basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P1

MAY/JUNE 2026

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 memo 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 that 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. This memorandum 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 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 memo.
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 guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 14 pages.

Copyright reserved

QUESTION 1

1.1 **Calculate the value of closing stock using the specific identification method on 28 February 2026.**

WORKINGS	ANSWER
Hidance [400 + 575 – 66 – 820] 89 ✓ x (7 105 x 100/145) 4 900 ✓☑ — three marks 436 100 **Ketwood** one mark (3 819 800) + one mark (2 690 000) 6 509 800 ✓✓ – 5 519 880 ✓ — three marks 989 920 OR 5 519 880 – 3 819 800 – 2 690 000 one mark one mark one mark	1 426 020 ☑ one part correct both amounts added

7

Do not award full marks for any superfluous figure/s added

1.2 **Calculate the total amount of fixed deposit on 28 February 2026.**

WORKINGS	ANSWER
29 250 x 100/7,5 OR (480 000 – 90 000) 390 000 ✓☑ + 6 750 x [100/7,5 x 12/9] 120 000 ✓☑	510 000 ☑ one part correct both amounts added

5

Do not award full marks for any superfluous figure/s added

1.3 STATEMENT OF FINANCIAL POSITION OF MENZI LTD ON 28 FEBRUARY 2026:

ASSETS				
NON-CURRENT ASSETS			6 795 000	☑*
Fixed assets	[6 680 600 – 395 600]		6 285 000	✓✓
Financial assets: Fixed Deposit	see 1.2	**4**	510 000	☑
CURRENT ASSETS			2 430 000	☑*
Inventory	(1 426 020 see 1.1 + 8 330) Award one mark if any of the two figures is a final answer		1 434 350	✓☑*
Trade and other receivables (376 700 – 5 200 ☑ Transfer see T&OP – 7 100 ✓✓ Prov. bd + 16 250 ✓✓ Advertising)			380 650	☑*
Cash and cash equivalents	[610 300 + 4 700]		615 000	✓✓
TOTAL ASSETS	NCA + CA	**12**	9 225 000	☑
EQUITY AND LIABILITIES				
SHAREHOLDERS EQUITY (8 383 720 – 1 263 720 see NCL)			7 120 000 TCE - NCL	☑☑
Ordinary share capital	SHE – RI; can be -vee.		6 300 000 Do not accept '0'	☑
Retained income		**3**	**820 000**	
NON-CURRENT LIABILITIES			1 263 720	
Loan: DBN Bank (1 459 200 ✓ – [–291 840 + 207 000] 84 840 ✓✓ – [291 840 – 181 200] 110 640 ✓✓)		**6**	1 263 720	☑*
CURRENT LIABILITIES			841 280	☑*
Trade and other payables (392 050 – 5 200 ✓ Transfer + 10 080 ✓✓ [50 400 – 40 320] IT supp. serv + 21 470 ✓✓ [10 735 + 10 735] Rent inc.)			418 400	☑*
Current portion of loan	see NCL		110 640	☑
SARS: Income tax	[516 150 – 493 710]		22 440	✓✓$
Shareholders for dividends	[1 260 000 x 0,23]		289 800	✓✓$
TOTAL EQUITY AND LIABILITIES	SHE + NCL + CL	**13**	9 225 000	☑

38

* one part correct
$Inspect CPL, SARS IT and SFD may be included in T&OP.
-1 foreign items (max -2); -1 presentation (max -1); misplaced items award marks for workings only.

TOTAL MARKS
50

QUESTION 2

2.1

2.1.1	False	✓
2.1.2	True	✓
2.1.3	False	✓

3

Accept recognisable abbreviations (T/F)

2.2 METRO LTD

2.2.1 RETAINED INCOME NOTE

Balance on 1 April 2025		**986 000**	
Net profit after tax	[952 000 x 72/28]	2 448 000	✓✓
Share buy-back (230 000 x R1,20) OR 1 380 000 – 1 104 000 Do not accept '0' or 230 000 as an answer		(276 000)	✓☑*$
Ordinary share dividends	Int. + Final	(2 310 000)	☑$
Interim	(2 400 000 x 0,42) Do not accept '0' or 2 400 000 as an answer	1 008 000	✓☑*
Final		**1 302 000**	
Balance on 31 March 2026	Inspect (+NPAT – SBB – OSD)	848 000	☑*

8

*one part correct
$ ignore brackets
-1 presentation/details (max -1)

