



# education

Department:  
Education  
North West Provincial Government  
**REPUBLIC OF SOUTH AFRICA**

## PROVINCIAL ASSESSMENT

### GRADE 12

### ACCOUNTING P1

JUNE 2024

### 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 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 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 question).
8. This marking guidelines is 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 operation, marker must inspect the 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 guideline.
12. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to financial indicators.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate by with a
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 8 pages.**

**QUESTION 1****1.1 BROOKLYN LTD  
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
29 FEBRUARY 2024**

<b>Sales</b> (1 960 000 + 36 160✓)		1 996 160	✓
<b>Cost of sales</b>	if 60% of sales	(1 247 600)	✓
<b>Gross profit</b>	operation must be subtracted 4	748 560	✓
<b>Other Income</b>	operation	250 620	✓
<b>Discount received</b>		<b>15 500</b>	
Rent income 277 300✓ – 43 240✓✓		234 060	✓
Provision for bad debts adjustment 7 185✓ – *6 125 ✓✓ *(88640+36160-2580+280) x 5% or 122500 x 5%		1 060	✓
<b>GROSS INCOME</b>	operation 10	999 180	✓
<b>Operating expenses</b>	operation	(599 948)	✓
<b>Audit fees</b>		<b>22 600</b>	
<b>Depreciation</b>		<b>54 200</b>	
Salaries and wages 175 600 ✓ + 12 600 ✓✓		188 200	✓
Employers Contribution 12 300✓ + 1 008✓ + 126✓		13 434	✓
Directors' fees 225 400✓ + 9 800 ✓✓ <b>OR</b> 23/24		235 200	✓
Bad debts 4 565✓ + 2 580✓		7 145	✓
Consumable stores 16 900 – 4 350		12 550	✓✓
Trading stock deficit (123 800✓ – 22 600✓ – 99 400✓)		1 800	✓
Advertising 12 900 ✓ – 4 300✓		8 600	✓
Sundry expenses	Balancing figure	56 219	✓
<b>Operating Profit</b>	if 20% of 1 996 160 27	399 232	✓
Interest income 9 600 + 1 920 ✓ + 280 ✓		11 800	✓
<b>Profit before interest expense</b>		411 032	✓
Interest expense 507 000 + 114 600 – 555 000		(66 600)	✓✓
<b>Net profit before income tax</b>	Must be subtracted	344 432	✓
Income tax	25% of NPbT	(86 108)	✓
<b>Net profit for the year</b>	<b>9</b>	<b>258 324</b>	✓

### 1.2.1 ORDINARY SHARE CAPITAL ISSUED

<b>350 000</b>	Ordinary shares (opening balance)	3 360 000 ✓	
<b>150 000</b>	Ordinary shares issued during the year	1 800 000 ✓	
(90 000) ✓	Ordinary shares repurchased x 10,32 ✓	(928 800) ✓	
<b>410 000</b> ✓	<b>Ordinary shares (closing balance)</b>	<b>4 231 200</b>	<b>6</b>

### RETAINED INCOME

<b>Balance (1 March 2023)</b>	<b>(balancing figure)</b>	1 081 800 ✓	
<b>Net profit after income tax</b>		<b>996 000</b>	
Shares repurchased (90 000 x R1,18 )		(106 200) ✓✓	
<b>Ordinary share dividends`</b>		(667 500) ✓	
- <b>Interim dividends</b>		<b>192 500</b>	
- Final dividends (500 000 x 95c)		475 000 ✓✓	
<b>Balance (29 February 2024)</b>		<b>1 304 100</b>	<b>6</b>

### 1.2.2 Explain whether the Louw family was offered a fair value for their shares. Quote figures.

Yes ✓ Explanation ✓✓ figure ✓

It was above the average share price of R10,32

They were offered a price R11,50 which was more than the market price, R9,25  
They were offered a price of R11,50 which was more than the NAV of R10,30.

