

EXAMINATIONS AND ASSESSMENT CHIEF DIRECTORATE

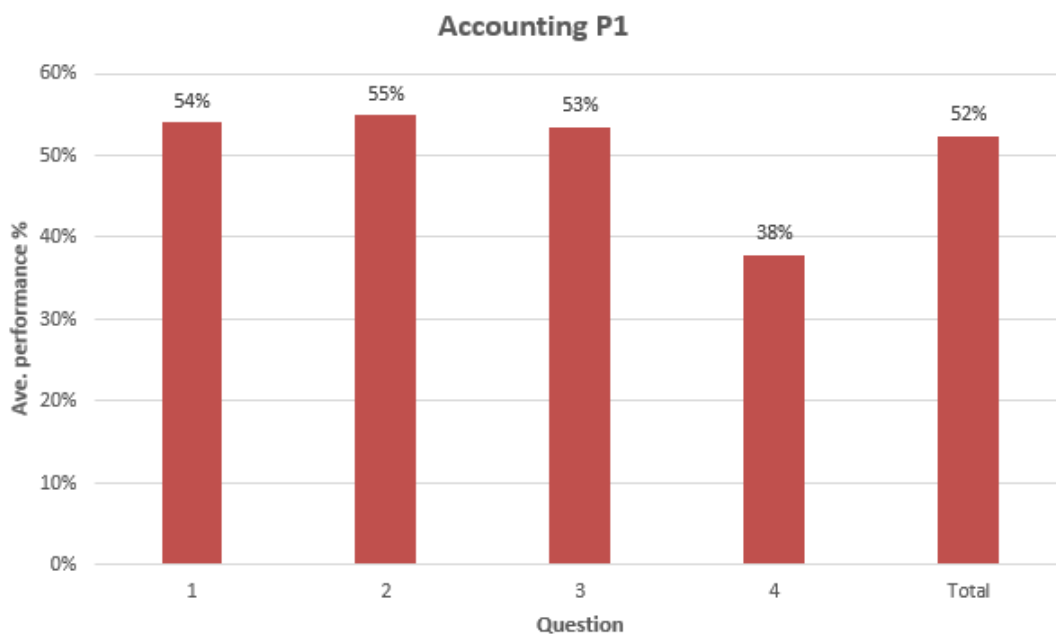
Home of Examinations and Assessment, Zone 6, Zwelitsha, 5600

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2024 NSC CHIEF MARKER'S REPORT

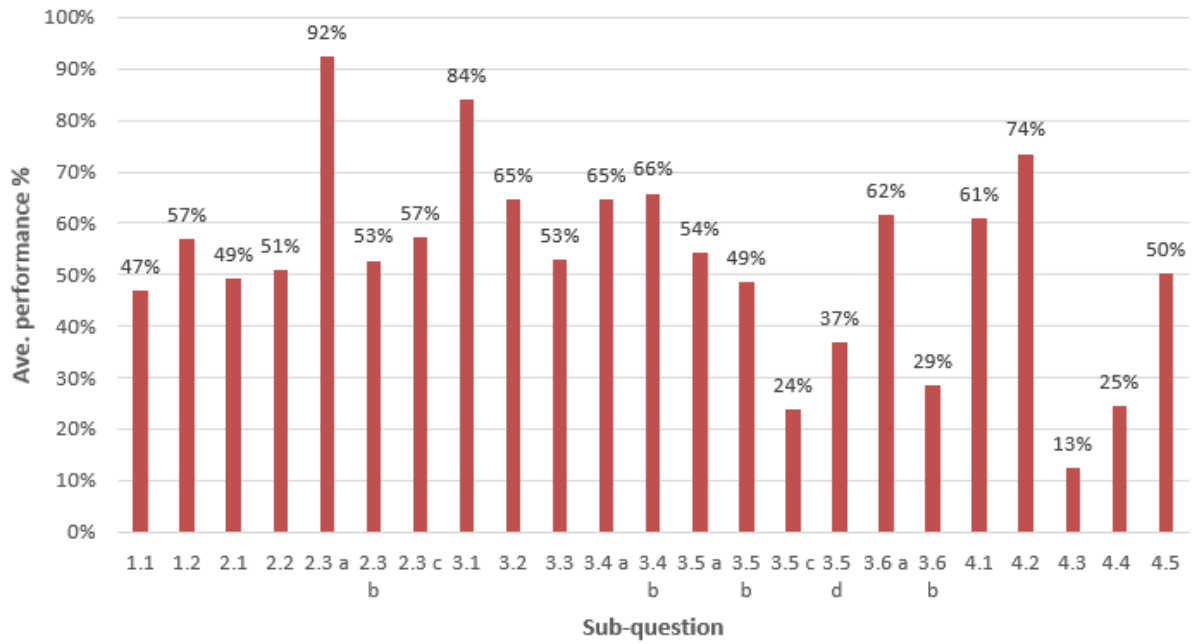
SUBJECT	ACCOUNTING		
QUESTION PAPER	1		
DURATION OF QUESTION PAPER	2 HOURS		
PROVINCE	EASTERN CAPE		
NAME OF THE INTERNAL MODERATOR	FANI, P.N.		
NAME OF THE CHIEF MARKER	NEL, I.		
DATES OF MARKING	2 – 12 DECEMBER 2024		
HEAD OF EXAMINATION:	MR E MABONA		