2.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

CASH FLOW FROM OPERATING ACTIVITIES	**(1 557 140)**
Cash generated from operations	
Interest paid	**(126 800)**
# Income tax paid (952 000 ✓ – 81 000 ✓ – 20 200 ✓) **OR** – 952 000 + 81 000 + 20 200	(850 800) ☑*@
# Dividends paid see 2.2.1 [2 310 000 + 741 000] (741 000 ✓ + 1 008 000 ☑) **OR** 1 302 000 – 3 051 000 see 2.2.1 one mark one m mark **7**	(1 749 000) ☑*@
CASH FLOW FROM INVESTING ACTIVITIES	**(598 660)**
Purchase of fixed assets	
Proceeds from sale of fixed assets	
Change in financial assets [760 000 – 540 000] **1**	220 000 ✓
CASH FLOW FROM FINANCING ACTIVITIES	2 345 500 ☑*
Proceeds from shares issued (450 000 x R10)	4 500 000 ✓
Shares repurchased (230 000 ✓ x R6 ✓☑) [4,80 + 1,20] see 2.2.1 **OR** [230 000 X 4.80] 1 104 000 two marks + see 2.2.1 276 000 one m mark	(1 380 000) ☑*@
Change in loan [3 027 300 – 2 252 800] **7**	(774 500) ✓
NET CHANGE IN CASH AND CASH EQUIVALENTS Inspect (OA + IA + FA)	189 700 ☑*
Cash and cash equivalents at the beginning [12 800 – 122 850]	(110 050) ✓✓ If no bracket, award one mark
Cash and cash equivalents at the end **3**	

18

*one part correct and must indicate correct operation & correct use of brackets
Be alert to alternative workings such as ledger account or use of brackets or signs reversed; For use of reversed signs, ensure that only one option is marked consistently.
If no brackets, assume answer is an inflow of cash or vice versa.
@If the correct amount is provided without the brackets & without workings, award all marks allocated for workings only.
-1 presentation (max -1); misplaced items award marks for workings only.

2.2.3 Calculate the following financial indicators on 31 March 2026:

Debt-equity ratio	
WORKINGS	**ANSWER**
one mark one m mark (10 416 000 + 848 000 see 2.2.1) 2 252 800 ✓ : 11 264 000 ✓☑	0,2 : 1☑ one part correct in form x : 1

4

Net asset value per share	
WORKINGS	**ANSWER**
see DE 11 264 000 ☑ / 2 170 000 ✓ x 100/1	519,1 cents ☑ one part correct Accept R5,19 / R5,20 calculated as R/c; R/c not necessary

3

Acid test ratio	
WORKINGS	**ANSWER**
[1 712 650 – 405 430] 1 307 220 ✓✓ : 2 178 700 ✓	0,6 : 1 ☑ one part correct in form x : 1

4

'x 100' does not constitute 'one part correct'.
Numerator and denominator must be marked as such.
Do not award marks for any operations done to stand-alone figures. e.g. no mark if anything else is added to R2 252 800 / 2 170 000 / 1 307 220 / 2 178 700.

TOTAL MARKS
40

QUESTION 3

3.1 Profitability/Operating efficiency:

Explain how the change in the mark-up percentage has benefitted the company. State ONE point with figures.

Any ONE valid point ✓ Figure/s with trends ✓

- The gross profit has increased (from R26 520 000) to R34 780 000/by R8 260 000/by 31,1%
- The sales has increased (from R70 720 000) to R78 255 000/by R7 535 000/by 10,7%

	2

The directors are of the opinion that the company's operating expenses are being well controlled. Quote and explain TWO financial indicators to support their opinion.

Financial indicator with figure/s and trend ✓ ✓ Explanation/comment ✓ ✓

- % operating expenses on sales have increased (from 15,6%) to 16,1%/by 0,5% points/by 3,2%
  It reflects effective cost control and efficient expense management.
  This increase is within the rate of inflation (5,2%)
- % operating profit on sales has increased (from 22,5%) to 28%/by 5,5 % points/by 24,4 %
  This indicates an increase in profits due to better control over expenses.
  Keeping operating expenses low contributed to improved profits.

Do not accept mark-up %.

	4

3.2 Liquidity:

The directors are satisfied with the credit policy of the company. Quote and explain TWO relevant financial indicators to justify this statement.

Financial indicator with figure/s and trend ✓ ✓ Explanation/comment ✓ ✓

- Average debtors' collection period has decreased/improved (from 34 days) to 29 days/by 5 days.
  Collections are quicker and this improves the cash flow.
  Improved follow up procedures/customer payment behaviour improved.
  Credit control measures were effective.

- Average creditors' payment period has increased/improved (from 68 days) to 75 days/by 7 days.
  Creditors are paid after collections from debtors.
  More cash is available for daily operations before creditors are paid / Delayed payments strengthens the business cash flow / Extended payment terms strengthens cash flow.
  They are making better use of supplier credit facilities.

