

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: FINANCIAL ACCOUNTING (50 MARKS)

QUESTION 1: Journal Entries and Ledger Accounts (20 marks)

1.1 Define the term **journal** in accounting. (2)

1.2 Record the following transactions in the general journal of XYZ Traders for July 2023: (10)

- July 1: Owner invested R50,000 cash into the business.
- July 5: Purchased stock on credit from ABC Suppliers for R15,000.
- July 10: Sold goods on credit for R20,000 (cost price R12,000).
- July 15: Paid R8,000 to ABC Suppliers in full settlement of account.
- July 20: Paid salaries of R3,500 in cash.

1.3 Post the July 5 and July 15 transactions to the **creditors ledger account** and balance it off. (8)

QUESTION 2: Trial Balance and Corrections (15 marks)

2.1 Explain the purpose of a trial balance. (3)

2.2 The trial balance of ABC Ltd as at 31 August 2023 showed the following:

Account	Debit (R)	Credit (R)
Sales		180,000
Purchases	120,000	
Capital		100,000
Drawings	5,000	
Rent Expense	15,000	
Bank	20,000	
Debtors	35,000	
Creditors		25,000

2.2.1 Prepare a trial balance showing totals. (5)

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2.2.2 Identify and correct the following errors:

- Rent Expense was understated by R2,000.
- Purchases were recorded as R12,000 instead of R120,000.
- Sales returns of R4,000 were omitted.

(7)

QUESTION 3: Financial Statements Preparation (15 marks)

3.1 Define **income statement** and **balance sheet**. (4)

3.2 Prepare a **simple income statement** for XYZ Traders for the year ended 28 February 2024 using the following info:

Description	Amount (R)
Sales	250,000
Cost of goods sold (COGS)	150,000
Operating expenses	40,000
Interest expense	5,000
Tax expense	10,000

3.3 Prepare a **balance sheet** as at 28 February 2024:

Description	Amount (R)
Capital	200,000
Drawings	15,000
Bank	30,000
Inventory	50,000
Debtors	25,000
Creditors	20,000

SECTION B: MANAGERIAL ACCOUNTING (50 MARKS)

QUESTION 4: Cost Accounting and Budgeting (25 marks)

4.1 Define **fixed costs** and **variable costs**. (4)

4.2 A company produces 5,000 units of product at a total cost of R75,000. Fixed costs are R30,000. Calculate:

- Total variable costs

- Variable cost per unit
(6)

4.3 Explain the purpose of a **budget** in business. (3)

4.4 Prepare a **sales budget** for July 2024 using the following information:

- Expected sales units: 4,000
- Selling price per unit: R25
(4)

4.5 Discuss TWO advantages and TWO disadvantages of budgeting. (8)

QUESTION 5: Ratio Analysis and Interpretation (25 marks)

5.1 Calculate the following ratios using the data below:

Description	Amount (R)
Sales	600,000
Cost of Sales	400,000
Debtors	80,000
Creditors	50,000
Inventory	90,000
Current Assets	180,000
Current Liab.	70,000

- Gross Profit Margin (%)
- Current Ratio
- Debtors Collection Period (days) (Assume 365 days)
(12)

- 5.2 Explain what each ratio indicates about a company's financial health. (6)
5.3 Suggest TWO measures to improve liquidity if the current ratio is low. (4)
5.4 Differentiate between **liquidity** and **solvency**. (3)
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End of Exam

TOTAL : 100



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SECTION A: FINANCIAL ACCOUNTING (50 MARKS)

QUESTION 1: Journal Entries and Ledger Accounts (20 marks)

1.1 Define the term journal. (2)

- A journal is the book of first entry where all financial transactions are recorded chronologically.

1.2 Record journal entries: (10 marks)

Date	Account Debited	Debit (R)	Account Credited	Credit (R)	Narration
July 1	Cash	50,000	Capital	50,000	Owner invested cash
July 5	Stock	15,000	Creditors (ABC Suppliers)	15,000	Bought stock on credit
July 10	Debtors	20,000	Sales	20,000	Sold goods on credit
July 10	Cost of Sales	12,000	Stock	12,000	Cost of goods sold
July 15	Creditors (ABC Suppliers)	8,000	Cash	8,000	Paid creditors in full
July 20	Salaries Expense	3,500	Cash	3,500	Paid salaries

1.3 Creditors ledger (ABC Suppliers): (8)

Date	Details	Debit (R)	Credit (R)	Balance (R)
July 5	Stock Purchase		15,000	15,000 (credit)
July 15	Payment	8,000		7,000 (credit)

Balance owed: R7,000 (credit balance)

QUESTION 2: Trial Balance and Corrections (15 marks)

2.1 Purpose of trial balance: (3)

- To check the accuracy of ledger postings by ensuring total debits equal total credits.
- To assist in preparing financial statements.