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



Question	Topic	Ave. performance %
1	Company Financial Statements	54%
2	Cash flow Statement and Financial Indicators	55%
3	Interpretation of Financial Statements	53%
4	Corporate Governance	38%
Total		52%

Accounting P1



Sub-question	Topic	Ave. performance %
1.1	Company Financial Statements	47%
1.2	Company Financial Statements	57%
2.1	Company Financial Statements	49%
2.2	Cash flow Statement and Financial Indicators	51%
2.3 a	Cash flow Statement and Financial Indicators	92%
2.3 b	Interpretation of Financial Statements	53%
2.3 c	Interpretation of Financial Statements	57%
3.1	Corporate Governance	84%
3.2	Corporate Governance	65%
3.3	Corporate Governance	53%
3.4 a	Corporate Governance	65%
3.4 b	Corporate Governance	66%
3.5 a	Corporate Governance	54%
3.5 b	Corporate Governance	49%
3.5 c	Corporate Governance	24%
3.5 d	Corporate Governance	37%
3.6 a	Corporate Governance	62%
3.6 b	Corporate Governance	29%
4.1	Corporate Governance	61%
4.2	Corporate Governance	74%
4.3	Corporate Governance	13%
4.4	Corporate Governance	25%
4.5	Corporate Governance	50%

From the sample of 100 scripts:

LOWEST TOTAL	HIGHEST TOTAL	AVERAGE
6/150 = 4%	146/150 = 97%	52%

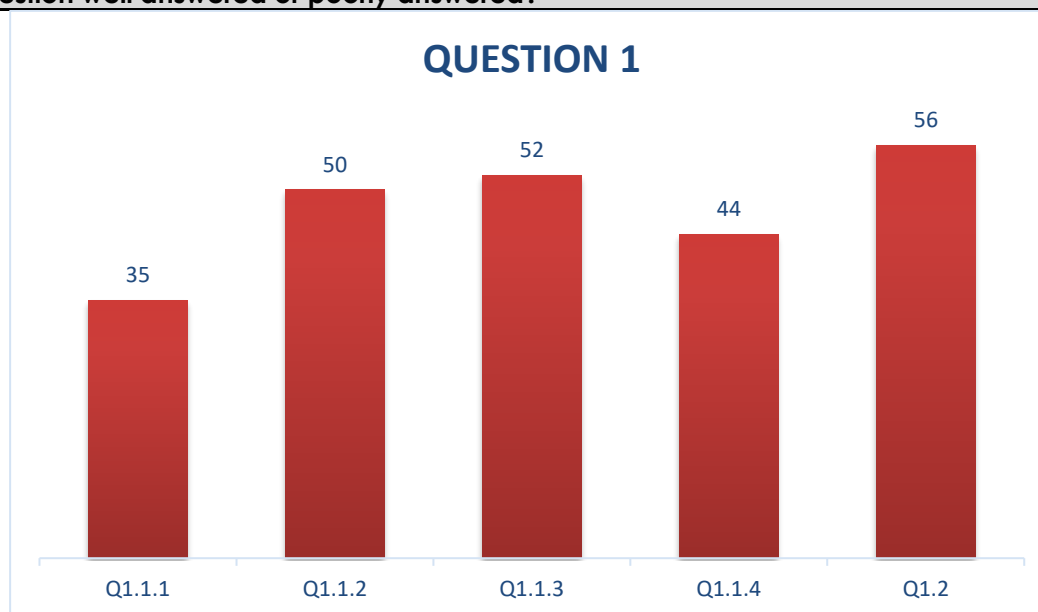
LOW SCORING QUESTIONS	3.5c: Amount spent on acquisition of shares 3.5d: Reasons for vote against repurchase of director's shares 3.6b: Other financial indicators indicating a well managed company 4.3: Audit evidence required by external auditor to verify fixed assets 4.4: Implications for directors and shareholders of an unqualified report
HIGH SCORING QUESTIONS	2.3a: Calculation of % operating expenses on sales 3.1: Two financial indicators indicating good management of expenses 3.2: Dividend pay-out policy 3.4a: Sources (over R1 m) used to finance the purchase of fixed assets 4.2: Identification and explanation of type of audit report received

