NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2025

ACCOUNTING: PAPER II

MARKING GUIDELINES

Time: 2 hours | 100 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

QUESTION 1 RECONCILIATIONS [36 minutes]

This question consists of two parts: Part A and Part B.

Part A: Debtors (15 minutes)

Refer to the information relating to Eden Garden Centre.

1.1 Prepare the age analysis on 31 October 2025 using the statement provided. Show all your workings so part-marks may be awarded.

90+ days	60+ days	30+ days	Current
23 750 (23 750)	6 630 (2 340) (4 290)	3 800 (1 960) (500)	12 220 2 375
Do not calculate			

1.2 Eden Garden Centre is **not** correctly applying the credit terms stipulated at the bottom of the statement.

Discuss **two different points** that support this statement.

• The discount should have been received on both payments.
• Interest was calculated in October on the August amount, but this was settled in September.

Part B: Creditors (18 marks)

Refer to the information relating to Micro Meals.

1.3 Complete the Creditor's Reconciliation for September 2025 using the table below.

Details and calculations	Creditor's Ledger	Creditor's Reconciliation Statement	No entry (X)
Balance b/d	28 740	21 270	
Cancel discount	1 460		
Invoice 810 (13 480 – 12 970)		510	
Trade discount omitted		(420)	
Invoice 999 (to be recovered)	1 500		
Cancel Invoice 1047 (cash purchase)		(1 080)	
Interest charged	60		
Timing difference		11 480	
	Do not calculate		

1.4 Micro Meals wants to benefit from the 5% discount that is offered on payments made **within 7 days of the invoice.**

Calculate the discount that they would qualify for if they made a payment on 30 September 2025.

3 780 + 11 480 = 15 260 × 5% = R763

1.5 Refer to information C and identify ONE poor internal control for each business. Then, provide a practical solution that they can use to improve the situation.

Micro Meals
Poor control identified: Sales staff have access to order books.
OR Discount (6 Sept) was applied incorrectly.
Practical solution: There must be a separation of duties between sales and purchasing staff. OR Order books should be controlled/locked away. OR Train staff on how to apply discount, or only the manager may capture discounts.
Valhalla's Kitchen
Poor control identified: An invoice was recorded for a card transaction. OR
A cash transaction was recorded as a credit transaction (Accounting control).
OR The trade discount (Invoice 905) was omitted.
Practical solution: Retrain sales staff. OR Ensure that the POS system does not allow speedpoint to be used if it is an invoice. OR The performance of the debtors clerk must be reviewed. OR Update systems to provide for trade discount/train staff on how to record this.

1.6 What audit evidence can Valhalla's Kitchen give to their external auditors that thorough credit checks were conducted when Micro Meals opened their account with them?

- Bank statements
- Financial statements
- Proof of address (FICA)
- ID of owner
- Windeed credit check report/TPN/Debtors screening profile

(Do not accept payslip, as it is a business, not an individual.)

QUESTION 2 COMPANY ANALYSIS [48 minutes]

Refer to the information relating to We Buy Cars Holdings Limited (We Buy Cars) and Combined Motor Holdings Limited (CMH).

2.1 Calculate the acid-test ratio for **We Buy Cars for 2024**.

2 820 – 2 465 : 904
355 : 904
0,39 : 1

2.2 Calculate the period stock on hand for **We Buy Cars for 2024**.

$$\frac{0{,}5\ \ (2\,465 + 2\,187 = 4\,652)}{22\,083} \times \frac{365}{1}$$

$$\frac{2\,326}{22\,083} \times \frac{365}{1}$$

= 38,45 days

2.3 Calculate the average creditors payment period for **CMH for 2024**. Assume that they use a fixed base level of stock.

$$\frac{0{,}5\ \ (2\,899 + 2\,770)}{(10\,314 \times 50\%)} \times \frac{365}{1}$$

$$\frac{2\,834{,}50}{5\,157} \times \frac{365}{1}$$

= 200, 62 days

2.4 Study the liquidity indicators of both We Buy Cars and CMH for **2024**.

Identify TWO possible problems **in one or both companies**, quote figures that helped you come to this conclusion and provide a solution to each problem identified.

