



ACCOUNTING LAST PUSH



HOW TO ANSWER THE PAPER

- Start with the questions you are good in.
- Stick to time management.
- Make sure you read properly.
- Stick to the instructions.



Cont. FINANCIAL ACCOUNTING (50% TO 60%)

Reconciliations

- (Bank, Debtors, Creditors, Age Analysis & Internal control)

VAT

- Calculating VAT receivable or payable
- VAT exclusive $15/100$
- VAT inclusive $15/115$
- Output (grouped together) Input (grouped together)



Cont. FINANCIAL ACCOUNTING (50% TO 60%)

Income Statements/Balance sheet

- (Adjustments- working from the bottom (tax))

Balance Sheet and Notes

- (format, pre - adjustment figures)

Cash Flow statement

asked in different ways(full , sections , calculations)



FINANCIAL ACCOUNTING (50% TO 60%)

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Analysis and interpretations

- (formulae, calculations and comments)

Audit reports

- Unqualified – “fairly represent in all material”
- Qualified - “except”
- Disclaimer – “cannot express an opinion”



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MANAGERIAL ACCOUNTING(20% TO 25%)

- Manufacturing
- Budgets



Bank Reconciliations

- Remember to use the information of the previous month bank reconciliation to get the bank balance in the beginning.
- Always **one** outstanding cheque from the previous bank reconciliation to be recorded in the next month again.
- Cheque is stale if older than 6 months.
- Error in the books of the business must be corrected in the CRJ/CPJ
- Error on the bank statement must be corrected in the BRS.
- When you total the CRJ and CPJ remember to add the provincial totals as well.
- The totals of the bank reconciliation must always be the same total on the debit and credit side. The missing figure is normally the balancing of the bank statement.



Creditors' Reconciliations/ Debtors' Reconciliations



- Identify where the error is.
- If the error is in the control account rectify it in the control account.
- If the error is on the list correct it on the list.
- If the error is on both places it must be corrected on the control account as well as the list.
- On the list there will always be a debtor whose amount was posted on the wrong side of the account. Remember you must **double** the figure when you move it from the debit side to the credit side or visa versa

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AGE ANALYSIS

Problems on Age analysis

CREDIT TERM

- rectify it by charging the debtor interest

CREDIT LIMIT

- the credit limit should not be exceeded

Continued sales to customers who don't pay

- rectify it that they must first pay before the could buy on credit again.



VALUE ADDED TAX



- Remember it is now 15%
- VAT excluded your calculation must be the figure x 15/100 and add it to the figure
- VAT included you must be : figure x 15/115.

The formula = unknown% x
Amount

- Known% are key ,
check the next slide

VALUE ADDED TAX



Items or accounts affecting Output VAT

- Sales (credit /cash)
- Drawings
- Donations
- Returns to suppliers/creditors
- Bad debts recovered
- Discount allowed by creditors (reduce input VAT)
- **NB-First FOUR bullets –Goods are GOING OUT**

VALUE ADDED TAX



Items or accounts affecting **INPUT VAT**

- Purchases (credit /cash)
- Returns to by customers
- Bad debts
- Discount allowed to customers (reduce output VAT)
- **NB-First TWO bullets –Goods are RECEIVED by business**

INCOME STATEMENT

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- You must know the **format**
- Always **start with the pre adjustment figures from Trial Balance** or information extracted when preparing the income statement.
- Start with **Nominal Accounts items**
- Show always your workings in brackets to earn part marks.
- Income received in advance and prepaid expenses are **DEDUCTED**
- Accrued income and accrued expenses are **ADDED**
- Remember to **DEDUCT** debtors' allowances from sales
- If goods are returned ,cost of sales must also **REDUCE**

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INCOME STATEMENTS

- remember that sales/returns at the end of the year **CHANGES** the figure of the closing stock to determine if there is a stock deficit at the end.
- Depreciation**
 - # Cost price method – Take the cost price x by the %
 - # Diminishing balance – (Carrying value – Take the cost price – minus the accumulated depreciation x by the %
- remember the R1 rule
- Interest income/interest expense appear on the bottom part of the income statement