- In general the performance was in the low average category.
- Weaker candidates present a strong indication of stereotype answers without answering what the question requires of them.
- High scoring candidates were able to achieve high marks in question 1 but were unable to sustain these marks in the remaining questions.

SECTION 2: Comment on candidates' performance in individual questions

QUESTION 1: COMPANY FINANCIAL STATEMENTS

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



The majority of candidates answered this question and achieved average marks.

Many candidates struggled in question 1.1.1 and 1.1.4., and although the calculation of depreciation forms part of the ATP in Grades 10 – 12. A number of high scoring candidates were able to achieve close to full marks in 1.2, whilst those candidates who struggle used the opportunity to gather valuable marks in the Statement of Comprehensive Income (SOI) due to the allocation of mark for pre-adjustment figures and method marks for final answers.

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

1.1.1 Most candidates calculated the carrying value at year end instead of using the Accumulated Depreciation opening balance minus closing balance ($472\,500 - 344\,700 = 127\,800$) to calculate the depreciation on equipment.

- 1.1.2 Candidates calculated depreciation instead of the cost price of vehicles. Some candidates included the trade-in value (R153 660).
- 1.1.3 Candidates encountered several challenges while calculating depreciation for both the new vehicle and the traded-in vehicle. Many did not account for the number of months when calculating depreciation for these vehicles, and some neglected to apply the diminishing balance method to the traded-in vehicle. Several candidates used R320 000 cost price of new vehicle to calculate depreciation on the traded-in vehicle. Numerous candidates used the trade-in value to calculate depreciation.
- 1.1.4 Many candidates used the cost price of the new vehicle (R320 000) instead of the cost of the traded-in vehicle (R240 000). A significant number of candidates struggled to calculate the profit or loss when using the diminishing balance method. Reversed signs may be applied, yet candidates struggled to identify whether a profit or loss was made in asset disposal.
- 1.2 Candidates were unable to distinguish between income and expenses. Furthermore, they found it difficult to determine whether the income or expense should increase or decrease. Many candidates started with the pre-adjustment figure, offered no adjustment or calculation and forfeited the method mark for their final answer.

The majority did not gain marks allocated for the sales amount.

Common errors included calculations such as:

$7\,649\,440 + 161\,000$

$7\,649\,440$ as final answer, or

$(4\,780\,900 - 115\,000) \times 160/100$, or

$4\,780\,900 + 115\,000 \times 160/100$, and

$7\,649\,440 - 115\,000$.

Candidates had difficulty in calculating the following:

- Rent income
- Insurance
- Salaries and Wages
- Directors' Fees
- Packing material

Many candidates forfeited the accuracy marks for Trading stock deficit and Provision for bad debts adjustment by misplacing the item. Many candidates also failed to transfer the amounts for depreciation and profit/loss on sale of assets to the SOCI.

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

Teachers must emphasise the importance of completing the SOCI in its entirety, as this enables candidates to earn method and part marks. Candidates should be made aware that depreciation and asset disposal are crucial topics, which require thorough revision, especially in Grade 12, as these concepts are carried over from Grade 10 and 11. Teachers are encouraged to provide candidates with varied activities that require different approaches when preparing the SOCI, ensuring they are well-prepared for all question formats.

Teachers should also focus on training candidates to complete all sections of the statement, as this maximises their potential to score marks. Providing regular feedback after tests and exams is vital for reinforcing learning and identifying areas for improvement.

