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Accounting Unlocked

Grade 10 – 11 CAPS Study Notes | South Africa

LGC FOUNDATION
Learning, Growth and Contribution

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i About LGC

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About LGC Foundation

The LGC Foundation is a 100% Black-owned, Level 1 B-BBEE contributor and registered NPC. We exist to transform access to the finance and accounting profession for young South Africans who are often excluded not by lack of potential, but by barriers of background, geography, and opportunity.

Since launch, the Foundation has reached hundreds of students and professionals through national roadshows, digital platforms, mentorship networks, and flagship programmes like Bridge the Gap.

Website: www.lgcfoundation.org
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Lesego Rankou CA(SA) at Kanana Secondary School during an LGC Foundation national roadshow.

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Built for real understanding: step-by-step explanations, South African real-life examples, and exam-ready summaries. Whichever route you eventually choose, CA(SA), ACCA or CIMA, these fundamentals hold the same weight.

iii Key Vocabulary Glossary

Before you dive in, get comfortable with these terms. Examiners use them precisely in questions and mark allocations. If you can define a term and give a South African example, you own it.

Bank Reconciliation Statement (BRS)
A document comparing the bank statement balance with the bank column in the Cash Journals to identify and explain differences.

Outstanding Deposit
Money recorded in the CRJ but not yet reflected on the bank statement. Added to bank balance in the BRS.

Outstanding Cheque
A cheque issued and recorded in the CPJ but not yet presented to or cleared by the bank. Subtracted from bank balance in the BRS.

Fixed Asset / Tangible Asset
A long-term asset used in business operations and not bought for resale. Examples: vehicles, equipment, buildings, computers.

Depreciation
The systematic allocation of the cost of a fixed asset over its useful life. It is an expense that reduces profit each year.

Carrying Value / Book Value
Cost minus Accumulated Depreciation at a given date. Represents the value of the asset in the accounting records.

Residual / Scrap Value
The estimated value of the asset at the end of its useful life. Deducted before applying the straight-line rate.

Accumulated Depreciation
The total depreciation charged on an asset from purchase to the current date. A contra-asset account.

Profit / Loss on Disposal
Selling price minus carrying value at the time of sale. Profit if selling price exceeds carrying value; loss if below.

Output VAT
VAT charged to customers on sales. Collected by the business on behalf of SARS. Not income: it is a liability.

Input VAT
VAT paid by the business on its own purchases. Can be reclaimed from SARS against Output VAT.

VAT Control Account
The ledger account that records all Output and Input VAT. The closing balance shows what is owed to (or by) SARS.

Zero-Rated Supply
Goods or services taxed at 0% VAT. Basic food items in South Africa: brown bread, maize meal, milk, eggs, etc.

VAT Exempt
Goods/services with no VAT, where the supplier cannot claim input VAT. Examples: residential rent, public transport.

Asset Register
A detailed record of all fixed assets showing cost, annual depreciation, accumulated depreciation, and carrying value.

iv Study Tips and Exam Strategy

The Bloom Taxonomy Approach

This guide is built around Bloom's Taxonomy, the framework behind CAPS exam design. For every concept, push through all four levels below.

Level	Question Type	Example (Bank Rec)
1: Remember	Define / Name / List	“Define an outstanding cheque.”
2: Understand	Explain / Describe / Give example	“Explain why outstanding cheques are subtracted.”
3: Apply	Calculate / Prepare / Complete	“Prepare the BRS from the given information.”
4: Analyse	Identify errors / Compare / Justify	“Identify the error and show the corrected BRS.”