	Tax	
50,245.00	7,512	142,733.00
25,466.00	-	25,466.00
165,412.00	8,271	157,141
	12,532	238,7
	33,797	64
12,501.00		8,251
		16,0

BALANCE SHEET

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- Memorize the format
- Always **START WITH** the pre - adjustment figures in the balance sheet.
- Always show your **workings** in brackets to earn part marks.
- **Ratios** are important when a balance sheet were asked.
- **Current ratio** is 2:1. the figure of the current liabilities were R100 000 then the missing figure of the **current assets** must be $R100\ 000 \times 2 = R200\ 000$.
- **Acid test ratio** can be used to calculate the **stock figure** .
- **Debt equity ratio** can be used to calculate either the *shareholders' equity* or the *loan* figure.
- **Total Capital Employed** = Shareholders equity + Long term liabilities.

CASH FLOW STATEMENTS

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- know the format
- **inflow** – receive money, no bracket
- **outflow** – pay money ,figure must be in ().
- **Dividend Paid** -dividends owing the previous year **PLUS** interim dividends
- **Net change in Cash and cash equivalents** -If the business has the **Bank overdraft** and the **favourable balance under assets** (Petty cash, Cash float etc.) at the beginning of the year, calculate the difference of the two opening balances **BEFORE** the calculations

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- memorize the formulae of the ratios.

Ratios often asked to calculate

- Current ratio / Acid test ratio - must be x:1
- Debt equity ratio – must be x:1.
- ROSHE/ROTCE
- Net asset value per share.
- Dividend pay out rate.



ANALYSIS AND INTERPRETATION

1. Always asked to comment on **liquidity** (6 ratios)
Current ratio / acid test / debtors' collection / creditors payment / stock turnover rate and holding period
2. Comment on **gearing/loan/risk** (2 ratios)
Debt equity and *ROTCE*.
compare it with the *interest of loan*
before you decided to pay back the loan.
3. Buy back of shares if the price were fair.
Compare it with the NAV and the market price of share.



Related Financial indicators that should be compared

NAV	Market value of shares
ROSHE	Rate of investments
ROTCE	Rate of interest on loan
Debt Equity	Rate of interest on loan
Earnings per share	Dividends per share
Debtors Collection period	Creditors Payment period

NOTES TO THE FINANCIAL STATEMENTS

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- memorize the format
- make sure you can do the following notes
 - Ordinary share capital (OSC)
 - Retained income (RI)



NB: when you buy back shares the *average price* appears in the **ORDINARY SHARE CAPITAL (OSC)** note and the difference must appear in the **RETAINED INCOME (RI)** note

In the Cash flow you record amount from OSC + RI note **OR** Actual amount paid for shares repurchased

Note for fixed assets

- remember to transfer the totals of these notes to the balance sheet
- they always ask the note for fixed assets to calculate:
 - a new asset purchased
 - asset disposed at carrying value

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carrying value = cost price less accumulated depreciation

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AUDIT REPORTS

- Unqualified
- Qualified
- Disclaimer



MANUFACTURING

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- Memorize **the format** of the production cost statement. Must always start with direct material and direct labour to get prime cost.
- Add factory overhead cost to prime cost to get cost of production.
- Add WIP in the beginning of the year and minus WIP at the end of the year to get total cost of manufactory.
- When you calculate BEP it is $\text{fixed cost} / \text{selling price per unit} - \text{variable cost per unit}$. The answer must be in **units**.



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Cont. MANUFACTURING

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- Always compare the BEP with production of this year as well as with the BEP of last year to decide if you are satisfied or not.
- If **material increases** from last year, comment like this:
 - Get cheaper supplier / buy in bulk / save on transport cost / negotiate discount / work more effectively
 - If **direct labour increase** try not to work overtime / less overtime / better supervision of workers in the work place /

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BUDGETS



- Know the items **not appearing** in A budget (depreciation/discount/credit transactions)
- Know the items **not appearing** in a projected income statement (*balance sheet items*)
- From sales you calculate cash and credit sales
- From sales use mark-up % to calculate purchases
- Always ask the increase in an expense i.e. Salaries -this month = R8 000 and increase to R10 000 next month . difference is R2 000 **DIVIDED** by the R8 000. Increase is 25 %

