

SMARTWIZ

GRADE 12 ACCOUNTING EXAM

MARKS: 100

TIME: 3 HOURS

SCHOOL _____

CLASS (eg. 4A) _____

SURNAME _____

NAME _____

MARKS	
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Instructions for Learners:

- Read all instructions carefully before you begin the exam.
- Write your full name and student number clearly on the answer sheet/book.
- Answer all questions unless otherwise instructed.
- Show all your work/calculations where necessary.
- Write neatly and clearly.
- Use only a blue or black pen. Do not use correction fluid or tape.
- Electronic devices (calculators, cell phones, etc.) are not allowed unless explicitly permitted.
- Raise your hand if you have any questions.
- Do not talk to other learners during the exam.
- Any form of dishonesty will result in immediate disqualification from the exam.

This exam consists of Five pages, including the cover page.

SECTION A: BUSINESS ENTITIES AND REGISTRATION (25 MARKS)

QUESTION 1

1.1 Differentiate between a **sole proprietorship** and a **close corporation**. (4)

1.2 Outline FOUR advantages of registering a business as a **private company (Pty) Ltd.** (4)

1.3 Explain the importance of the **Companies and Intellectual Property Commission (CIPC)** in South Africa. (3)

1.4 Describe the process and documents required to **register a new business** with CIPC. (6)

1.5 Identify and explain TWO **liabilities** that a sole proprietor faces. (4)

1.6 Explain the difference between **share capital** and **loan capital** in a company. (4)

SECTION B: INVENTORY AND DEPRECIATION (25 MARKS)

QUESTION 2

2.1 Define **inventory** and explain why it is important to value it correctly. (4)

2.2 Describe TWO methods of inventory valuation and give a brief explanation of each. (6)

2.3 Explain the concept of **depreciation** and why businesses need to calculate it. (4)

2.4 The following information relates to a machine purchased on 1 March 2023:

- Cost price: R120,000
 - Estimated residual value: R20,000
 - Estimated useful life: 5 years
- Calculate the annual depreciation using the **straight-line method**. (5)
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2.5 Explain the difference between **straight-line** and **reducing balance** depreciation methods. (6)

SECTION C: PAYROLL AND TAXATION (25 MARKS)

QUESTION 3

3.1 What is a **payslip** and why is it important for employees? (3)

3.2 List FOUR statutory deductions that must be made from employees' salaries in South Africa. (4)

3.3 Define the term **PAYE** and explain how it is calculated. (4)

3.4 An employee earns a basic salary of R12,000 per month. Calculate the following deductions:

- UIF (1% employee contribution)
 - PAYE (assume R1,500 for simplicity)
 - Total deductions and net pay. (6)
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3.5 Explain the role of the **South African Revenue Service (SARS)** in the economy. (4)

3.6 Discuss TWO benefits to a business of complying with tax regulations. (4)

SECTION D: BUDGETING AND CASH FLOW MANAGEMENT (25 MARKS)

QUESTION 4

4.1 Define **budgeting** and explain its importance in business planning. (4)

4.2 Explain the difference between a **cash budget** and a **capital budget**. (4)

4.3 The following cash transactions were recorded for April 2024:

Description	Amount (R)
Cash sales	45,000
Cash purchases	18,000
Rent paid	6,000
Loan repayment	5,000
Loan received	20,000
Salary payments	12,000

Prepare a **cash flow statement** (cash budget) for April 2024 showing:

- Total cash inflows
 - Total cash outflows
 - Net cash flow for the month. (8)
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4.4 Discuss TWO measures a business can take to improve its cash flow management. (4)

End of Exam

TOTAL : 100

MEMO

SECTION A: BUSINESS ENTITIES AND REGISTRATION (25 MARKS)

QUESTION 1

1.1 Difference between sole proprietorship and close corporation: (4)

- Sole proprietorship: Owned and run by one person; unlimited liability; no separate legal entity.
 - Close corporation: Separate legal entity; minimum 1 and maximum 10 members; limited liability.
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1.2 FOUR advantages of private company (Pty) Ltd: (4)