2.2.1 Trial balance totals:

Account	Debit (R)	Credit (R)
Sales		180,000
Purchases	120,000	
Capital		100,000
Drawings	5,000	
Rent Expense	15,000	
Bank	20,000	
Debtors	35,000	
Creditors		25,000
Totals	195,000	305,000

(Note: Totals don't match—errors exist)

2.2.2 Errors and corrections:

- Rent expense understated by R2,000 → Increase rent expense to R17,000
- Purchases recorded as R12,000 instead of R120,000 → Increase purchases by R108,000
- Sales returns of R4,000 omitted → Decrease sales by R4,000

Corrected trial balance totals will then balance.

QUESTION 3: Financial Statements Preparation (15 marks)

3.1 Definitions: (4)

- Income statement: shows revenue, expenses, and profit/loss over a period.
- Balance sheet: shows assets, liabilities, and equity at a point in time.

3.2 Income Statement:

Description	Amount (R)
Sales	250,000
Less: COGS	150,000
Gross profit	100,000
Less: Operating exp.	40,000
Operating profit	60,000
Less: Interest exp.	5,000
Profit before tax	55,000
Less: Tax expense	10,000
Net profit	45,000

3.3 Balance Sheet:

Assets	Amount (R)	Liabilities & Equity	Amount (R)
Bank	30,000	Capital	200,000
Inventory	50,000	Less: Drawings	(15,000)
Debtors	25,000	Creditors	20,000
Total assets	105,000	Total liabilities & equity	205,000

(Note: Capital minus drawings gives net capital of R185,000)

SECTION B: MANAGERIAL ACCOUNTING (50 MARKS)

QUESTION 4: Cost Accounting and Budgeting (25 marks)

4.1 Definitions: (4)

- Fixed costs: costs that remain constant regardless of output.
- Variable costs: costs that vary with output.

4.2 Calculations: (6)

- Total variable costs = Total costs – Fixed costs = R75,000 – R30,000 = R45,000
- Variable cost per unit = R45,000 ÷ 5,000 units = R9 per unit

4.3 Purpose of a budget: (3)

- To plan and control income and expenses.
- To help set financial goals and monitor performance.

4.4 Sales budget: (4)

- Expected sales revenue = 4,000 units × R25 = R100,000

4.5 Advantages and disadvantages of budgeting: (8)

Advantages:

- Helps control spending.
- Motivates managers to achieve targets.

Disadvantages:

- Can be time-consuming.
- May cause inflexibility or discouragement if targets are unrealistic.

QUESTION 5: Ratio Analysis and Interpretation (25 marks)**5.1 Calculations: (12)**

- Gross profit = Sales – Cost of sales = R600,000 – R400,000 = R200,000
- Gross profit margin = (Gross profit ÷ Sales) × 100 = (200,000 ÷ 600,000) × 100 = 33.33%
- Current ratio = Current assets ÷ Current liabilities = 180,000 ÷ 70,000 = 2.57:1
- Debtors collection period = (Debtors ÷ Sales) × 365 = (80,000 ÷ 600,000) × 365 ≈ 48.7 days

5.2 Interpretation: (6)

- Gross profit margin: Indicates profitability from core activities; 33.33% shows good markup.
- Current ratio: Measures liquidity; 2.57 means company can cover short-term debts comfortably.
- Debtors collection period: Average time to collect debts; 48.7 days may be acceptable or long depending on credit terms.

5.3 Measures to improve liquidity: (4)

- Collect outstanding debts faster.
- Reduce stock levels or delay payments to creditors.

5.4 Difference between liquidity and solvency: (3)

- Liquidity: Ability to meet short-term obligations.
- Solvency: Ability to meet long-term debts.

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