Problem 1 identified, with proof, and solution
Stock levels of WBC are too high.
CR 3,12 : 1 vs ATR 0,39 : 1 OR Stock 87% of CA (76% in 2023).
Try clear <u>old</u> stock at reduced prices (cars that have been on the floor for a very long time).
Problem 2 identified, with proof, and solution
CMH taking too long to pay creditors.
Terms state 90 days but only pay in 200,62 days (incurring interest).
Pay creditors in line with terms of 90 days (significantly faster)
Alternative answer
Creditors of CMH are too high ().
Increased by R129 million year on year
Paying creditors faster also in order to lower the debts.

2.5 In **2024**, the solvency ratio for We Buy Cars was 2,23:1, while, for CMH, it was 1,36:1.

Identify the **main** reason that resulted in this 0,87:1 difference.

Current liabilities of CMH are much higher.
Also accept:
CMH has very high creditors/trade and other payables.

2.6 Calculate the return on average shareholders' equity for **We Buy Cars for 2024**.

$$\frac{343}{[0,5\ \ (2\,306 + 2\,321 = 4\,627) = 2\,313,5]} \times \frac{100}{1}$$

$$\frac{343}{2\,313,50} \times \frac{100}{1}$$

= 14,83%☑ (also accept $\frac{343}{2\,314} \times \frac{100}{1}$ = 14,82%)

2.7 As a shareholder, would you be satisfied with your return on investment and the dividend policy applied by **We Buy Cars** from **2023 to 2024**?

☐ Yes, I would be satisfied. ☐ No, I would not be satisfied.

ROSHE decreased by 20,54% from 35,37% to 14,83% mainly due to NIAT down R478 million.
It is still higher than 7,5% received on financial assets currently.
In 2023, they distributed 33,3 times their earnings.
This caused their retained income/NAV to become negative/erode RI.
In 2024, they issued only 27,47% of earnings and retained the rest (66 sent).
They are trying to limit further erosion to RI caused by 2023 excessive dividends.

2.8 If both We Buy Cars and CMH applied to the same financial institution for a loan with an interest rate of 15% p.a., who would be more likely to obtain the loan first based on their risk, return and gearing?

Discuss the **risk, return** and **gearing** of both companies to substantiate your choice.

Risk, return and gearing of **We Buy Cars**
DE ↓ 0,46:1 to 0,42:1 (by 0,04:1)
Remains low risk
ROCE ↓ 31,99% to 19,47% (by 12,52%)
Positively geared ROTCE of 19,47% > 15% interest on loan
Significant drop caused by lower net profit
Risk, return and gearing of **CMH**
DE ↓ 0,65:1 to 0,58:1 (by 0,07:1)
Low risk
ROCE ↓ 31,18% to 27,68% (by 3,32%)
Positively geared ROTCE of 27,86% > 15% interest on loan
More likely to obtain a loan and reason
CMH has higher returns (more positively geared)more consistent. OR
We Buy Cars, as their risk is marginally lower.

2.9 Refer to the extract from the Independent Auditors Report (information C).

2.9.1 Why do they specifically refer to the pages that they have audited?

That is what they take responsibility for.

2.9.2 What type of audit report did We Buy Cars receive based on their findings? Why did they issue this type of report?

It was a qualified report.
They identified a concern around the treatment of IFRS17 (purchase of Dome).

QUESTION 3 BUDGETS [36 minutes]

Refer to the information relating to Gator Charms Ltd.

3.1 Explain how a cash budget can be used retrospectively (after it has occurred) as a tool by management.

Compare it to actuals to identify areas of concern, so that corrective action can be taken, so that these do not re-occur.

3.2 Identify TWO items from **information A,** other than discount received and discount allowed, that should not be in the cash budget.

• Donations of stock
• Depreciation

3.3 Refer to the Debtors' Collection Schedule provided (information B) and the information provided in the Cash Budget (information A).