FOR FOUR MARKS:
Average debtors' collection period has improved to 29 days while the average creditors' payment period has improved to 75 days. This reflects efficient cash flow management by collecting cash earlier and paying creditors later.

4

The directors are not concerned with the decline of the acid-test ratio as they feel that the company is still in a favourable liquidity position. Quote and explain ONE other relevant financial indicator to support their opinion.

Financial indicator with figure/s and trend ✓

- Stock turnover rate has increased/improved (from 3,9 times) to 6,2 times/by 2,3 times.

Any ONE valid explanation/comment ✓✓

- Based on this improvement, stock is considered to be a stronger current asset.
- Stock is sold and replaced more quickly / reducing stock piling / more demand for stock.
- Stock is converted into cash more efficiently, resulting in improved liquidity and cash flow / More funds are available for day-to-day operations, resulting in improved liquidity and cash flow.

3

3.3 Returns, earnings and dividends:

Comment on why the shareholders should be satisfied with the return on their investment. Quote and explain ONE financial indicator.

Financial indicator with figure/s and trend ✓

- Return on average shareholders' equity (ROSHE) has increased/improved (from 17,6%) to 29,8%/by 12,2% points/by 69,3%

Any ONE valid explanation/comment ✓✓

- ROSHE is greater than the interest rate on fixed deposit (8%)
- The business is generating higher profits from the capital invested by shareholders.
- Shareholders are receiving better value for their investment compared to alternative low risk investments.
- The return indicates efficient use of shareholders' funds and good overall financial performance.

3

The earnings per share (EPS) is higher than the dividends per share (DPS). Explain why the shareholders would have been pleased with the DPS. State TWO points with figures.

Any TWO valid points ✓ ✓ figure/s ✓ ✓

- The DPS has increased/improved (from 56 cents) to 106 cents/by 50 cents/89,3%
- The company has still retained 25% (in 2026) for future expansion projects.
- Shareholders are receiving higher cash income of 75% from their investment, improving personal returns / high pay-out rate of 75% shows the company is prioritising rewarding shareholders.
- The increase in DPS by 89,3% reflects stronger profitability and confidence in future earnings.
- It has led to an increased pay-out rate (from 72 %) to 75%/ by 3% points.

4

3.4 Share value:

Explain what the 'net asset value' per share represents. State ONE point.

Any ONE valid point ✓✓ part marks for incomplete / partially correct answers

- It represents the book value of the share / shows the worth of a share according to the accounting records of the company.
- Represents the value of the shareholders equity per share.
- It is influenced positively the increase in retained income by the company.
- Provides a measure of financial growth.
- Reflects company's accumulative wealth available to shareholders after settling all liabilities.

2

Give TWO reasons why the share price on the stock exchange is much higher than the net asset value per share.

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partially correct answers

- Higher market value indicates that investors want to buy shares in the company as it is a good investment / Good financial performance increase investor confidence and demand for shares.
- High demand and limited supply for shares pushes the share price to be above the NAV.
- Companies with potential growth opportunities are valued higher than their currently owned assets.
- The NAV is based on historical cost amounts recorded by the business, and this will suggest that the net asset value may be unrealistic or outdated.

4

3.5 Risk and gearing:

Explain why it will be wise for Refined Interiors Ltd to make more use of loans in the future. Quote and explain TWO financial indicators.

Financial indicator with figure/s and trend ✓ ✓ explanation/comment ✓ ✓

- Debt-equity ratio has decreased/improved (from 0,2 : 1) to 0,1 : 1
  The company is becoming less reliant on borrowed funds.
  This indicates a decrease in the financial risk.

- Return on average capital employed has increased/improved (from 23,7%) to 35,3%/by 11,6 % points/by 48,9%.
  This indicates that the company is positively geared as the ROTCE is greater than the interest rate on loans (11,5%).
  The company is generating sufficient returns to cover its borrowing costs and still increase profits for shareholders.

4

3.6 Shareholding:

Calculate the issue price per share for the new shares issued.		
WORKINGS		**ANSWER**
[23 250 000 – 11 250 000] 12 000 000 ✓ / 750 000 ✓ OR	[23 250 000/750 000] R31 one mark – [11 250 000/750 000] R15 one mark	R16 ☑ one part correct

3

Calculate the number of new shares purchased by Nabeel.		
WORKINGS		**ANSWER**
[3 000 000 x 40%] 1 200 000 ✓✓ – 787 500 ✓	OR [3 000 000 x 5%] 150 000 two marks + [750 000 X 35%] 262 500 one mark	412 500 ☑ one part correct
	OR 750 000 one mark x [13,75/25] 55% two marks	

4

Give ONE possible reason (with figures) why Nabeel decided to buy the new shares.

