MASTERING NSC COMPANY QUESTIONS

THE STUDYPACK EXAMINATION STRATEGY GUIDE

Grade 12 Accounting

Companies and Financial Statements

CHAPTER OUTCOMES

After studying this chapter, you should be able to:

✓ Approach company questions with confidence

✓ Identify easy marks quickly

✓ Read additional information effectively

✓ Prepare workings before calculations

✓ Complete company notes correctly

✓ Prepare the Statement of Financial Position efficiently

✓ Maximise marks in Question 1

✓ Avoid common examination mistakes

✓ Think like an examiner

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1. WHY LEARN EXAM TECHNIQUE?

Many learners know Accounting.

Unfortunately, they lose marks because:

- They rush

- They skip information
- They start calculations too early
- They do not understand examiner expectations

A distinction learner does not simply know Accounting.

A distinction learner knows how to write Accounting examinations.

EXAM REALITY

Two learners may know exactly the same content.

Learner A

Uses proper exam technique.

Result:

85%

Learner B

Poor exam technique.

Result:

60%

The difference is strategy.

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2. UNDERSTANDING QUESTION 1

Question 1 usually focuses on:

✓ Inventory

✓ Share Capital

✓ Retained Income

✓ Statement of Financial Position

✓ Adjustments

✓ Dividends

✓ Loans

✓ Debtors

✓ Creditors

✓ Taxation

EXAMINER'S GOAL

The examiner is testing whether you can:

- Read information
- Apply accounting principles
- Process adjustments
- Present information correctly

STUDYPACK EXAM TIP

Question 1 is not difficult.

The challenge is organisation.

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3. THE FIVE-MINUTE READING RULE

Before writing anything:

Spend 5 minutes reading.

STEP 1

Read the required section.

Ask:

What must I prepare?

Examples:

- Inventory valuation
- Share Capital Note
- Statement of Financial Position

STEP 2

Read additional information.

Highlight:

✓ Share issues

✓ Share repurchases

✓ Dividends

✓ Tax

✓ Inventory adjustments

✓ Loan repayments

✓ Bad debts

STEP 3

Identify easy marks.

Always start with easy calculations.

DISTINCTION TIP

Easy marks build confidence.

Confidence reduces mistakes.

4. THE GOLDEN RULE

NEVER start with the Statement of Financial Position.

WHY?

The Statement requires information from:

✓ Notes

✓ Adjustments

✓ Calculations

✓ Working papers

CORRECT ORDER

Step 1

Adjustments

↓

Step 2

Notes

↓

Step 3

Calculations

↓

Step 4

Financial Statements

WRONG ORDER

Statement First

↓

Confusion

↓

Errors

↓

Lost Marks

5. HOW TO READ ADDITIONAL INFORMATION

Additional information contains the answers.

Most learners do not realise this.

EXAMPLE

A company repurchased:

150 000 shares

for

R975 000

WHAT DOES THE EXAMINER EXPECT?

Not simply reading.

The examiner expects you to ask:

What does this affect?

Answer:

✓ Share Capital

✓ Shares in Issue

✓ Shareholders' Equity

EXAM THINKING

Every adjustment affects something.

Always ask:

"What account changes?"

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6. WORKING PAPERS

Professional accountants use working papers.

You should too.

CREATE THESE WORKING SECTIONS

WORKING A

Inventory

WORKING B

Receivables

WORKING C

Loan

WORKING D

Dividends

WORKING E

Tax

WORKING F

Share Capital

BENEFITS

✓ Fewer mistakes

✓ Easier checking

✓ Better presentation

✓ Faster calculations

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7. INVENTORY QUESTIONS

Inventory is often one of the first calculations.

STUDYPACK METHOD

STEP 1

Determine opening stock

STEP 2

Add purchases

STEP 3

Less returns

STEP 4

Calculate units available

STEP 5

Determine cost per unit

STEP 6

Calculate closing stock

EXAM TRAP

Many learners calculate:

Cost Price

instead of

Average Cost

Read carefully.

INVENTORY CHECKLIST

✓ FIFO?

✓ Weighted Average?

✓ Specific Identification?

✓ Damaged Stock?

✓ Missing Stock?

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8. SHARE CAPITAL QUESTIONS

This is one of the highest-mark sections.

STEP 1

Complete the NUMBER column first.

WHY?

Because:

Shares issued

and

Shares repurchased

affect everything else.

STEP 2

Complete the AMOUNT column.

STEP 3

Check calculations.

EXAM TRAP

Repurchased shares

must be deducted.

Never add them.

MEMORY FORMULA

Beginning Shares

+

Issued Shares

-

Repurchased Shares

=

Ending Shares

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9. RETAINED INCOME QUESTIONS

Retained Income is usually easier than learners think.

METHOD

Opening Retained Income

+

Net Profit After Tax

-

Dividends

=

Closing Retained Income

EXAM TIP

Check whether:

Final Dividends

have already been included.