In addition, teachers should stress to candidates that the inclusion of foreign items in the SOCI often results in a loss of hard-earned marks. Special attention needs to be given to asset disposal and the note for fixed

assets, and these topics should be assessed in different ways to ensure candidates grasp the necessary concepts.

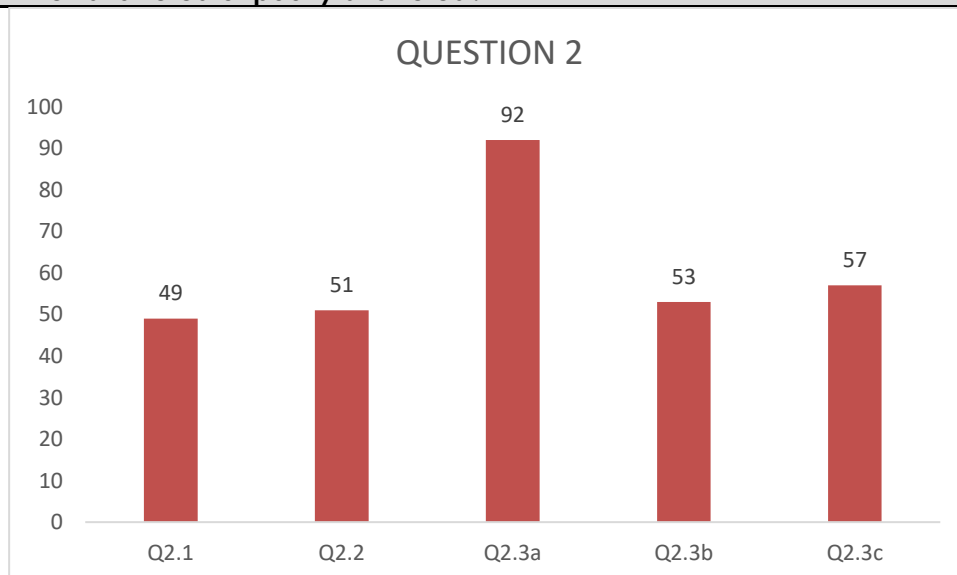
Candidates must be taught how to score method marks, especially when they are uncertain about specific calculations. Operation and method marks are relatively easy marks to secure, but candidates frequently lose valuable marks when leaving blank spaces on the SOCI. Learners should be taught to leave a negative balancing figure as such and indicate it in brackets regardless of the specified item (income or profit) as it carries a method mark. It is crucial for candidates to complete all sections of the statement, even when they are unsure of some calculations, as these method marks contribute significantly to their overall score.

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

- **Prioritise a deep understanding of fundamental concepts**
Concepts such as Asset Disposal, Depreciation, and the preparation of Financial Statements. Subject advisors should encourage teachers to adopt teaching strategies that build a strong conceptual foundation before introducing complex problem-solving techniques. Workshops could include practical examples of how to break down complex topics into digestible parts and explain them in simple terms.
- **Teacher development workshops**
These should focus on enhancing and providing practical strategies for teaching complex topics. Subject advisors play a critical role in equipping teachers with the knowledge, resources, and tools necessary to support learner success. By focusing on active learning, formative assessment, technology integration, and continuous reflection, workshops can empower teachers to deliver high-quality education and help candidates achieve their full potential.

QUESTION 2

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



The question was answered adequately. However, the candidates still make common errors such as rounding off correctly. Candidates do not know the proper formats of the notes and the Cash Flow statement.

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

2.1 Net profit after tax: The majority of candidates did not obtain the three marks allocated for calculating the net profit after tax using the formula provided in the formula sheet. This indicates a lack of familiarity or accuracy in applying the correct formula. Correct use of signs still appears to be a problem. Candidates do not know that they should add the net profit after tax, and subtract the repurchases and the ordinary share dividends to get the balance at the end of the year.

2.2 Errors in Financial Calculations

Candidates lost marks due to several common errors:

- a. Tax Paid: Incorrect use of signs was frequently observed in calculations such as $44675 - 462000 + 66650$.

Candidates lost marks due to omission of zeroes or adding extra zeroes in their final answer.

Candidates also omitted to indicate the final answer with brackets indicating outflow.

- b. Dividends Paid: Many candidates failed to recognise dividends paid as an outflow of cash, resulting in incorrect classifications.