Top 10 Exam Tips for CAPS Accounting

1. **Show all workings**
   Even if your final answer is wrong, marks are awarded for method.
2. **Use proper accounting format**
   BRS, Asset Register, and journals all have a specific format. Learn it.
3. **Label everything clearly**
   Write “Balance per Bank Statement”, not just “balance”.
4. **Watch for pro-rata**
   If an asset is bought/sold mid-year, always check dates and apply x/12.
5. **VAT: always check inclusive or exclusive**
   R114 incl. VAT does not equal R114 + 15%.
6. **Bank charges go in the CPJ**
   Not on the BRS. Update journals first, then prepare the BRS.
7. **Residual value: SL only**
   Only deduct residual value on Straight-Line, never on Diminishing Balance.
8. **Read the question twice**
   Identify: what method? what rate? what date? what financial year end?
9. **Manage exam time**
   Accounting questions have many sub-parts. Attempt all parts, even partially.
10. **Real-life context helps memory**
    Link every concept to Thabo's spaza, Nomsa's van, or your own life.

> *“The most important investment you can make is in yourself.”*
>
> — Warren Buffett, who studied accounting before becoming the world's most successful investor

v Why These Three Topics?

This guide is not a replacement for your full CAPS Accounting syllabus. It is a focused companion for three areas that, roadshow after roadshow and classroom after classroom, come up as the topics South African high school learners struggle with most: Bank Reconciliation, Fixed Assets and Depreciation, and VAT.

These three were chosen deliberately. Not because they are the only difficult topics in Accounting, but because they are the ones where a little extra clarity tends to make the biggest difference to a learner's confidence and marks.

Use this guide alongside your class notes and textbook, not instead of them. You've already covered the vocabulary and the study strategy. Now it's time to work through the three topics themselves, and test yourself with the Self-Check Questions at the end.

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1 Bank Reconciliation

THE BIG QUESTION

"Thabo checks his FNB app: R2 400 in his account. His Cash Receipts Journal says R2 900. Who is right, and why are they different?"

REAL-LIFE SA CASE

Thabo's Spaza Shop

Thabo runs a spaza shop in Soweto. He recorded all his cash deposits in his CRJ (Cash Receipts Journal). His CRJ shows a balance of R2 900. But the FNB bank statement only shows R2 400.

Thabo panics. Did someone steal money? Is he wrong? Is the bank wrong?

Neither is wrong. The difference is caused by timing. Some transactions appear in one record before they appear in the other. Bank Reconciliation is how Thabo proves both records are correct.

What is a Bank Reconciliation Statement (BRS)?

A Bank Reconciliation Statement is a document that compares the bank statement balance (issued by the bank) with the Cash Journal balance (recorded by the business). These two records will almost always differ because of timing differences.

The Bank Statement	The Cash Journals (CRJ/CPJ)
Issued by FNB, Standard Bank, Capitec, etc.	Recorded by the business owner / bookkeeper
Only shows transactions that have cleared	Records all transactions as they happen
Balance = what the bank says you have	Balance = what the business thinks it has

Common Reasons for Differences

Reason	In CRJ but not Bank?	In Bank but not CRJ?
Outstanding deposit	Yes: add to bank balance	N/A
Outstanding cheque	Yes: deduct from bank balance	N/A
Bank charges	N/A	Yes: update CPJ
Interest on overdraft	N/A	Yes: update CPJ
Direct deposit by debtor	N/A	Yes: update CRJ
Errors (either side)	Possible	Possible

1 Bank Reconciliation (continued)

Step-by-Step: How to Prepare a Bank Reconciliation

1. **Get both balances**
   Write down: Balance per Bank Statement AND Balance per Bank column in CRJ/CPJ.
2. **Tick matching items**
   Compare both records. Put a tick next to every item in both. Unticked items are the differences.
3. **Update the Cash Journals**
   Items on the bank statement not in your journals must be added to CRJ or CPJ. Example: bank charges go into CPJ as an expense.
4. **Prepare the BRS**
   Start with Bank Statement Balance. Add outstanding deposits. Subtract outstanding cheques. The result must equal your adjusted Cash Journal balance.
5. **Check: both sides must agree**
   If they do not balance, look for errors, items processed twice, or missed bank entries.

> COMMON MISTAKE
> Learners add outstanding cheques instead of subtracting them. A cheque you wrote was already deducted in your CPJ, but the bank has not paid it yet. The bank balance is therefore too high. You must subtract it.