**4**

### 1.2.3 Give two ways how the repurchase of shares benefitted the existing shareholders?

Any TWO valid responses ✓✓ ✓✓

They could receive greater dividends (if profits remain the same).

The NAV will improve and so will the value of their shares.

The EPS and DPS will also be higher (if profits remain the same) which could result in investor confidence.

Shareholding % will increase, so will voting power of existing shareholders

**4**

**TOTAL MARKS**

**70**

**QUESTION 2**

- 2.1 Complete the Note for Reconciliation between net profit before tax and cash generated from operations for the year ended 30 June 2023:

<b>Net profit before tax</b>		
<b>Adjustment in respect of:</b>		
Depreciation	235 600	✓✓
Interest expense	125 000	✓✓
<b>Operating profit before changes in working capital</b>		

4

2.2.1 **Calculate: Taxation paid**

WORKINGS	ANSWER
185 600✓ – 11 000✓ – 17 375✓ <b>OR</b> – 185 600 + 11 000 + 17 375	157 225 ✓* one part correct

4

2.2.2 **Calculate: Fixed assets purchased**

WORKINGS	ANSWER
+ 2 241 940✓ + 235 600✓ + 67 500✓✓ – 2 344 800✓	200 240 ✓* one part correct

6

2.2.3 **Calculate: Net change in financial assets**

WORKINGS	ANSWER
290 000 – 225 000	R65 000 ✓✓ no part marks

2

2.2.4 **Calculate: Shares issued**

WORKINGS	ANSWER
100 000 x R15	R1 500 000 ✓✓

2

2.2.5 **Calculate: Net change in cash and cash equivalents**

WORKINGS	ANSWER
<b>Net change in cash and cash equivalents</b> (balancing figure)	193 200 ✓
<b>Cash and cash equivalents at the beginning</b> (128 700 – 11 400)	(117 300) ✓✓
<b>Cash and cash equivalents at the end</b>	75 900 ✓

4

<b>2.3.1</b>	<b>Calculate: Current ratio</b>		<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"><b>3</b></div>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	1 415 900 ✓ : 820 940 ✓	1,7:1 <input checked="" type="checkbox"/> one part correct	

<b>2.3.2</b>	<b>Calculate: Debt-equity ratio</b>		<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"><b>3</b></div>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	850 000 ✓ : 4 800 800 ✓	0,2 : 1 <input checked="" type="checkbox"/> or 0,18 : 1 one part correct must be in ratio: 1	

<b>2.3.3</b>	<b>Calculate: Return on average capital employed</b>		<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"><b>7</b></div>
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$\frac{530\,600 \checkmark + 125\,000 \checkmark}{\frac{1}{2}(3\,600\,500 \checkmark + 4\,800\,800 \checkmark) + (700\,000 \checkmark + 850\,000 \checkmark)} \times \frac{100^*}{1}$ $\frac{655\,600 \text{ two marks}}{8\,401\,300 + 1\,550\,000}$ $\frac{655\,600 \text{ two marks}}{9\,951\,300 \text{ four marks}}$ $4\,975\,650$	13,2% <input checked="" type="checkbox"/> one part correct must be in % or 13,18%	

<b>TOTAL MARKS</b>
<b>35</b>

**QUESTION 3****3.1 CONCEPTS**

3.1.1	C	✓
3.1.2	D	✓
3.1.3	A	✓
3.1.4	B	✓

4
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**3.2 OMEGA LTD****3.2.1 Comment on the overall liquidity position of the company. Quote THREE relevant financial indicators (with figures).**

Quoting of financial indicators ✓ ✓ ✓ Quoting of figures ✓ ✓ ✓

Current ratio increased from 2,2:1 to 2,7:1/by 0,5:1  
 Acid-test ratio decreased from 1,5:1 to 1,2:1/by 0,3:1  
 Debtors' collection period decreased from 39 to 32 days. / with 7 days  
 Creditors' payment period decreased from 51 to 41 days. / with 10 days

Any valid comment ✓✓ Part-marks for unclear/incomplete answers

- The business is liquid/should have no problem in paying off its short-term debts.
- Although the liquidity is good, we are paying the creditors too soon.