Candidates struggled to calculate correctly the R204 000, which was the Shareholders for Dividends at the beginning of the year.

- c. Shares Repurchased: Instead of using the acquisition price of R9,50, many candidates incorrectly used R1.90 and failed to show their final answer in brackets indicating an outflow.

- d. Loan Repaid: Errors occurred as some candidates did not multiply the monthly instalment by 12 to reflect the annual repayment.

- e. Calculation of Cash and Cash Equivalents

Many candidates struggled to calculate the cash and cash equivalents at the end of the year with a negative cash and cash at the beginning. This area requires focused improvement.

2.3 Specific Areas of Performance

- a. This section was answered well by the majority of candidates demonstrating understanding and accuracy.

Candidates did however lose marks because of their inability to round off correctly.

- b. In contrast, a significant proportion of candidates incorrectly calculated the Stock Turnover Rate by using the formula for the Stock Holding Period.

- c. Many candidates did not include shares issued during the year in their calculations. Instead, they relied solely on the number of shares at the beginning of the year. For example, calculations such as $416000/1200000 \times 100 = 34.6\%$ were commonly observed, as well as $416000/1566000 \times 100 = 26.6\%$. Additionally, some candidates provided answers in percentage form incorrectly.

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

1. Thorough Coverage of Formula Sheet

Teachers are encouraged to thoroughly unpack and explain every formula included in the formula sheet. No formula should be overlooked or ignored. This ensures that candidates are familiar with all the tools available to them and understand their application in various contexts.

2. Emphasis on Brackets in Cash Flow Statements

It is essential to emphasize the correct use of brackets in the preparation of the Cash Flow Statement (CFS). This will help candidates accurately reflect cash inflows and outflows, thereby avoiding unnecessary errors and loss of marks.

3. Understanding Cash Flow Activities

Teachers should focus on helping candidates clearly differentiate between cash flow from operating, investing, and financing activities. This understanding is critical for correctly categorizing transactions within the Cash Flow Statement. When teaching, teachers are advised to breakdown the Cash Flow Statement into three sections, to simplify each section and for candidates to understand the components involved in each section.

4. Teaching for Understanding

Educators are encouraged to move beyond rote memorization and focus on teaching candidates to understand the concepts and principles behind financial calculations. This will enable candidates to apply their knowledge effectively in different scenarios.

By addressing these areas, teachers can equip candidates with a stronger foundation and the skills necessary for improved performance in financial reporting and analysis.

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

1. Understanding and Application of Formulas

Many candidates demonstrated a lack of knowledge regarding the correct formulas, leading to the use of incorrect formulas in their calculations. This has resulted in significant loss of marks. Teachers should prioritize ensuring that candidates are well-versed in all relevant formulas and their appropriate applications.

2. Correct Presentation of Answers

Candidates need to be taught the correct units and formats for presenting their answers. For example:

- Percentage Operating Expenses on Sales: This must be expressed as a percentage.
 - Interim Dividends Per Share: These should be presented in cents.
- Reinforcing the importance of proper formatting will help candidates avoid unnecessary errors and loss of marks.

3. Use of Correct Symbols

Errors were found in the use of incorrect operations in calculations. Candidates must be guided on the proper use of operation signs, as incorrect usage often leads to loss of marks.

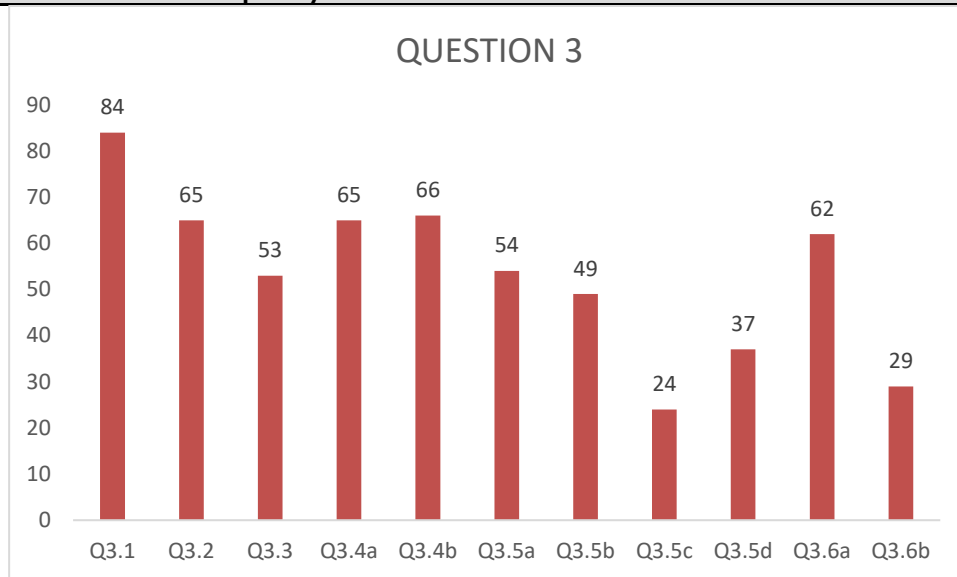
Recommendations:

