

Grade 12 Accounting: Exam Preparation & Ethics Study Guide

Grade 12 | Accounting | Study Guide | 2024

Free Study Resources for South African Matric Learners

1. Accounting Equation

Fundamental equation: $\text{Assets} = \text{Equity} + \text{Liabilities}$

Extended: $\text{Assets} = \text{Owner's Capital} + \text{Retained Income} + \text{Liabilities}$

Every transaction: Affects at least two accounts; keeps equation in balance

2. GAAP Principles (Generally Accepted Accounting Practice)

- Historical cost: assets recorded at original cost, not current market value
- Going concern: business assumed to continue indefinitely
- Matching/Accrual: expenses matched to revenue in same period (not when paid/received)
- Prudence: if in doubt, don't overstate assets or income; recognise losses early
- Consistency: same methods used each period for comparison
- Materiality: only significant information needs separate disclosure
- Objectivity: based on evidence, not personal opinion

3. Internal Control & Auditing

- Internal control: procedures to safeguard assets, ensure accuracy, prevent fraud
- Segregation of duties: separate people authorise, record, and handle assets
- Bank reconciliation: regular check between books and bank statement
- Stock control: regular stocktaking; authorisation for write-offs
- Debtors control: credit limits; following up on overdue accounts
- Internal audit: independent check within the organisation
- External audit: independent accountant checks and signs off financial statements

4. Professional Ethics in Accounting

- SAICA code of ethics for Chartered Accountants
- Integrity: honest and straightforward in all professional dealings
- Objectivity: no bias, conflict of interest, or undue influence
- Confidentiality: do not disclose information without proper authority
- Professional competence: maintain skills and knowledge up to date
- Consequences of unethical behaviour: fraud, embezzlement, prosecution, loss of licence

5. Common Exam Question Types

- Journalise transactions: identify accounts, debit and credit correctly
- Prepare financial statements: structure marks depend on layout
- Calculate and comment on ratios: use formulas, show calculation, interpret
- Identify internal control weaknesses: name problem, explain consequence, suggest solution
- Ethical scenarios: identify the issue, name which principle violated, suggest correct action

TIP Accounting is logical and procedural. Learn the rules for debits and credits: Assets increase with DEBIT, decrease with CREDIT. Liabilities/Equity increase with CREDIT, decrease with DEBIT.