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MARKING GUIDELINES

EXAMINATION NATIONAL SENIOR CERTIFICATE	
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SOUTH AFRICAN COMPREHENSIVE ASSESSMENT INSTITUTE
SUID-AFRIKAANSE KOMPREENSIEWE ASSESSERINGSINSTITUUT



MARKING GUIDELINES

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no foreign item penalty for misplaced item). No double penalty applied.
2. Full marks for correct answer. If answer incorrect, mark the workings provided.
3. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
4. 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.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where penalties are applied, the marks for that section of the question cannot be a final negative.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
8. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
9. Codes: f=foreign item; p=placement/presentation.

**QUESTION 1: FINANCIAL STATEMENTS: Statement of Financial Position.****(40 marks; 30 min)****1.1 Calculate the correct Net Profit after tax.**

Workings	Answer
Incorrect Net Profit	1 705 600
Directors fee (1 334 400 – 1 278 800)	(55 600) ✓✓
Rent income (3 x 13 000)	39 000 ✓✓
Also accept a calculating together for 4 marks	(16 600)
Packaging material must be positive for mark	15 300 ✓
Provision for bad debts adjustment (35 450 – 33 400) ✓	2 050 ✓
Repairs	440 000 ✓✓
Interest on Loan	(266 000) ✓✓
Salaries (1 250 000 x 0,56) = 700 000 x 1/4 ✓	175 000 ✓
Amount must be positive for marks.	
Correct Net Profit before tax	2 055 350 ✓
Income tax	(617 000)
Net Profit after tax Check calculation	1 438 350 ✓

15



1.2

Statement of Financial Position:**FAST Ltd. on 29 February 2024**

ASSETS		
NON – CURRENT ASSETS	12 650 000	✓
Fixed assets (11 060 000 + 440 000) ✓	11 500 000	✓
Fixed deposit	1 150 000	(3)
CURRENT ASSETS	1 498 350	✓
Inventory (828 500 + 15 300 ✓ – 48 500 ✓✓)	795 300	✓
Trade and other receivables (668 000 – 33 400 ✓ + 58 000 ✓✓) SEE 1.1	692 600	✓
Cash and cash equivalents	10 450	
TOTAL ASSETS	14 148 350	✓
		(10)
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS' EQUITY	11 000 000	
Ordinary Shares Capital	10 150 000	
Retained Income	850 000	
NON – CURRENT LIABILITIES		
Loan: Furious Bank (1 984 000 ✓ – 316 000 ✓)	1 668 000	✓
CURRENT LIABILITIES	1 480 350	
Trade and other payables (629 000 + 16 600 ✓✓ – 48 500 ✓) SEE 1.1	597 100	✓
Short term portion of loan	316 000	✓
Shareholders for dividends (700 000 x ¾) ✓	525 000	✓
Bank overdraft Balancing figure	42 250	✓
TOTAL EQUITY AND LIABILITIES	14 148 350	✓
		(12)

25

TOTAL MARKS**[40]**



QUESTION 2: CASH FLOW STATEMENT, NOTES AND FINANCIAL INDICATORS

(55 marks; 50 min)

2.1 List of items in annual report

2.1.1	C – Cash flow statement ✓
2.1.2	D - Director's report ✓
2.1.3	A - Statement of Comprehensive Income ✓

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2.2.1 Ordinary Share Capital

1 200 000 ordinary shares

480 000	Shares issued on 1 May 2023	1500 000 ✓
220 000 ✓	Shares issued during the year	460 000 ✓
(50 000) ✓	Repurchase of shares @ R2,80 ✓	(140 000) ✓
650 000 ✓ ✓	Shares issued on 30 April 2024	1 820 000

NOT
AWARDED
OR 220 000

NAV = 425 cent
 $(1\,820\,000 + 942\,500) \div 4,25$

8

Retained income

Balance at beginning of year	732 500 ✓
Net profit after tax (360 000 ✓ x 70/30 ✓) ONE PART CORRECT	840 000 ✓
Repurchase of shares (220 000 ✓ – 140 000 ✓)	(80 000) ✓
Ordinary share dividends	(550 000) ✓
Interim (700 000 ✓ x 0,21) if x 0,21	147 000 ✓
Final (650 000 ✓ x 0,62) if x 0,62	403 000 ✓
Balance at end of year	942 500