- Conduct exercises that focuses on training learners on the structure of the Cash Flow Statement to minimise unnecessary loss of marks.
- Conduct focused exercises on the use of appropriate symbols in financial calculations to minimize errors.
- Ensure candidates are familiar with, and practice using the formulas provided in the formula sheet.
- Emphasize the correct interpretation and application of signs in financial calculations.
- Provide more practice on annualizing figures, such as loan repayments.
- Emphasize that the only financial indicators that will be multiplied by 365 days are only those that requires the period.
- Clarify distinctions between different formulas, such as Stock Turnover Rate and Stock Holding Period.
- Emphasize the need to consider all relevant data, such as shares issued during the year, in calculations.
- Address common errors in dealing with negative amounts in cash flow calculations through targeted exercises.

Focused interventions in these areas will improve candidates' overall performance.

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 adequately answered. Weaker candidates struggled to differentiate between the various types of financial indicators, which negatively impacted their performance. Average candidates performed fairly well, as this version of the financial indicator question was simpler compared to previous assessments. Strong candidates performed well, typically losing only one mark in Question 3.3.3, such as when explaining Earnings Per Share (EPS) and its indication of increased profitability. In general candidates failed to read the instructions of the questions accurately and thus provided irrelevant information.

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

3.1 Many candidates were unable to identify the correct indicators under profitability, with some incorrectly mentioning liquidity ratios. Additionally, several candidates did not show the required trends and figures, which were essential for full marks.

3.2 While candidates were able to comment on the change in the dividend payout policy, they struggled to explain the reasons behind the change. Some candidates mentioned Dividend Per Share (DPS), demonstrating a lack of understanding of the concept of the payout policy.

3.3 Most candidates correctly compared the Return on Shareholders' Equity (ROSHE) to the interest on fixed deposits, but did not compare EPS to profitability thus scoring 3 out of 4 marks. Candidates often incorrectly compared ROSHE with interest rate on loan. Those who struggled with the question incorrectly identified Return on Average Capital Employed (ROTCE) as the relevant indicator.

3.4 Financing strategies and gearing

a) Candidates failed to note the clarification that the sources should exceed R1 000 000, leading to incorrect answers. Many omitted figures or only identified the final figure, resulting in a loss of two marks.

b) Weaker candidates confused ROTCE with ROSHE. However, the question on low risk and positive gearing was well answered, with approximately 85% of candidates achieving full marks. The overall performance of the question was affected by those who still could not answer risk and gearing adequately.

3.5 Shareholding, rights issue and shares repurchased

- a) Shares bought back by Grant: Most candidates did not know how to approach this question. They failed to multiply by 10 to calculate the number of shares. Additionally, the term "rights issued" created confusion, as it is not commonly used.
- b) Grant's % Shareholding: Candidates struggled to add the new shares to the existing shares. Only about 35% of candidates correctly completed this calculation. Fortunately, there was no change in the percentage shareholding between 2023 and 2024, allowing some candidates to use the 2023 figures and still score full marks.
- c) Amount spent: This was very poorly answered. Approximately 88% of candidates could not calculate the issue price, and many did not even attempt the question.
- d) Buyback of Grant's shares at R12: Most candidates earned 2 out of 4 mark due the comparison of the market price and net asset value per share but failed to compare these with the repurchase price. Some candidates even compared the repurchase price to the average share price.