- Limited liability protects shareholders' personal assets.
 - Separate legal entity status.
 - Ability to raise capital through issuing shares.
 - Perpetual succession (business continues despite changes in ownership).
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1.3 Importance of CIPC: (3)

- Registers companies and close corporations.
 - Maintains a public registry of businesses.
 - Ensures compliance with company law.
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1.4 Process and documents to register a new business with CIPC: (6)

- Complete application forms (e.g., CoR14.1 for companies).
 - Submit certified ID copies of owners/members.
 - Reserve company name (optional).
 - Pay registration fees.
 - Receive registration certificate and company documents.
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1.5 TWO liabilities of sole proprietor: (4)

- Unlimited personal liability for business debts.
 - Responsible for all losses and legal obligations of the business.
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1.6 Difference between share capital and loan capital: (4)

- Share capital: Funds raised by issuing shares to shareholders; ownership interest.
- Loan capital: Funds borrowed that must be repaid with interest; no ownership.

SECTION B: INVENTORY AND DEPRECIATION (25 MARKS)

QUESTION 2

2.1 Inventory definition and importance: (4)

- Inventory: Goods held for sale in the ordinary course of business.
- Important for accurate profit calculation and valuation of assets.

2.2 TWO inventory valuation methods: (6)

- FIFO (First In, First Out): Assumes oldest stock sold first.
- Weighted Average Cost: Uses average cost of all units available during the period.

2.3 Concept of depreciation: (4)

- Depreciation: Systematic allocation of the cost of a fixed asset over its useful life.
- Needed to match expenses with revenues and show realistic asset value.

2.4 Calculate annual depreciation (Straight-line): (5)

$$\text{Depreciation} = \frac{\text{Cost price} - \text{Residual value}}{\text{Useful life}} = \frac{120,000 - 20,000}{5} = \text{R}20,000 \text{ per year}$$

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2.5 Difference between straight-line and reducing balance methods: (6)

- Straight-line: Equal depreciation charge each year.
- Reducing balance: Depreciation charged on book value, so it decreases yearly.

SECTION C: PAYROLL AND TAXATION (25 MARKS)

QUESTION 3

3.1 Payslip definition and importance: (3)

- Document showing salary details and deductions.
 - Important for transparency and employee record keeping.
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3.2 FOUR statutory deductions: (4)

- PAYE (Pay As You Earn tax)
 - UIF (Unemployment Insurance Fund)
 - SDL (Skills Development Levy)
 - Pension/Provident fund contributions
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3.3 PAYE definition and calculation: (4)

- PAYE: Income tax deducted from employees' salaries.
 - Calculated based on SARS tax tables and employee's taxable income.
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3.4 Calculate deductions and net pay: (6)

- $UIF = 1\% \times 12,000 = R120$
 - $PAYE = R1,500$ (given)
 - $Total\ deductions = 120 + 1,500 = R1,620$
 - $Net\ pay = 12,000 - 1,620 = R10,380$
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3.5 Role of SARS: (4)

- Collects revenue through taxes.
 - Enforces tax laws.
 - Ensures compliance and funds government operations.
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3.6 TWO benefits of complying with tax regulations: (4)

- Avoid legal penalties and fines.
 - Maintain good reputation and eligibility for government contracts.
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SECTION D: BUDGETING AND CASH FLOW MANAGEMENT (25 MARKS)

QUESTION 4

4.1 Budgeting definition and importance: (4)

- Budgeting: Planning future income and expenses.
 - Helps control costs and plan resources.
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4.2 Difference between cash budget and capital budget: (4)

- Cash budget: Focuses on inflows and outflows of cash for short term.
 - Capital budget: Plans long-term investment in assets.
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4.3 Cash flow statement for April 2024: (8)

Description	Amount (R)
Inflows:	
Cash sales	45,000
Loan received	20,000
Total inflows	65,000
Outflows:	
Cash purchases	18,000
Rent paid	6,000
Loan repayment	5,000
Salary payments	12,000
Total outflows	41,000
Net cash flow	24,000

4.4 TWO measures to improve cash flow: (4)

- Speed up debtors collection.
 - Negotiate longer payment terms with suppliers.
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End of Memo

TOTAL : 100