

Grade 12 Accounting: Companies & Cost Accounting Study Guide

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1. Companies (Corporate Entities)

Types of Shares

- Ordinary shares: voting rights; receive dividends; residual claimants in liquidation
- Par value shares: have a stated face value (e.g. R2 par value)
- No-par value shares: no fixed face value; issued at market price

Share Transactions

Issued at par:	DR Bank; CR Share Capital (full amount)
Issued above par:	DR Bank; CR Share Capital (par); CR Share Premium (excess)
Shares repurchased:	DR Share Repurchase; CR Bank (at market price)

Dividends

- Interim dividend: paid during the year
- Final dividend: paid after year-end, after financial statements prepared
- DR Retained Income / Dividends; CR Bank or Shareholders for dividends

2. Cost Accounting

Manufacturing Cost Elements

- Direct material (DM): raw materials that become part of product
- Direct labour (DL): wages of workers directly making the product
- Factory overhead (FO): all other manufacturing costs (rent, power, depreciation of machinery)
- Prime cost = DM + DL
- Total manufacturing cost = Prime cost + Factory overhead
- Cost of production = Total manufacturing cost + Opening WIP - Closing WIP
- Cost of sales = Cost of production + Opening finished goods - Closing finished goods

Unit Cost

Cost per unit:	Total cost / Number of units produced
Selling price:	Cost per unit x (1 + mark-up %)

3. Budgets

Budgets are financial plans. Types:

- Production budget: units to produce = Sales + Closing stock - Opening stock
- Purchases budget: raw material needed = Production + Closing RM - Opening RM
- Cash budget: inflows and outflows; checks liquidity

TIP In cost accounting exam questions, always separate fixed and variable costs. Variable costs change with output; fixed costs stay the same regardless of units produced.