MATRIC REVISION

MATRIC REVISION 2008

education
Department:
Education
REPUBLIC OF SOUTH AFRICA

TOP TIPS FROM THE EXPERTS: EDITION 4 OF 13

ACCOUNTING

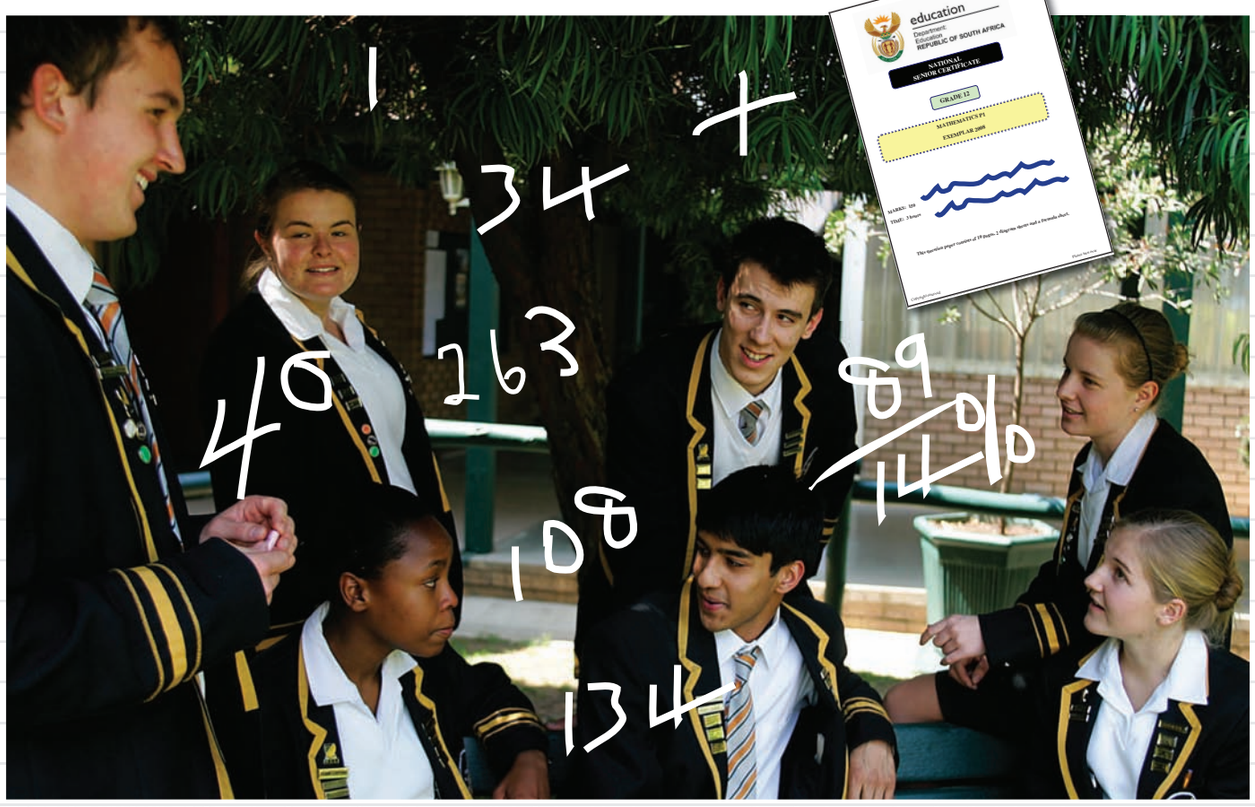
Good luck message

Celebrity hola!

Morafe

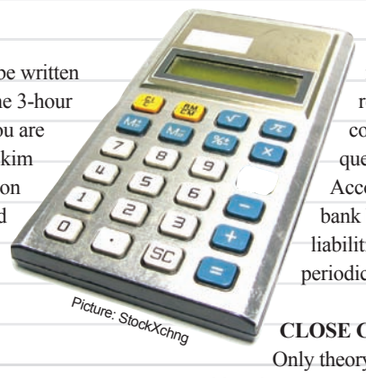
It's a tough world out there and you could lose everything. But if you have your matric pass it starts now. FOCUS!