STOCK

CALCULATING OF CLOSING STOCK

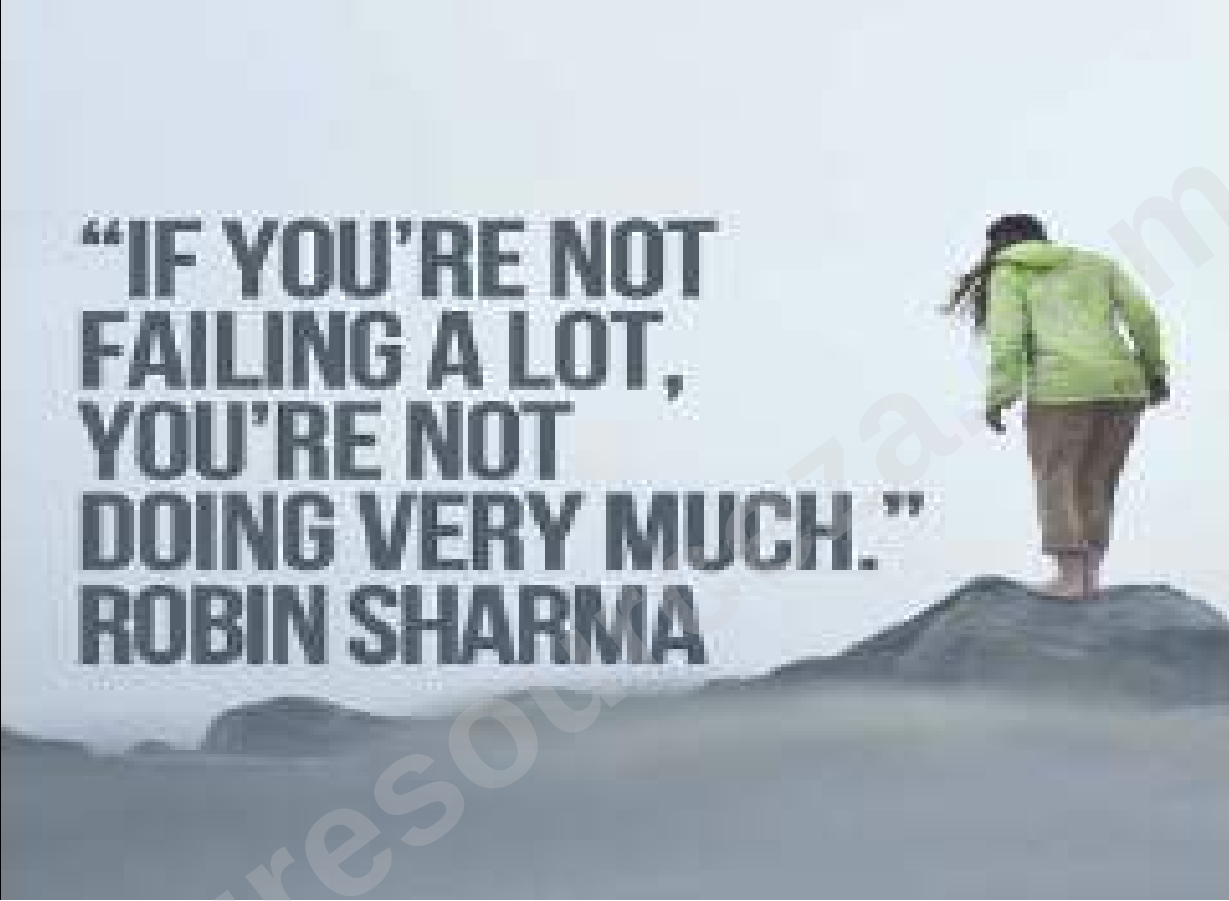
- FIFO (From the bottom to the top)
- Weighed Ave ($\text{Value} \div \text{Numbers}$)
- Spes. Ident Method ($\text{Purchases} - \text{Sales} \times \text{price}$)

CALCULATING OF COST OF SALES

CALCULATING MISSING STOCK

REFER TO INVENTORY DOCUME





**"IF YOU'RE NOT
FAILING A LOT,
YOU'RE NOT
DOING VERY MUCH."
ROBIN SHARMA**

THE END !!!