Check
calculation

12



2.2.2	Calculate the Income tax paid.															
	<table><tr><td colspan="2">WORKINGS</td></tr><tr><td colspan="2"><table><tr><td colspan="2">SARS</td></tr><tr><td>BANK # 369 800</td><td>Balance b/d 22 600</td></tr><tr><td>Balance c/d 12 800</td><td>Income tax 360 000</td></tr></table></td></tr><tr><td colspan="2">22 600✓ + 360 000✓ – 12 800✓</td></tr></table>	WORKINGS		<table><tr><td colspan="2">SARS</td></tr><tr><td>BANK # 369 800</td><td>Balance b/d 22 600</td></tr><tr><td>Balance c/d 12 800</td><td>Income tax 360 000</td></tr></table>		SARS		BANK # 369 800	Balance b/d 22 600	Balance c/d 12 800	Income tax 360 000	22 600✓ + 360 000✓ – 12 800✓		<table><tr><td>ANSWER</td></tr><tr><td>369 800✓</td></tr></table>	ANSWER	369 800✓
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ANSWER																
369 800✓																
	Calculate the dividends paid.															
	<table><tr><td>WORKINGS</td></tr><tr><td>220 500 ✓ + 147 000✓</td></tr><tr><td><i>Check 2.2.1 interim dividend</i></td></tr></table>	WORKINGS	220 500 ✓ + 147 000✓	<i>Check 2.2.1 interim dividend</i>	<table><tr><td>ANSWER</td></tr><tr><td>367 500✓</td></tr></table>	ANSWER	367 500✓									
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	Calculate the net change in cash and cash equivalents.															
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Cash equivalents starting balance (22 000✓ - 35 600✓)	(13 600) ✓															
Cash and cash equivalents end balance	91 400✓															

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2.2.3 Cash flow from investing activities

Purchase of fixed assets (3 890 000 ✓ + 26 900 ✓ + 22 000 ✓ – 3 328 000 ✓)	(610 900) ✓
Proceeds on sale of asset	22 000
Fixed deposit matured (210 000 x ½) ✓	105 000 ✓
	(483 900) ✓

MUST BE
BRACKET
FOR PART
MARK

8



2.2.4	Calculate the following financial indicators:					
	Mark-up percentage on Cost of sales					
	WORKINGS 1 890 000✓ (6 090 000✓ – 1890 000✓) 4 200 000 X 100	ANSWER 45% ✓ one part correct calculated as %				
	Debt – Equity ratio					
	WORKINGS 1 135 000✓ : 2 762 500✓	ANSWER 0,4 : 1 ✓ Must be x:1				
	% Return on shareholders' equity (ROSHE)					
	WORKINGS <table><tr><td>840 000 ✓ RI 2.2.1 check calculation</td><td></td></tr><tr><td> ½ ✓ (2 232 500✓ + 2 762 500✓) 2 497 500 </td><td>X 100</td></tr></table>	840 000 ✓ RI 2.2.1 check calculation		½ ✓ (2 232 500✓ + 2 762 500✓) 2 497 500	X 100	ANSWER 33,6% ✓ one part correct calculated as %
840 000 ✓ RI 2.2.1 check calculation						
½ ✓ (2 232 500✓ + 2 762 500✓) 2 497 500	X 100					

12

TOTAL MARKS
[55]



QUESTION 3: INTERPRETATION OF FINANCIAL INFORMATION

(35 marks; 25 min)

3.1	Choose the correct word.	
3.1.1	Solvency ✓	
3.1.2	Profitability ✓	
3.1.3	Gearing ✓	
3.1.4	Liquidity ✓	

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3.2 FURIOUS Ltd.

3.2.1	The directors are satisfied with the improvement in the current ratio and the acid-test ratio. Explain why you would disagree with them. Quote TWO other financial indicators in your response.
	Financial indicators Two financial indicators – ✓✓ Figures – ✓✓ • Stockholding period increased from 63 days to 102 days • Average debtors' collection period increased from 31 days to 46 days Do not accept current ratio and acid-test ratio – no marks
	Explanation ✓✓ The liquidity is not good, although there is an improvement in current ratio and acid-test ratio, debtors takes longer to pay off debt and the company is holding too much stock. Too much cash is tied up in inventory.

