

# 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: Journals, Ledger & Trial Balance (20 marks)

1.1 Define the term **source document** and give TWO examples. (4)

1.2 The following transactions took place in April 2024 for MZ Traders:

- April 1: Owner invested R80,000 cash into the business.
- April 6: Purchased equipment for R12,000 cash.
- April 10: Sold goods on credit for R18,000 (cost price R11,000).
- April 15: Paid R7,000 cash for rent.
- April 20: Received R12,000 cash from debtors.

Record the above transactions in the **general journal**. (10)

1.3 Post the April 20 transaction to the **debtors ledger account** and balance it off. (6)

### QUESTION 2: Trial Balance and Error Correction (15 marks)

2.1 Explain why the trial balance may still balance even when there are errors in the ledger. (3)

2.2 The trial balance for ABC Retailers as at 30 June 2024 shows:

Account	Debit (R)	Credit (R)
Sales		250,000
Purchases	180,000	
Capital		200,000
Drawings	20,000	
Rent Expense	25,000	
Bank	15,000	
Debtors	50,000	
Creditors		35,000

2.2.1 Prepare a trial balance with totals. (5)

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2.2.2 Identify and correct the following errors:

- Rent expense was overstated by R5,000.
  - Purchases were understated by R10,000.
  - Creditors were omitted from the trial balance.
- (7)

### QUESTION 3: Financial Statements (15 marks)

3.1 What is the difference between **capital expenditure** and **revenue expenditure**? Give ONE example of each. (4)

3.2 Using the information below, prepare a **statement of financial position (balance sheet)** for DEF Traders as at 31 March 2024:

Description	Amount (R)
Capital	150,000
Drawings	10,000
Bank	25,000
Equipment	70,000
Inventory	40,000
Debtors	30,000
Creditors	20,000
Loan	30,000

## SECTION B: COST AND MANAGERIAL ACCOUNTING (50 MARKS)

### QUESTION 4: Cost Concepts and Budgets (25 marks)

4.1 Define the term **overhead costs** and give TWO examples. (4)

4.2 A factory produces 8,000 units with total fixed costs of R40,000 and variable costs of R10 per unit. Calculate:

- Total variable costs
  - Total cost
  - Cost per unit
- (6)

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

4.4 Prepare a **cash budget** for March 2024 given:

- Opening bank balance R12,000
  - Cash sales R30,000
  - Cash purchases R15,000
  - Expenses paid in cash R20,000
- (4)

4.5 Discuss TWO advantages and TWO disadvantages of preparing budgets in a business. (8)

### QUESTION 5: Financial Ratios and Interpretation (25 marks)

5.1 Calculate the following ratios from the data below:

Description	Amount (R)
Sales	400,000
Cost of Sales	260,000
Debtors	60,000
Creditors	45,000
Inventory	50,000
Current Assets	130,000
Current Liab.	60,000

- Gross Profit Margin (%)
  - Current Ratio
  - Creditors Payment Period (days) (Assume 365 days)
- (12)

5.2 Explain what each ratio reveals about the business's performance or financial position. (6)

5.3 Suggest TWO ways to improve the creditors payment period if it is too long. (4)

5.4 Distinguish between **profitability** and **liquidity**. (3)

**End of Exam**

**TOTAL : 100**



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### SECTION A: FINANCIAL ACCOUNTING (50 MARKS)

#### QUESTION 1: Journals, Ledger & Trial Balance (20 marks)

##### 1.1 Define source document and examples (4)

- Source document: Original evidence of a financial transaction.
- Examples: Invoice, receipt, cheque, delivery note. (Any two correct examples)

##### 1.2 Journal entries (10)

Date	Account Debited	Debit (R)	Account Credited	Credit (R)	Narration
Apr 1	Bank	80,000	Capital	80,000	Owner invested cash
Apr 6	Equipment	12,000	Bank	12,000	Purchased equipment for cash
Apr 10	Debtors	18,000	Sales	18,000	Sold goods on credit
Apr 10	Cost of Sales	11,000	Inventory	11,000	Cost of goods sold
Apr 15	Rent Expense	7,000	Bank	7,000	Paid rent
Apr 20	Bank	12,000	Debtors	12,000	Received cash from debtors

##### 1.3 Debtors ledger (Apr 20): (6)

Date	Details	Debit (R)	Credit (R)	Balance (R)
Apr 10	Sales on credit	18,000		18,000 (debit)
Apr 20	Payment received		12,000	6,000 (debit)

Balance owed: R6,000 (debit)

#### QUESTION 2: Trial Balance and Error Correction (15 marks)

##### 2.1 Trial balance may balance despite errors because: (3)

- Errors such as omission of both debit and credit entries, or compensating errors, will not affect balancing.
- Posting to wrong accounts but with correct amounts also does not affect balancing.

