higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

FINANCIAL ACCOUNTING N6

11 JUNE 2014

This marking guideline consists of 7 pages.

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QUESTION 1

BALANCE SHEET ON 30 JUNE 2014

Assets	
Non-current assets√	**868 203**
Fixed assets	667 107√
Financial assets	201 096√
Current assets	**1 524 642**
Stock	1 005 480√
Trade and other payables (481 320√ - 48 132√ + 6 384√)	439 572
Cash and cash equivalents	70 770√
Preliminary expenses	8 820√
Total assets	**2 392 845**
Equity and liabilities	
Capital and reserves	**1 903 125**
Ordinary share capital	1 050 000√
Share premium	106 680√
Reserves (285 600√ + 168 000√ + 135 345√ - 94 500√)	494 445
Ordinary shareholders equity	1 651 125
Preference shares	252 000√
Non-current liabilities	**168 000**
Loan (210 000√ - 42 000√)	168 000
Current liabilities	**321 720**
Trade and other payables(105 840√ + 5 460√)	111 300
Short-term loan	42 000√
SARS (income tax)	51 240√
Shareholders for dividends (22 680√ + 94 500√)	117 180
	2 392 845

NOTES

FIXED ASSETS

	COST PRICE	ACCUMULATED DEPRECIATION	CARRYING VALUE
Land and buildings	474 600√		474 600√
Equipment	96 600√	16 905√	79 695√
Vehicles	134 400√	21 588√	112 812√
	705 600	38 493	667 107

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INVESTMENTS

Listed √	
75 600√ ordinary shares in CW Ltd at cost price√	105 840
Unlisted √	
113 400√ ordinary shares in SG (Pty) Ltd at cost price√	95 256
(Directors value R56 700) √	
	201 096

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QUESTION 2

BO STEEL WORKS CC

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2014

Sales (2 507 550√) - (39 360√ + 1 400√)	2 466 790
Cost of sales (1 580 000√ - 1 120√)	(1 578 880)
Gross profit	887 910
Other operating income	466
Provision for bad debts adjustment (3790√ - 3 324√)	466
Gross operating income	888 376
Operating expense	(471 388)
Insurance (27 100√ - 6 400√)	20 700
Advertising (50 400√ - 7 380√)	43 020
Depreciation (36 000√ + 8 700 √ + 10 248√)	54 948
Bad debts (11 360√ + 7 200√)	18 560
Stationery	31 100√
Trading stock deficit (181 680√ + 1 120√ - 173 300√)	9 500
Rent expense: M. Oslo (73 000√ - 11 500√)	61 500
Salary: T. Brooks	82 100√
Salary: M. Oslo	63 500√
Wages (72 000√ + 1 500√)	73 500
Pension fund contribution (5 640√ + 120√)	5 760
Medical aid contribution (7 050√ + 150√)	7 200
Operating profit	416 988
Interest income	2 430√
Profit before interest expense	419 418
Interest expense (16 000√ + 12 000√)	(28 000)
Net profit before tax	391 418
Income tax	(105 683)√
Net profit after tax	285 735

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QUESTION 3

KK Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

Cash from operating activities	546 000
Cash generated from operating activities	1 886 000
Interest paid (50 000√ + 170 000√ - 30 000√)	(190 000)
Dividends paid (308 000√ + 600 000√ - 400 000√)	(508 000)
Taxation paid(94 000√ + 610 000√ - 62 000√)	(642 000)
Cash from investing activities	1 870 000
Purchase of vehicle	(2 208 000)√
Purchase of equipment	(302 000)√
Investment in DD Ltd	(15 000)√
Proceeds from sale of land and buildings	655 000√
Cash flow from financing activities	1 240 000
Proceeds from shares	1 050 000√
Proceeds from loan	190 000√
Net change in cash and cash equivalents	(84 000)
Cash and cash equivalents at the beginning of the year	96 000√
Cash and cash equivalents at the end of the year	12 000√