6



3.2.2	Dividends:
•	Comment on the dividend per share over the last two years. Quote figures.
	DPS decreased from 91 cents to 72 cents. ✓✓
•	Explain the change in the dividend pay-out rate and give a reason for this change. Quote figures.
	Dividend pay-out rate increased from 70% to 124,1%. Higher pay-out rate. ✓✓ Give a reason for this change. Directors see to keep shareholders happy over low profitability. ✓✓ Dividends paid from previous years retained income.
•	Jakob Toretto feels that he is more satisfied with the dividends he received at FURIOUS Ltd. Explain why you agree with him. Show calculation and quote figures.
	Show calculation FAST has a pay-out rate of 46,9% - $\frac{92 \text{ cents}}{196 \text{ cents}}$ ✓✓ Explanation If Furious Ltd. had paid out a pay-out of 46,9% shareholders would have received only 27cents DPS. ✓



3.2.3	Comment on the risk and gearing for both years. Quote TWO financial indicators (with figures).
	Financial indicators Two financial indicators – ✓✓ Figures – ✓✓ Debt-equity ratio increased from 0,2 : 1 to 0,4 : 1 Return on total capital employed (ROTCE) decreased from 32% to 19,2% Comment Increase in the loan <u>was not effectively</u> used to improve profitability. ✓ Although a positive gearing is still maintained, interest rate of 13,5 % and ROTCE at 19,2% ✓

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3.2.4	Existing shareholders are unhappy that the new shares issued on 1 July 2023 have been sold to the CEO, Brian O’Conner. Give TWO reasons why you think their feelings are justified. Show calculation and quote figures.
	Show Calculation Figures ✓✓ $\frac{562\,500}{250\,000} = R2,25 \quad \checkmark\checkmark$ The shares were issued to Brian O’Conner at a lower price. R2,25 is lower than the Net Asset value of R3,91 and the Market price of R4,50. Must compare R2,25 to 2023 figures as the sales of shares is at beginning. Reason - two reasons ✓ mark each • Company loses out on additional funds because shares were issued for such a low price. Low issue price causes net assets to decrease. • Available shares must be advertised. CEO has unfair influence on the shares and issue price. (inside trading)

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3.2.5	The Cash Flow Statement showed a positive change of R1 470 000. Give TWO reasons why this should still be a concern for the directors. Quote figures.
	Two reasons - ✓ ✓ figures - ✓✓ - Cash flow from operating activities their outflow decreased (222 120). (2 marks) - Large part of R1 470 000 is due R977 000 loan increased / Financing activities increased by R1 539 000 is mainly because of loan increase of R977 000 - Sales of shares R562 500 (low issue price). - High dividends pay-outs of R1 387 500.

4

TOTAL MARKS
[35]


QUESTION 4: SHAREHOLDING AND CORPORATE GOVERNANCE (20 marks; 15 min)

4.1	Choose the correct word.	
4.1.1	Internal auditors ✓	
4.1.2	Limited ✓	
4.1.3	Non-Executive Directors ✓	
4.1.4	Pty Ltd. ✓	
4.1.5	Executive directors ✓	

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4.2.1	Calculate the percentage shareholding of Canal+ in Multichoice.
	$\frac{140\ 160\ 277}{442\ 512\ 678} \times 100$ = 31,67 ✓✓ also accept 31,7
4.2.2	Why is Canal+ so determined to acquire the shares?
	To become a majority shareholder. ✓
4.2.3	Provide TWO benefits for Canal+ if they acquire the shares.
	Two Benefits - ✓✓ ✓✓ • Wants to have full control over company. • Wants to be able to influence all decisions of the company in future. • Wants to be able to address the issue of incompetent directors / the influence of new hires that can contribute to the growth of the company. One-mark options • To get more dividends. • Improve capital gains on the shares or increase the price of shares.

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4.3.1	Why does the CEO use the above as an argument to Multichoice as a reason to why they are interested in the shares? Corporate social responsibility. Canal+ is prepared to fulfil their corporate social responsibility as well as the sustainability of the company. ✓✓
4.3.2	In which report will the non-financial information be communicated in the AGM? Directors Report ✓✓
4.3.3	What do you understand by the “Three-part baseline” reporting? One valid point ✓✓ The goal is not just profit, but prosperity for all. This is a recommendation of the King Code which encourages companies to concentrate on the positive and negative effect that an organisation has on community and environment / planet
4.3.4	Briefly explain what you understand by “good corporate governance”. One valid point ✓✓ • Manage the business in an ethical and transparent manner/ ensure fairness and accountability to build a successful organization. • Look after the interests of the employees, the community, the environment and all other stakeholders involved in the company. • To ensure that proper rules and procedures are in place and implemented.

8

TOTAL MARKS

[20]