks for incomplete or unclear response

<b>POINT 1</b>	<ul style="list-style-type: none"> <li>• Were any checks done into the background of culprits before they were appointed to the Board?</li> <li>• What disciplinary action will be taken by the company or the Board against the culprits?</li> <li>• Is it possible to rescue the company / who will take over the running of the company?</li> <li>• Is there any way in which the losses can be recovered from the culprits e.g. confiscate and sell their possessions?</li> <li>• How will the board intervene to rectify this situation?</li> <li>• What action will be taken against the directors?</li> <li>• How will this impact on the image of the company and the share price in long term?</li> </ul>
<b>POINT 2</b>	<ul style="list-style-type: none"> <li>• Will the matter be reported to the relevant professional bodies for disciplinary action against these directors?</li> <li>• What specific actions is the company taking to address the allegations of false financial statements / Disclaimer report?</li> <li>• Can the board provide a detailed explanation for the circumstances leading to the disclaimer report?</li> <li>• What measures are being implemented to ensure the accuracy and transparency of future financial reporting?</li> <li>• Can shareholders expect timely and transparent communication regarding the investigation's progress and findings?</li> <li>• What impact, if any, do the allegations and investigation have on the company's long-term strategic plan?</li> </ul>

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