8
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**3.2.2 One of the directors feels that the company should pay back the loan as soon as possible. What are your views about this? Quote and explain TWO relevant financial indicators with figures to support your view.**

Quoting of financial indicators ✓ ✓ Quoting of figures ✓ ✓ Explanation ✓ ✓

The debt/equity ratio decreased from 0,6:1 to 0,4:1. /with 0,2:1  
 The business is at low risk.

The ROTCE dropped from 15% to 9%.  
 The company is receiving a return (9%) that is less than the interest rate on loans (14%) (negatively geared).

It was a good decision to pay back the loan.

6
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**3.2.3 The directors decided to change the dividend pay-out policy in 2024. Provide calculations that indicate the policy change.**

In 2023, the company paid 50/200 cents – 25% ✓✓  
 In 2024, the company paid 160/160 cents – 100% ✓✓

**OR** pay out increased from 25% to 100%

4

**Explain the effect of this policy change on the company. State TWO points.**

TWO valid points ✓✓ ✓✓ Part-marks for unclear/incomplete answers

- Retained income decreased and this could affect future growth (expansion) of the business.
- It would influence the share price/increase demand for the shares.
- It could motivate shareholders to vote for the directors at the AGM.
- Cashflow problem (one mark)

4

**3.2.4 Explain why the shareholders are satisfied with the market price of the shares on the JSE. Quote figures/financial indicators to state TWO points.**

Quoting of financial indicators ✓ ✓ Quoting of figures ✓ ✓ Explanation ✓ ✓

- Increased from 800 cents to 960 cents / increased by 160 cents.
- The market price is higher than the NAV of 770 cents / by 190 cents.

**Explanation**

- There is a demand for shares in this company.
- Investors are interested in buying shares.

6

**Explain why the shareholders are satisfied with the price at which the shares were repurchased. Quote figures/financial indicators.**

Explanation ✓✓ Figures ✓

The company paid 850 cents per share although the market value at the end of the year was 960 cents /The company paid 110 cents less than the market value

3

<b>TOTAL MARKS</b>
35

**QUESTION 4**

4.1

**What is the difference between the roles of an internal auditor and an independent external auditor? Provide TWO points.**

- The internal auditor is an employee of the company ✓ whose job it is to monitor and execute internal controls to ensure that the risk of losing unethical behaviour is minimized ✓
- The independent auditor had been appointed by the shareholders at an AGM, he/she is not an employee of the company ✓ (he/she is independent of the directors and other employees) and must after performing an audit, express an opinion (unbiased) on the financial statements ✓

4

4.2

**External independent auditors may charge high audit fees for their specialised work. What do you think will be the consequences for the auditor if it is proven that the auditor was negligent in the performance of his responsibilities? Name TWO consequences.**

Any TWO valid reasons ✓✓ ✓✓

- Complaints against them may lead to disciplinary hearings under IRBA and/or SAICA.
- They can be prevented from auditing companies in the future.
- Civil charges can be laid against them by investors who have lost money due to reliance on an erroneous audit opinion.
- They face criminal charges.
- They may be removed from the membership role of SAICA.

4

4.3

**A Chief Executive Officer (CEO) of a company has prior knowledge that the company will be sued for R500 million due to faulty products they market once the relevant investigations are complete. The CEO decides to sell his shares as soon as possible, before the news reaches the general public.**

**Give ONE possible consequence of the CEO's unethical behaviour.**

Any valid consequence ✓✓

- May face legal action in court.
- Can receive imprisonment or fine if convicted.
- Can be prevented from acting as a director.

2

<b>TOTAL MARKS</b>
10

10

TOTAL: 150