NOTES

RECONCILIATION OF PROFIT BEFORE TAX AND CASH FROM OPERATING ACTIVITIES

Profit before tax	1 300 000√
Adjustments:	
Depreciation	230 000√
Interest expense	170 000√
Operating profit before change in operating expenses	1 700 000√
Change in operating expenses	186 000
Increase in stock	(230 000)√
Increase in debtors	596 000√
Increase in creditors	(180 000)√
Cash generated from operations	1 886 000

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QUESTION 4

Hire-purchase debtors

April 1	Balance √	882 960√	March 31	Bank√	1 516 320√
March 31	Hire purchases√	2 932 800√		Hire purchases√	195 156√
				Secondhand trading√	130 104√
				Balance c/d	1 974 180
		3 815 760√			3 815 760
April 1	Balance b/d	1 974 180			

Hire purchases

March 31	Goods on hire purchases√	1 173 120√	April 1	Balance √ b/d	529 776√
	Hire-purchase debtors√	195 156√	March 1	Hire-purchase debtors√	2 932 800√
	Balance(unrealised profit) √	1 184 508√			
	Profit and loss (realised profit) √	909 792√			
		3 462 576			3 462 576
			April 1	Balance b/d	1 184 508

Secondhand trading account

April 1	Opening stock√	93 054√	March 31	Bank √	166 413√
March 31	Hire-purchase debtors√	130 104√		Closing stock√	48 789√
				Profit and loss√	7 956√
		223 158			223 158

Trading account

Jan 1	Opening stock√	588 900√	June 30	Sales √	2 002 447√
June 30	Purchases √	1 384 656√		Closing stock√	7 57 380√
	Profit and loss√	986 271√			
		2 959 827			2 959 827

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QUESTION 5

5.1 Name FOUR differences between internal and external audit.

INTERNAL AUDIT	EXTERNAL AUDIT
1.The audit is done by an employee of the business.	1. Audit is done by an independent audit company.
2. The primary aim is to meet the needs of management.	2. The primary aim is to meet the needs of the shareholders.
3. The procedures are not limited to financial affairs.	3. Procedures are limited to financial affairs.
4. The auditor is directly involved in tracing and preventing fraud.	4. The auditor is mainly concerned with tracing and preventing fraud where it has a material effect on the financial statements.
5. The auditor must adhere to the needs and requests of management.	5. The auditor must be independent of management.
6. The overview of the undertaking's activities is on-going.	6. The audit takes place once a year.

(Any 4 x 2) (8)

5.2 What are the differences between a qualified audit opinion and an unqualified audit opinion?

QUALIFIED AUDIT OPINION When the auditor concludes that the financial statements do not fairly represent the position of the company Uncertainty from limitation on the scope of the audit Disagreement between the auditor and management on aspects of financial statement. (3 x 2)
UNQUALIFIED AUDIT OPINION In a position to express an opinion that the financial statements fairly represent the financial position. There was no restriction to the scope of the investigation Presented according to GAAP Adequate evidence could be obtained to enable the auditor to conclude that he complied with the audit standards. (3 x 2)

(6)

(6)

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5.3 JOURNAL ENTRIES – SH LTD

Jan 1	Underwriting commission√ (2.50 x 20 000) x 5%√	2 500√	
	ZZ Bank √		2 500√
	Commission payable on share issue√		
May 31	Bank√ (2.50 x 16 000) √	40 000√	
	Application and allotment: ordinary shares√		40 000√
	Cash received with application for 16 000 shares√		
	Application and allotment: ordinary shares√	40 000√	
	Share capital ordinary shares√		40 000√
	Allotment of 16 000 ordinary shares√		
	ZZ Bank√ (2.50 x 4 000) √	10 000√	
	Share capital ordinary shares√		10 000√
	Bank√ (10 000 - 2 500) √	7 500√	
	ZZ Bank √		7 500√
	Receipt of money from ZZ Bank		

(27)

5.4 Calculate the retained income as at 28 February 2014

Retained income beginning of year√	640 000√
Net profit after tax√ (880 000 - 246 400) √	633 600√
Less dividends√ (200 000 + 720 000) √	(920 000)√
Retained income end of year√	353 600√

(10)
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TOTAL: 200

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