A+ccumulate credit for Accounting



TREE OF KNOWLEDGE: The Grade 12s of Benoni High School look to one another for inspiration for their looming exams

The Grade 12 NSC Accounting examination will be written at 9am on Tuesday 4 November. It consists of one 3-hour paper worth 300 marks. Manage your time well so you are able to finish everything. Use the first 10 minutes to skim through the whole paper and plan how long to spend on each section. Identify which topics you are best at and start with those. Show all your calculations in full.



Picture: StockXchng

Let's look at how you should tackle the different topics:

COMPANIES:
You are likely to be asked about new company ledger accounts, so make sure you know all the formats. Know the following concepts well: ordinary share capital; ordinary share premium; SARS (income tax); ordinary share dividends; shareholders for dividends; appropriation accounts; retained income; and accumulated profit.

COMPANY FINANCIAL STATEMENTS AND THEIR INTERPRETATION:
You must know the formats of the income statement, the balance sheet and the notes to the balance sheet.
Receivable notes: Debtors = net trade debtors + accrued income + prepaid expenses.
Payables: Creditors less provision for bad debts, accrued expenses, income received in advance, SARS (income tax) and shareholders for dividends.
Adjustments: Do lots of exercises on adjustments under the different forms of ownership.
Cash-flow statement: Know the format of and the reason for completing the cash-flow statement. Study the five notes to the cash-flow statement. To arrive at the answer for taxation and dividends paid, complete the ledger account for SARS (income tax) and shareholders for dividends.
Analysis and interpretation: Know your ratios for companies (ask why you need to calculate something and know a basic comment to each).
Companies theory: Familiarise yourself with all the terminology – e.g. shares, dividends, taxation, etc.
Corporate reporting: Know how to prepare all financial statements and analyse an auditors' report.
Managing resources: Look at the code of ethics and the role of professional bodies.
Auditors' report: What is an auditors' report and who is responsible? Why is it addressed to the shareholders?
Professional bodies: Explain the significance of the reference to CA (SA). Know what action could be taken by professional bodies such as SAICA (South African Institute of Charted Accountants) if a company is negligent in drafting its financial statements.
Corporate governance: Familiarise yourself with the King Code. Be able to give examples of companies that comply with its recommendation that their annual reports should reflect the contributions they make to benefit the community at large. Expect a lot of interpretative questions that require a lot of writing.
Accounting equation: A favourable or unfavourable bank balance could have an effect on either assets or liabilities. Look at what stock system is in use, i.e. the periodic or perpetual inventory system.

CLOSE CORPORATIONS:
Only theory will be tested. Look at the differences between sold traders, partnerships, and private and public companies – e.g. the number of members, management, tax implications, continuity and legal personality.

RECONCILIATIONS AND INTERNAL CONTROL:
Be able to analyse and interpret reconciliations. Know what transactions can take place with debtors and creditors, what makes them increase or decrease, and possible mistakes that could occur and how to correct them. With bank reconciliations, know what should appear in the CRJ, CPJ, bank statement and bank ledger. Know how to treat post-dated cheques issued and received, how to treat a stale cheque, how to stop or cancel a cheque, and how to correct mistakes on a bank statement in the bank recon. Look at the control measure for determining how long one can keep cheques held over for payment. What is the difference between a debit order and a stop order?

VAT:
Be able to do the following: apply the principles of VAT; explain the difference between input and output VAT; work with the input and output ledger accounts; summarise the difference between input and output VAT; do calculations to add VAT (plus 14%) or exclude VAT (14/114); complete the VAT control account; calculate the mark-up amount by the retailer as well as the VAT mark-up ; record transactions by means of the periodic inventory system; complete a VAT 201 form; discuss the ethics of VAT, e.g. tax evasion; and distinguish between VAT-exempt items and zero-rated VAT items.