Determine the debtor's payment pattern by completing the table below.

Show all calculations and write the percentages in the space provided to complete the sentences.

Calculation	Payment pattern identified
	5% of debtors are written off as irrecoverable in the third month after the sale.
	15% of debtors pay in the second month following the sale.
$\frac{172\ 800}{864\ 000} \times \frac{100}{1}$ = 20% OR 100 – 60 – 15 – 15 = 20%	__20__% of debtors pay in the month following the sale.
$\frac{476\ 658 + 14\ 742 = 491\ 400}{819\ 000} \times \frac{100}{1}$ = 60% $\frac{14\ 742}{476\ 658 + 14\ 742 = 491\ 400} \times \frac{100}{1}$ = 3%	__60__% of debtors pay within the month of sale to qualify for __3__% discount.

3.4 Calculate the missing figures marked A and B in the Cash Budget.

A.	$\frac{53\ 040}{0{,}85}$ = 62 400
B.	819 000 / 0,6 = 1 365 000 1 365 000 × 100 / 200 = 682 500 682 500 + 48 000 = 730 500 730 500 × 0,88 = 642 840 1. Convert credit sales to total sales. 2. Convert total sales to total cost of sales. 3. Add donation of stock at cost price. 4. Apply credit terms.

3.5 Partnering with the SOAR Foundation could possibly **lead to higher profits** for Gator Charms Ltd, as the general public might want to buy from them to support this venture.

Evaluate how their operations benefit or contradict the other two elements of the Triple Bottom Line.

• Planet: The product is made out of plastic, which is harmful to the environment.
• People: SOAR can assist more beneficiaries from higher donations.
Their contributions uplift communities or assist SOAR to provide learner opportunities in secondary education.

3.6 Zoom In, an investigative television show, is threatening to run a documentary on **31 October 2025** that claims that Gator Charms Ltd does not pay over the full 50 cents per shoe charm sold to the SOAR Foundation.

3.6.1 Explain TWO possible <u>negative</u> financial impacts that the business could experience as a result of reputational damage should the story air on television.

• Lower sales as people may stop buying the product.
• Legal action by SOAR Foundation
Suppliers may not wish to be associated with them, leading to disruptions in supply chain (stockouts may occur).
(Consider other viable financial losses that are explained clearly.)

3.6.2 Based on information E, evaluate if the allegation by *Zoom In* is correct. Provide a calculation to support your conclusion.

X	Zoom In is correct in their calculations.
	Zoom In is incorrect in their calculations.

Number of charms sold in October 2025: 1 440 000 / R18 = 80 000 charms.

What the donation should be: 80 000 × 0,5 = R40 000.

Donation made: R33 350.

Gator Charms Ltd under-donated by R6 650.

OR proceeds from 13 300 charms are unaccounted for.

3.6.3 Upon investigation, it was uncovered that the bookkeeper, the daughter of the CEO (Chief Executive Officer), does the monthly calculation and should have paid over the money. A payment for the difference was found to have been authorised and paid to the school fee account of her son's school. When confronted, she admitted she authorised this payment instead of paying it to the SOAR Foundation.

Provide TWO actions that Gator Charms Ltd should take based on the above occurrences.

• Dismiss the bookkeeper (admission of guilt) and recover the stolen funds from her. OR Move her elsewhere in the company and let her work off the money she took
Issue a public apology.
• Pay over the correct amount to SOAR Foundation.

3.7 Gator Charms Ltd estimates that an annual increase in January 2026 will increase their salary expense from R540 000 to R583 200. The trade union representing their workers has declared a dispute, stating that their workers deserve more. The only director will receive his annual increase on 1 December 2025.

Advocate (provide support) on behalf of Gator Charms Ltd as to why this is a very reasonable increase. Substantiate your reasoning with a calculation.

583 200 – 540 000 = 43 200 43 200 / 540 000 × 100 = 8% increase
• The increase is above inflation. Thus, it is a reasonable increase.
• It is almost double that of management (director) of 4% (116 480 / 112 000 × 100.)

Total: 100 marks