Worked Example: Thabo's Spaza Shop

Bank Statement Balance: R2 400 | Outstanding deposit: R600 | Outstanding cheque: R1 180 | Bank charges not yet in CPJ: R80

Step 1 — Update CPJ for bank charges: CPJ balance before update: R1 900. R1 900 – R80 = R1 820 (adjusted CPJ balance).

Step 2 — Prepare the BRS:

Bank Reconciliation Statement: Thabo's Spaza, 30 June	R
Balance per bank statement	2 400
Add: Outstanding deposit	+ 600
Less: Outstanding cheque No. 12	– 1 180
= Adjusted bank balance	1 820
= Balance per CPJ (after corrections)	1 820

> BALANCED
> Both sides agree at R1 820. Thabo's records are correct. No money was stolen. It was purely a timing difference between his records and the bank.

2 Fixed Assets and Depreciation

THE BIG QUESTION

“Nomsa buys a delivery van for R180 000. Five years later she sells it for R40 000. What happened to the other R140 000, and does SARS care?”

REAL-LIFE SA CASE

Nomsa's Catering Business, Durban

Nomsa runs a catering business in Durban. She bought a van for R180 000 in 2020 and uses it for deliveries daily. By 2025 it is old and worth far less. She sells it for R40 000.

The van lost value over those 5 years. This is called depreciation. Nomsa must record this every year because it is a real cost of running her business.

SARS also cares: depreciation reduces taxable income. Incorrect recording could mean overpaying tax or facing penalties.

Key Definitions

Term	Definition	Example
Fixed Asset	Asset owned and used for more than one year to generate income. Not bought to resell.	Van, computer, machinery, building
Depreciation	Gradual decrease in value due to use, age, or obsolescence. It is an expense.	Van loses R32 000 per year
Carrying Value	Cost minus Accumulated Depreciation at a specific date.	R180 000 – R64 000 = R116 000
Residual Value	Estimated value of the asset at the end of its useful life.	R20 000 scrap value
Profit/Loss on Disposal	Selling price minus carrying value at date of sale.	R40 000 – R20 000 = R20 000 profit

Two Depreciation Methods You Must Know

Method	Formula	Key Feature
Straight-Line (SL)	(Cost – Residual Value) × Rate	Same rand amount every year. Simple and predictable.
Diminishing Balance (DB)	Carrying Value × Rate	Higher depreciation early, lower later. No residual value deducted.

SA CONTEXT

SARS uses 20% Straight-Line for vehicles on tax returns. Your exam will always state the method and rate. Use whatever the question gives you.

2 Fixed Assets and Depreciation (continued)

Worked Example: Nomsa's Delivery Van (Asset Register)

Cost: R180 000 | Residual Value: R20 000 | Rate: 20% Straight-Line | Purchased: 1 January 2020

Annual Depreciation = (R180 000 – R20 000) × 20% = R160 000 × 20% = R32 000 per year

Year	Cost	Depreciation	Accum. Depreciation	Carrying Value
2020	R180 000	R32 000	R32 000	R148 000
2021	R180 000	R32 000	R64 000	R116 000
2022	R180 000	R32 000	R96 000	R84 000
2023	R180 000	R32 000	R128 000	R52 000
2024	R180 000	R32 000	R160 000	R20 000 (= residual value)

Disposal in 2025: Sold for R40 000

Calculation	Amount
Selling Price	R40 000
Less: Carrying Value at disposal	(R20 000)
= Profit on disposal	R20 000 profit

PRO-RATA RULE

If an asset is bought or sold during the year, depreciate only for the months owned. Example: bought on 1 April, financial year ends 28 Feb = 11 months = multiply depreciation by 11/12.

3 VAT: Value Added Tax

THE BIG QUESTION

"When you buy a R114 KFC meal, how much of that money goes to the government, and why does the business owner not keep it?"

