

# 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: BOOKKEEPING AND ACCOUNTS PREPARATION (50 MARKS)

### QUESTION 1: Journals and Ledger Accounts (20 marks)

1.1 What is the purpose of a **general journal**? (3)

1.2 On 1 May 2024, the following transactions occurred for Bright Lights:

- Received R50,000 cash from owner as capital.
- Bought inventory for R15,000 on credit.
- Sold goods on credit for R22,000 (cost price R13,000).
- Paid creditors R5,000 in cash.
- Paid electricity expenses R2,500 in cash.

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

1.3 Post the payment to creditors transaction to the **creditors ledger** and balance it off. (7)

### QUESTION 2: Trial Balance and Adjustments (15 marks)

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

2.2 The trial balance of Silver Traders as at 31 August 2024 shows:

Account	Debit (R)	Credit (R)
Sales		320,000
Purchases	240,000	
Capital		280,000
Drawings	30,000	
Rent Expense	36,000	
Bank	20,000	
Debtors	55,000	
Creditors		45,000

2.2.1 Prepare a trial balance with totals. (5)

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2.2.2 The following errors were found:

- Rent expense was understated by R4,000.
- Purchases were overstated by R8,000.
- Creditors of R10,000 were omitted.

Adjust the trial balance accordingly. (7)

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

3.1 Define **accumulated depreciation** and explain why it is shown separately on the statement of financial position. (4)

3.2 Using the following information, prepare an **income statement** for Moonlight Traders for the year ended 28 February 2024:

Description	Amount (R)
Sales	450,000
Cost of Sales	280,000
Rent Expense	30,000
Salaries Expense	40,000
Interest Income	5,000
Electricity Expense	12,000

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

### QUESTION 4: Costing and Budgeting (25 marks)

4.1 Differentiate between **direct costs** and **indirect costs** with one example of each. (4)

4.2 A company manufactures 5,000 units with fixed costs of R60,000 and variable costs of R15 per unit. Calculate:

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

4.3 Explain the term **variance analysis** and its importance to management. (4)

4.4 Prepare a **budgeted income statement** for September 2024 based on the following data:

Description	Budgeted Amount (R)
Sales (units)	1,000
Selling price per unit	150
Variable cost per unit	90
Fixed costs	30,000

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

5.1 Calculate the following ratios based on the data:

Description	Amount (R)
Net Profit	75,000
Sales	500,000
Current Assets	120,000
Current Liabilities	80,000
Inventory	45,000
Debtors	55,000

- Net Profit Margin (%)
- Current Ratio
- Debtors Collection Period (days) (365 days in a year)  
(12)

5.2 Interpret what the net profit margin and current ratio indicate about a business. (6)

5.3 Suggest TWO strategies a business can use to improve its debtors collection period. (4)

5.4 Explain the difference between **solvency** and **liquidity**. (3)

**End of Exam**

**TOTAL : 100**

## MEMO

### SECTION A: BOOKKEEPING AND ACCOUNTS PREPARATION (50 MARKS)

#### QUESTION 1: Journals and Ledger Accounts (20 marks)

##### 1.1 Purpose of general journal: (3)

- To record all financial transactions chronologically.
- To provide complete details of transactions before posting to ledger accounts.

##### 1.2 General Journal Entries: (10)

Date	Account Debited	Debit (R)	Account Credited	Credit (R)	Narration
1 May 24	Bank	50,000	Capital	50,000	Owner invested cash
1 May 24	Inventory	15,000	Creditors	15,000	Purchased inventory on credit
1 May 24	Debtors	22,000	Sales	22,000	Sold goods on credit
1 May 24	Cost of Sales	13,000	Inventory	13,000	Cost of goods sold
1 May 24	Creditors	5,000	Bank	5,000	Paid creditors in cash
1 May 24	Electricity Expense	2,500	Bank	2,500	Paid electricity expenses

##### 1.3 Creditors ledger for payment: (7)

Date	Details	Debit (R)	Credit (R)	Balance (R)
Opening	Balance			15,000 (cr)
1 May 24	Payment	5,000		10,000 (cr)

Balance owed: R10,000 (credit balance)

#### QUESTION 2: Trial Balance and Adjustments (15 marks)

##### 2.1 Purpose of trial balance: (3)

- To check the accuracy of ledger postings by ensuring total debits equal total credits.
- To help prepare financial statements.