##### 2.2.1 Trial balance:

Account	Debit (R)	Credit (R)
Sales		250,000
Purchases	180,000	

Capital		200,000
Drawings	20,000	
Rent Expense	25,000	
Bank	15,000	
Debtors	50,000	
Creditors		35,000
<b>Totals</b>	<b>290,000</b>	<b>485,000</b>

*Totals do not balance — errors exist.*

### 2.2.2 Corrections:

- Rent expense overstated by R5,000 → Decrease rent expense to R20,000
- Purchases understated by R10,000 → Increase purchases to R190,000
- Creditors omitted → Add creditors R35,000 to credit side

After corrections, trial balance totals should balance.

## QUESTION 3: Financial Statements (15 marks)

### 3.1 Difference and examples: (4)

- Capital expenditure: Spending on acquiring or improving fixed assets (e.g., buying equipment).
- Revenue expenditure: Day-to-day expenses for running the business (e.g., paying rent).

### 3.2 Statement of financial position (balance sheet):

<b>Assets</b>	<b>Amount (R)</b>	<b>Liabilities &amp; Equity</b>	<b>Amount (R)</b>
Non-current assets:		Capital	150,000
Equipment	70,000	Less: Drawings	(10,000)
Current assets:		Loan	30,000
Inventory	40,000	Creditors	20,000
Debtors	30,000		
Bank	25,000		
<b>Total assets</b>	<b>165,000</b>	<b>Total liabilities &amp; equity</b>	<b>210,000</b>

*Note: The balance sheet must balance; if needed, explain net capital after drawings = 140,000*

## SECTION B: COST AND MANAGERIAL ACCOUNTING (50 MARKS)

### QUESTION 4: Cost Concepts and Budgets (25 marks)

#### 4.1 Overhead costs definition and examples (4)

- Overheads are indirect costs not directly traceable to a product.
  - Examples: Electricity, rent, supervisor's salary.
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#### 4.2 Calculations: (6)

- Total variable costs = 8,000 units  $\times$  R10 = R80,000
  - Total cost = Fixed costs + Variable costs = R40,000 + R80,000 = R120,000
  - Cost per unit = R120,000  $\div$  8,000 = R15 per unit
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#### 4.3 Purpose of cash budget: (3)

- To plan and control cash inflows and outflows.
  - To ensure business has enough cash to operate.
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#### 4.4 Cash budget:

Description	Amount (R)
Opening balance	12,000
Add: Cash sales	30,000
Less: Cash purchases	15,000
Less: Expenses	20,000
<b>Closing balance</b>	<b>7,000</b>

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#### 4.5 Advantages and disadvantages of budgets: (8)

##### Advantages:

- Helps in planning and resource allocation.
- Identifies potential problems in advance.

##### Disadvantages:

- Time-consuming and costly to prepare.
  - May limit flexibility and creativity.
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### QUESTION 5: Financial Ratios and Interpretation (25 marks)

#### 5.1 Calculations: (12)

- Gross profit = Sales – Cost of Sales = 400,000 – 260,000 = 140,000
- Gross profit margin = (140,000  $\div$  400,000)  $\times$  100 = 35%



- Current ratio = Current assets  $\div$  Current liabilities =  $130,000 \div 60,000 = 2.17:1$
  - Creditors payment period = (Creditors  $\div$  Cost of Sales)  $\times 365 = (45,000 \div 260,000) \times 365 \approx 63.17$  days
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### 5.2 Interpretation: (6)

- Gross profit margin: Indicates profitability on sales; 35% shows good margin.
  - Current ratio: Measures liquidity; 2.17 indicates adequate short-term solvency.
  - Creditors payment period: Average time to pay suppliers; 63 days may be acceptable or long.
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### 5.3 Ways to improve creditors payment period: (4)

- Negotiate better payment terms with suppliers.
  - Improve cash flow to pay suppliers earlier.
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### 5.4 Difference between profitability and liquidity: (3)

- Profitability: Ability to generate profit over time.
  - Liquidity: Ability to meet short-term obligations.
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**END OF MEMO**

**TOTAL : 100**