REAL-LIFE SA CASE

KFC, Shoprite & SARS

South Africa's VAT rate is 15%. Almost every purchase includes VAT collected by the business on behalf of SARS. Think of the business as a tax collector for SARS. They collect VAT from you, hold it, and pay it over to SARS every two months.

On your R114 KFC meal: R114 ÷ 1.15 = R99.13 food + R14.87 VAT. That R14.87 does not belong to KFC. It belongs to SARS.

Core VAT Concepts

Term	Meaning	Example
Output VAT	VAT charged on sales: collected from customers	Sell book R230 incl. VAT -> Output VAT = R30
Input VAT	VAT paid on purchases: paid to suppliers	Buy stock R115 incl. VAT -> Input VAT = R15
VAT Payable	Output VAT > Input VAT -> pay SARS the difference	R30 – R15 = R15 to SARS
VAT Refundable	Input VAT > Output VAT -> SARS refunds you	Common for exporters
Zero-Rated	0% VAT: vendor can still claim input VAT	Brown bread, maize meal, milk, eggs
VAT Exempt	No VAT charged and no input VAT claim	Residential rentals, public transport

The Essential VAT Formulae

VAT Amount (from inclusive price) = Price incl. VAT × 15/115

VAT Amount (from exclusive price) = Price excl. VAT × 15%

Price Excl. VAT = Price Incl. VAT ÷ 1.15

Price Incl. VAT = Price Excl. VAT × 1.15

VAT Payable to SARS = Output VAT – Input VAT

CRITICAL ERROR

Do not apply 15% directly to an inclusive price. R114 × 15% = R17.10 is wrong. The correct calculation is R114 × 15/115 = R14.87.

3 VAT: Value Added Tax (continued)

VAT Journal Entries: Step-by-Step

1. **Sales Transaction — Recording Output VAT**
   Sold goods for R2 300 incl. VAT (15%). VAT = R2 300 × 15/115 = R300. Debit: Debtors/Bank R2 300. Credit: Sales R2 000. Credit: VAT Output R300.

2. **Purchase Transaction — Recording Input VAT**
   Bought stock for R575 incl. VAT (15%). VAT = R575 × 15/115 = R75. Debit: Purchases R500. Debit: VAT Input R75. Credit: Creditors/Bank R575.

3. **Calculate Amount Owing to SARS**
   Output VAT R300 – Input VAT R75 = R225 payable to SARS (VAT Control Account balance).

4. **Pay SARS Every Two Months**
   Debit: VAT Control Account R225. Credit: Bank R225. (Payment to SARS.)

4 Self-Check Questions

Test yourself before looking at the answers. Cover the answer column with a piece of paper. If you cannot explain the answer out loud, you need to review that section.

#	Question	Answer / Key Point
1	Thabo's bank statement = R5 000. Outstanding cheque = R800. What is the adjusted balance?	R5 000 – R800 = R4 200 (subtract outstanding cheques)
2	Where do bank charges first appear: in the CPJ or on the bank statement?	Bank statement first. Then you add them to the CPJ.
3	Nomsa's machine: Cost R90 000, Residual R10 000, Rate 25% SL. Annual depreciation?	(R90 000 – R10 000) × 25% = R80 000 × 25% = R20 000
4	Asset bought 1 July, financial year ends 28 Feb. How many months do you depreciate?	8 months. Use 8/12 of the annual depreciation.
5	What is the difference between Output VAT and Input VAT?	Output = collected on sales. Input = paid on purchases.
6	Sold goods for R690 incl. VAT at 15%. Calculate the VAT amount.	R690 × 15/115 = R90 (not R690 × 15% = R103.50)
7	When must a registered vendor pay VAT to SARS?	Every 2 months (bi-monthly). Output VAT – Input VAT.
8	What is carrying value and how is it calculated?	Cost – Accumulated Depreciation. Value in books at a date.

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Website: www.lgcfoundation.org
Founder: Lesego Rankou CA(SA)

National roadshow at Kanana Secondary School: LGC Foundation on the ground.

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