3.5 Role of the CEO

- a) Characteristics of the CEO: Due to language barriers, many candidates misunderstood the question. Instead of identifying characteristics of a CEO, 75% of candidates responded by listing responsibilities, leading to incorrect answers. Due to no part marks being awarded candidates either performed poorly or well.
- b) Candidates misunderstood the instruction to discuss other financial indicators not previously mentioned in the question. Even when the correct indicators were identified, figures were omitted, and they were unable to explain them effectively.

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

Suggestions for Improvement

1. Strengthening the Teaching of Financial Indicators:

- Provide detailed explanations and examples of each financial indicator, grouped by category (e.g., profitability, liquidity, and solvency).
- Regularly practice trend analysis, with the use of case studies, including the interpretation of figures over multiple years, to help candidates understand the practical implications of financial changes.

2. Clarifying Key Financial Concepts:

- Emphasize the distinctions between different categories of ratios (e.g., profitability vs. liquidity).
- Highlight common misconceptions, such as confusing ROTCE with ROSHE, and ensure candidates can explain these concepts in their own words.

3. Enhancing Calculation Skills:

- Incorporate frequent practice sessions on calculations, including DPS, EPS, and share buyback.
- Use step-by-step problem-solving strategies to ensure candidates understand the entire calculation process, especially for more complex concepts like issue prices or shareholding percentages.
- Provide real-world examples, such as company financial reports, to make calculations more relevant and engaging.

4. Promoting Understanding of Majority Shareholding:

- Explain the concept of majority shareholding in detail, including its significance in decision-making and control over a company.

- Use practical examples to demonstrate how changes in shareholding (e.g., issuing new shares or share buyback) can impact control and ownership percentages.
- Encourage candidates to calculate and interpret percentage changes in shareholding using realistic scenarios.

5. Addressing Language Barriers:

- Simplify and clarify terminology, such as "rights issued" or "characteristics," to make questions more accessible.
- Provide a glossary of common terms used in financial analysis and ensure candidates understand them through examples and discussions.

6. Integrating Analytical Skills:

- Focus on developing higher-order thinking skills, such as explaining reasons behind financial trends or changes in policies (e.g., dividend payout policies).
- Use group discussions and role-playing activities where candidates analyse financial scenarios and present their interpretations.

7. Continuous Assessment and Feedback:

- Implement regular formative assessments to monitor candidates' understanding and provide immediate feedback on their analysis and calculations.
- Review common errors in calculations and interpretations to ensure candidates avoid repeating these mistakes.

8. Teacher Development:

- Offer workshops or training sessions for teachers to enhance their understanding of financial analysis and teaching strategies.
- Provide teaching aids, such as annotated examples, practice worksheets, and access to financial statement analysis software.

By implementing these strategies, teachers can help candidates build a strong foundation in financial analysis, improve their calculation skills, and understand the importance of majority shareholding, ensuring better performance in future assessments.

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

1. Integration of Financial Indicators with Financial Statements:

To enhance candidates' understanding of financial statement analysis and interpretation, teachers should integrate relevant financial indicators during lessons. For example, when teaching the SOCI, simultaneously introduce and discuss Profitability Financial Indicators. This approach ensures candidates can directly apply theoretical knowledge in context.

2. Simplifying Trend Analysis and Quotation Techniques:

Teachers should focus on simplifying the process of quoting data and identifying trends. Structured practice in these areas will help candidates grasp concepts more easily and answer related questions more effectively.