COMMON ERROR

Deducting dividends twice.

10. DIVIDENDS

One of the examiner's favourite areas.

REMEMBER

Interim Dividend

Already paid

Final Dividend

Declared

Usually unpaid

PRESENTATION

Final Dividend

=

Current Liability

EXAM TRAP

Declared

does not mean

Paid

11. LOAN QUESTIONS

Almost every year:

Loan adjustment appears.

STEP 1

Find total loan.

STEP 2

Find amount payable next year.

STEP 3

Separate:

Current Portion

and

Non-current Portion

FORMULA

Loan

-

Current Portion

=

Non-current Liability

EXAM TIP

Never place entire loan under Non-current Liabilities.

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12. TAXATION QUESTIONS

Always ask:

Who owes whom?

SARS owes company

Current Asset

Company owes SARS

Current Liability

EXAM TRAP

Learners often reverse these.

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13. RECEIVABLES QUESTIONS

Receivables usually involve:

✓ Bad debts

✓ Provision

✓ Accrued income

✓ Transfers

STUDYPACK METHOD

Debtors

-

Bad Debts

-

Provision

+

Accrued Income

=

Trade and Other Receivables

EXAM TIP

Do not forget:

Provision is deducted.

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14. STATEMENT OF FINANCIAL POSITION

Now that all calculations are complete:

Prepare the statement.

SECTION 1

ASSETS

Non-current Assets

Current Assets

Total Assets

SECTION 2

EQUITY

Share Capital

Retained Income

SECTION 3

LIABILITIES

Non-current

Current

FINAL STEP

Balance totals.

EXAM CHECK

Total Assets

must equal

Total Equity and Liabilities

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15. HOW EXAMINERS AWARD MARKS

Many learners think:

Wrong answer = zero marks

This is not true.

MARKS ARE AWARDED FOR:

✓ Workings

✓ Method

✓ Correct calculations

✓ Presentation

✓ Final answer

DISTINCTION STRATEGY

Always show workings.

Even if unsure.

EXAMPLE

Wrong final answer

Correct method

=

Possible method marks

NEVER DO THIS

Leave answer blank.

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16. COMMON EXAM MISTAKES

Mistake 1

Ignoring additional information.

Mistake 2

Preparing statements before notes.

Mistake 3

Adding repurchased shares.

Mistake 4

Treating dividends as expenses.

Mistake 5

Ignoring current portion of loan.

Mistake 6

Forgetting bad debt provision.

Mistake 7

No workings shown.

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17. THE DISTINCTION CHECKLIST

Before submitting Question 1 ask:

✓ Inventory calculated?

✓ Notes completed?

✓ Share Capital correct?

✓ Retained Income correct?

✓ Dividends processed?

✓ Loan split correctly?

✓ Tax adjusted?

✓ Receivables adjusted?

✓ Totals balance?

✓ Workings shown?

STUDYPACK EXAM MASTER FORMULA

READ

↓

HIGHLIGHT

↓

CALCULATE

↓

NOTES

↓

WORKINGS

↓

STATEMENT

↓

CHECK

PRACTICE CASE STUDY

ABC Ltd provides:

Opening Shares

2 000 000

Issued Shares

300 000

Repurchased Shares

100 000

QUESTION

Calculate shares in issue at year-end.

SOLUTION

2 000 000

- 300 000
- 100 000

=

2 200 000

shares

QUESTION

Why are repurchased shares deducted?

ANSWER

The shares are removed from circulation and no longer form part of shares in issue.

EXAM PRACTICE QUESTIONS

QUESTION 1

Why should notes be prepared before the Statement of Financial Position?

(2)

QUESTION 2

Explain why working papers are important.

(4)

QUESTION 3

State TWO common mistakes learners make in Question 1.

(4)

QUESTION 4

Explain the correct order for answering a company question.

(4)

QUESTION 5

Why is it important to show workings?

(2)

MEMORANDUM

QUESTION 1

The notes provide figures needed for the Statement of Financial Position.

(2)

QUESTION 2

Working papers improve accuracy and reduce errors.

(4)

QUESTION 3

Any TWO:

- Ignoring adjustments
- Adding repurchased shares
- Forgetting provisions
- Ignoring current portion of loan
- Not showing workings

(4)

QUESTION 4

Adjustments → Notes → Calculations → Financial Statements

(4)

QUESTION 5

Method marks can still be awarded even if the final answer is incorrect.

(2)

CHAPTER SUMMARY

You should now know:

✓ How to approach Question 1

✓ How to process adjustments

✓ How to prepare notes

✓ How to prepare the Statement of Financial Position

✓ How examiners award marks

✓ How to avoid common mistakes

✓ How distinction learners approach company questions

This chapter transforms Accounting knowledge into examination performance and is often the difference between a pass and a distinction.