Any ONE valid reason ✓ figure/s ✓

- He views this company as an excellent investment as the market price is 717 cents more than NAV / High market price of 1 150 cents compared to NAV of 433 cents (in 2025) convinced him to buy shares.
- To increase his % shareholding which will give him more voting power of 40%.

2

3.7 Cash flow:

The directors are pleased with the company's net change in cash flows on 31 March 2026. Explain why they consider this as a good way of handling the cash in the operating, investing and financing activities. Give ONE reason for each with figures.

ACTIVITY	REASON ✓ ✓ ✓ (with figures) ✓ ✓ ✓
Operating activity	Increased cash resources (from 1 255 000) to R5 200 000/by R3 945 000 (314%) indicating effective management of daily operations.
Investing activity	Improved non-current assets (from R594 000) to R2 947 000/by R2 353 000 which will enhance future profits.
Financing activity	Funding increased (from R6 860 000) to R10 000 000/by R3 140 000, which improved cash position and enabled further investment opportunities.

6

TOTAL MARKS
45

QUESTION 4:

4.1 **Explain the roles and responsibilities of the following within a company:**

- **Board of directors**
- **Remuneration committee**

State ONE point in each case.

Board of directors ✓	• Safeguard the company's assets and shareholders' investments. • They ensure that the company complies with laws and regulations. • Review company performance to ensure required goals are achieved. • Evaluates and partake in recruiting the senior management. • They set up the company's current goals and long-term vision / They are involved in strategic decision making. • Determine the direction the company by making strategic management decisions. • Authorise significant investments, acquisitions, and projects. • Identify and monitor major business risks. • Review and approve annual budgets and financial plans. • Promote good corporate governance within the company.
Remuneration committee ✓	• Create remuneration policies of the senior management / Create long-term and short-term incentive plans. • Ensures remuneration of managers complies with legal and regulatory requirements / Avoid unjustified or excessive executive pay. • Review and recommend competitive remuneration for managers. • Disclose compensation of senior managers to shareholders / Ensure transparent reporting of directors' remuneration. • Ensure that accurate performance bonuses are accurately and fairly distributed / Decide on performance-related rewards. • Design remuneration packages that attract and retain skilled employees.

2

4.2 **Identify the type of unethical and illegal conduct that Jeppy has committed.**

Accept explanation as an answer

Insider trading ✓

- He used confidential, price sensitive information that is not available to the public for personal gain.
- He gained an unfair advantage by using confidential, price-sensitive information to enrich himself.
- He has engaged in an illegal action to enrich himself (personal gain) by acting on confidential information which was not made public yet.

1

4.3 **Briefly explain TWO ways in which Jeppy's actions could potentially affect the company.**

Any TWO valid explanation ✓✓ ✓✓ part marks for incomplete / partially correct answers

- Shareholders may lose confidence in the company and sell their shares.
- Damage to the company's reputation from unethical conduct may discourage future investors.
- Discourage potential shareholders from buying shares avoiding similar situation.
- The market price could decrease due to his unethical behaviour.

4

4.4 **Make TWO recommendations that the other directors should present to the board of directors and the remuneration committee in response to Jeppy's conduct.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete / partially correct answers

- Initiate internal investigation to determine breach of company's code of conduct.
- Propose strengthening the company's ethics policy.
- Regular mandatory training for all directors and senior managers on ethical behaviour.
- Recommend considering disciplinary measures or legal action against Jeppy and suspend him till matter is resolved.
- Suggest withholding his incentives pending the outcome of investigations.

Do not accept dismissal of Jeppy.

4

4.5 **Effective corporate governance can reduce the risk of directors acting unethically.**

State TWO problems identified in relation to Top D Ltd and give a solution for each.

PROBLEM ✓ ✓	SOLUTION ✓ ✓
• Abuse of access to confidential information / Inadequate control over confidential information / Misuse of privileged information / Involved in fraudulent or illegal conduct.	• Directors need to sign confidential agreements / All trades by directors should go through compliance officer / Buying and selling of shares should be restricted during closed periods
• Lack of transparency / Conflict of interest	• Senior managers should declare any personal or financial interests that could interfere with their professional duties.
• Inadequate knowledge by the directors / Weak corporate governance oversight	• Regular leadership workshop and consequences of unethical behaviour / Conduct regular governance review and ensure independent oversight.
• Poor monitoring of directors' share transactions.	• Establish a system to monitor and disclose directors' dealings in company shares.

TOTAL MARKS
15

TOTAL: 150

Copyright reserved