MANAGERIAL ACCOUNTING (MANUFACTURING):
Know the format of the production cost statement, and be able to prepare the ledger accounts and report on the cost information. Look at the types of manufacturing costs, their calculation and classification, and cost behaviour. Be able to calculate break-even point and know all the manufacturing ratios.

BUDGETS:
Be able to analyse and interpret a cash budget. Practise doing a debtors collection schedule, creditors payment schedule and age analysis. You have to know the function and characteristics of a cash budget and how to apply internal control processes.

MANAGING RESOURCES:
Asset disposal: You may be asked to complete ledger accounts, journal entries and the fixed asset note, as well as do the calculations involved in asset disposal. **Step 1:** Identify the cost price of assets sold. **Step 2:** Calculate the extra depreciation on the assets sold. **Step 3:** Take the total accumulated depreciation into account. Step 4: Determine how the fixed asset was sold. **Step 5:** Determine whether a profit or loss was made.

Analyse the fixed asset register and explain reasons for disposing of a fixed asset. You could be asked to make informed decisions on the result of the movement of an asset, interpret the asset disposal process, report on asset disposal, determine the age of an asset, calculate how often an asset needs to be replaced, and determine the life span of an asset.

Stock systems (inventory valuations and validations): Know how to do the following: 1. Differentiate between the FIFO and weighted average methods of valuation. (With the FIFO method, inventory items purchased first will be sold first. With the weighted average method, costs are assigned on the basis of the average cost of inventory on hand.) **2.** Determine why the cost price has changed, taking into account economic factors such as inflation. **3.** Draft the trading account and calculate the closing stock according to the two different valuation systems. For example: A business selling inventory relies on generating a continuous profit from its inventory in order to maintain a sustainable business. If the inventory is not controlled properly, profits may be lost. The value is calculated by multiplying the number of units of inventory on hand by cost price per unit.

Ethics, internal controls and audit processes: Differentiate between accounting and auditing: Accounting involves writing up the books and preparing financial statements. Auditing involves the vouching or checking of income and expenses, and the verification of the assets and liabilities in order to compile an auditors' report.

ETHICS:
A code of ethics enables a business to communicate its ethical standards effectively. Know the definition for a conflict of interest and what disciplinary and punitive measures may be taken.

PUNISHABLE OFFENCES AS STIPULATED BY THE SAICA CODE OF CONDUCT:
Examples include contravention, gross negligence and improperly obtaining or attempting to obtain work.

INTERNAL CONTROL AND INTERNAL AUDIT PROCESSES IN A BUSINESS ENVIRONMENT:
Be able to define an internal control, an internal audit and an external audit. This section requires a lot of studying, analysis and interpretation.

MEET OUR ACCOUNTING EXPERT

Eurika Fourie

POSITIVE BALANCE: Eurika Fourie's enthusiasm about her subject + her head for numbers = one great Accounting teacher!

Accounting is a life skill. It doesn't matter what career you pursue, you will always benefit from the accounting you have done at school.

Eurika has taught at Parktown Boys' High School for the past ten years. She also teaches on the Learning Channel and has been a matric marker for ten years. She is passionate about Accounting, and says it is important to her that her learners are just as enthusiastic about her subject as she is - which is obviously the case as they have maintained an average of 75%+ every year. "Accounting is a life skill," she says. "It doesn't matter what career you pursue, you will always benefit from the accounting you have done at school. Believe in your own ability and good luck for your final exams!"

NEXT WEEK : PHYSICAL SCIENCES

WIN PRIZES TO THE VALUE OF R88 000 WITH BOSTON CITY CAMPUS & BUSINESS COLLEGE

- 1 x Boston Media House (3 year) bursary worth R66 000
- 20 x Intro to PC Bursaries worth R1 000 each

To enter, SMS the word BOSTON (space) MEDIA or BOSTON (space) PC (depending on your preferred course), followed by your name and surname to 34110

SMS cost R2.00. Rules and conditions apply.

BCC BOSTON City Campus & Business College Education. For Life.