3. Developing RTQF (Read The Question Fully) Skills:

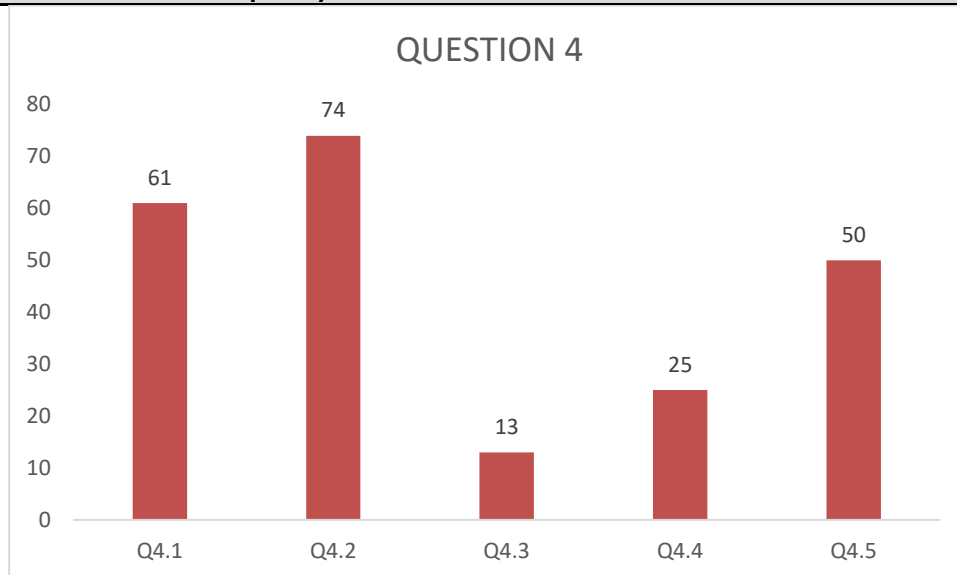
Candidates often lose marks due to misunderstanding or misinterpreting questions. Teachers must emphasize the importance of carefully reading and analysing questions before attempting answers. Incorporating activities and exercises focused on RTQF will improve candidates' accuracy and confidence.

For Subject Advisors and Teacher Development Programs:

- Workshops and training sessions should focus on equipping teachers with strategies to teach integrated financial statement analysis effectively.
- Model answers and marking guidelines should highlight the importance of quoting, analysing trends, and proper question interpretation.
- Teachers should be encouraged to develop classroom activities that enhance RTQF and grammar skills alongside subject knowledge.

QUESTION 4

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



Overall question four was poorly answered with the stronger candidates pulling up the averages. The majority of candidates answered 4.1., 4.2, and 4.5 well. Whereas 4.3 was unfamiliar for most candidates as they mentioned financial statements instead of mentioning the correct evidence such as fixed assets registers, and title deeds that external auditors would use to verify fixed assets. Furthermore, candidates did not pay attention to the marks allocated for this question as they only listed partial answers instead of elaborating. Question 4.4 was adequately answered.

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

- 4.1 This question was answered well. Most candidates responded with "Unbiased Opinion," which is correct, although the question carried only two marks. However, there were many candidates who are unfamiliar with the role of an external auditor stating that they prepare the financial statements.
- 4.2 Most candidates' explanations referenced extracts from the audit report, which aligned with the expected response. Candidates are confusing a the term qualified report with that of an unqualified audit report as they could correctly explain an unqualified report.
- 4.3 This question was not well answered by the majority of candidates. While some provided audit evidence, they were unable to explain it effectively. For example, candidates mentioned 'confirm physical existence' but not verifying it against the fixed assets register. Some candidates mentioned source documents such as invoice/receipts but were unable to link it with the movements of fixed assets.
- 4.4 Many candidates struggled with the term *implication*. Overall, this question was poorly answered Even candidates who correctly identified the type of report often failed to provide the correct response for the implication. For example candidates further explained the audit report implications for the company

instead of explaining the implications of the report to the Directors/Shareholders. Some candidates went to an extent of explaining the role of directors and shareholders in the company.

4.5 Candidates demonstrated a good understanding of this question and answered it well. However, some lost marks due to the mark allocation limit for each bullet point. Additionally, candidates often listed consequences that fell under the same category or line item, as specified in the marking guidelines. Candidates also had misconceptions of explaining the consequences for the company being audited.

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

Teachers should be made aware of the Independent Regulatory Board for Auditors (IRBA) in addition to focusing solely on the South African Institute of Chartered Accountants (SAICA). Corporate Governance, a challenging topic for both candidates and some educators, should be given more emphasis in teaching. Additionally, teachers should ensure that the King Code is thoroughly unpacked for students. Furthermore learners would benefit from having exposure to audit firms. Teachers should invite auditors to come and unpack what they actually do when auditing books.

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

- In relation to Corporate Governance and Audit Reports for Limited Liability Companies, it is important for teachers, subject advisors, and those involved in teacher development to note that candidates often struggle with the complexity of these topics.
- Clear explanations and real-world examples should be provided to enhance understanding.
- Teachers should focus on demystifying the concepts of corporate governance frameworks, particularly the King Code, as many candidates find this area challenging.
- Additionally, more attention should be given to the specific requirements of audit reports for limited liability companies, ensuring candidates grasp both the technical and conceptual aspects of the subject matter.