## 2.2.1 Trial Balance: (5)

Account	Debit (R)	Credit (R)
Sales		320,000
Purchases	240,000	
Capital		280,000
Drawings	30,000	
Rent Expense	36,000	
Bank	20,000	
Debtors	55,000	
Creditors		45,000
<b>Totals</b>	<b>381,000</b>	<b>645,000</b>

*Totals do not balance - errors exist.*

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## 2.2.2 Adjustments: (7)

- Rent expense understated by R4,000 → Increase rent expense to R40,000
- Purchases overstated by R8,000 → Decrease purchases to R232,000
- Creditors of R10,000 omitted → Add creditors R10,000 to credit side (new total creditors = R55,000)

Corrected trial balance totals:

Account	Debit (R)	Credit (R)
Sales		320,000
Purchases	232,000	
Capital		280,000
Drawings	30,000	
Rent Expense	40,000	
Bank	20,000	
Debtors	55,000	
Creditors		55,000
<b>Totals</b>	<b>377,000</b>	<b>655,000</b>

Trial balance still unbalanced, further errors should be investigated (accept partial explanation).

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

## 3.1 Accumulated depreciation: (4)

- The total depreciation charged on an asset since purchase.
  - Shown separately to reflect the reduction in asset's value and show the asset's book value.
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### 3.2 Income Statement:

Description	Amount (R)
Sales	450,000
Less: Cost of Sales	280,000
<b>Gross Profit</b>	170,000
Less Expenses:	
Rent Expense	30,000
Salaries Expense	40,000
Electricity Expense	12,000
<b>Total Expenses</b>	82,000
<b>Operating Profit</b>	88,000
Add: Interest Income	5,000
<b>Net Profit</b>	93,000

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

### QUESTION 4: Costing and Budgeting (25 marks)

#### 4.1 Direct vs Indirect costs: (4)

- Direct costs: Costs directly attributable to production (e.g., raw materials).
- Indirect costs: Costs not directly traceable to a product (e.g., factory rent).

#### 4.2 Calculations: (6)

- Total variable cost =  $5,000 \times R15 = R75,000$
- Total manufacturing cost = Fixed costs + Variable costs =  $R60,000 + R75,000 = R135,000$
- Cost per unit =  $R135,000 \div 5,000 = R27$  per unit

#### 4.3 Variance analysis: (4)

- The process of comparing actual costs and revenues with budgeted amounts.
- Important for identifying reasons for deviations and controlling costs.

#### 4.4 Budgeted Income Statement for September 2024:

Description	Amount (R)
Sales ( $1,000 \times R150$ )	150,000
Less: Variable costs ( $1,000 \times R90$ )	90,000
Contribution	60,000
Less: Fixed costs	30,000

<b>Net profit</b>	30,000
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### QUESTION 5: Financial Ratios and Interpretation (25 marks)

#### 5.1 Calculations: (12)

- Net profit margin =  $(\text{Net profit} \div \text{Sales}) \times 100 = (75,000 \div 500,000) \times 100 = 15\%$
- Current ratio =  $\text{Current assets} \div \text{Current liabilities} = 120,000 \div 80,000 = 1.5 : 1$
- Debtors collection period =  $(\text{Debtors} \div \text{Sales}) \times 365 = (55,000 \div 500,000) \times 365 \approx 40.15 \text{ days}$

#### 5.2 Interpretations: (6)

- Net profit margin (15%) shows profitability: business earns 15c profit per rand sales.
- Current ratio (1.5:1) indicates moderate ability to cover short-term debts.

#### 5.3 Strategies to improve debtors collection period: (4)

- Offer discounts for early payment.
- Perform credit checks and tighten credit terms.

#### 5.4 Solvency vs Liquidity: (3)

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

**END OF MEMO**

**TOTAL : 100**