higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

# MARKING GUIDELINE

## NATIONAL CERTIFICATE

## JUNE EXAMINATION

## FINANCIAL ACCOUNTING N6

## 13 JUNE 2016

**This marking guideline consists of 8 pages.**

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## QUESTION 1

1.1 1.1.1
- It is probable that economic benefits will flow to the entity.
- The cost or valuation of the asset can be measured reliably.

1.1.2
- It is probable that economic benefits will flow from the entity when an obligation is settled.
- The cost of the liability can be measured reliably.

1.1.3 An increase in future economic benefits related to an increase in an asset or decrease of a liability has arisen and can be measured reliably.

1.1.4 A decrease in future economic benefits related to a decrease in an asset or increase of a liability has arisen and can be measured reliably.

1.1.5 It is stock or any other security representing an ownership interest.

(5 x 2) (10)

1.2

| | ITEMS | IS VAT CHARGED? | AT WHAT RATE?/ REASON FOR NOT CHARGING VAT? |
|---|---|---|---|
| 1.2.1 | Capital | No√ | VAT exempt√ |
| 1.2.2 | Interest on loan | No√ | VAT exempt√ |
| 1.2.3 | Water and electricity | Yes√ | 14%√ |
| 1.2.4 | Rent paid | Yes√ | 14%√ |
| 1.2.5 | Stationery | Yes√ | 14%√ |
| 1.2.6 | Salaries and wages | No√ | VAT exempt√ |
| 1.2.7 | Interest on fixed deposit | No√ | VAT exempt√ |
| 1.2.8 | Bank charges | Yes√ | 14%√ |
| 1.2.9 | Fruits | Yes√ | 0%√ |
| 1.2.10 | Brown bread | Yes√ | 0%√ |

(10 x 2) (20)

1.3 1.3.1 Net sales: sales – debtors allowances
(114 000 x 100/114)√√ – (5 700 x 100/114)√√
= 100 000√ – 5 000 √
= 95 000√ (7)

1.3.2 Gross profit: Net sales – cost of sales
95 000 √ – 30 000 √
= 65 000 √ (3)

1.3.3 Income from investment
2 000√ + 2 500√ = 4 500 √ (3)

1.3.4 Finance charges
1 500√ + 3 000√ = 4 500 √ (3)

1.4
- Interest on debentures
- Interest on loan
- Depreciations
- Directors' fees (4 x 1) (4)

1.5
- Listed
- Unlisted (2)

1.6 Statement of comprehensive income (2)

1.7 To determine/show the financial performance of the business for the year ended (2)

1.8
- IFRS
- IFRS for SME
- SA GAAP (Any 1 x 2) (2)

**[58]**

**QUESTION 2**

2.1
- Profit companies are incorporated for the purpose of financial gain for its shareholders.
- Non-profit companies are incorporated for public benefit. (2 x 2) (4)

2.2
- State-owned companies
- Personal liability companies
- Private companies
- Public companies (4 x 1) (4)

2.3
- Board of directors
- Shareholders entitled to exercise at least 10% of the voting rights on such resolutions (2 x 2) (4)

2.4

| | **PUBLIC COMPANY** | **SOLE TRADER** |
|---|---|---|
| 2.4.1 | • Capital is obtained by issuing shares to the public | • Owner contributes capital |
| 2.4.2 | • Profit is distributed among shareholders by declaring a dividend | • Owner takes/is entitled to all the profits |
| 2.4.3 | • Auditing is compulsory | • Auditing is optional |
| 2.4.4 | • Managed by at least three directors | • Managed by the owner |
| 2.4.5 | • Name must end with Limited (Ltd) | • No legal requirements with the name |

(10 x 2) (20)

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| | | | | |
|---|---|---|---|---|
| 2.5 | 2.5.1 | True | | |
| | 2.5.2 | True | | |
| | 2.5.3 | True | | |
| | 2.5.4 | False | | |
| | 2.5.5 | False | | |
| | 2.5.6 | False | | |
| | 2.5.7 | True | | |
| | 2.5.8 | True | | |
| | 2.5.9 | False | | |
| | 2.5.10 | True | | |
| | | | (10 x 2) | (20) |
| | | | | **[52]** |

**QUESTION 3**

**ZEE TRADERS CC**
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2014**

| | | |
|---|---|---|
| Sales (230 155 -705) | | √ √229 450 |
| Less: Cost of sales | | 120 400 |
| Gross profit | | √109 050 |
| Other income | | 6 620 |
| Rent income | √5 300 | |
| Discount received | √320 | |
| Interest on loan to member | √1 000 | |
| Operating income | | √115 670 |
| Less: Expenses | | 77 483 |
| Discount allowed | √1 200 | |
| Salary: I. Kune | √7 500 | |
| Salaries and wages | √35 500 | |
| Stationery | √2 800 | |
| Water and electricity | √6 300 | |
| Remuneration: Accounting officer | √2 860 | |
| Interest on mortgage bond | √5 600 | |
| Interest on loan: T. Mooki ( 375 + 1 125) | √√1 500 | |
| Bad debts (1 430 + 300) | √√1 730 | |
| Rent expense: T. Mooki | √ 800 | |
| Telephone (730 + 81) | √√811 | |
| Rates | √1 845 | |
| Advertising | √1 390 | |
| Bank charges | √77 | |
| Depreciation ( 880 + 6 500) | √√7 380 | |
| Provision for bad debts adjustment (1090 - 900) | √√190 | |
| Net income before tax | | 38 187 |
| Income tax | | √(24 000) |
| Net profit for the period | | √14 187 |

**[30]**

## QUESTION 4

4.1

**MALEMA LIMITED**
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013**

| | NOTES | | |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash received from clients | | √605 570 | |
| Cash paid to suppliers and employees | | √483 226 | |
| Cash generated from operations | 4.2.1 | √122 344 | |
| Interest paid | | √ (16 500) | |
| Dividends paid | 4.2.2 | √(27 000) | |
| Taxation paid | 4.2.2 | √(42 300) | |
| Net cash flow from operating activities | | | √36 544 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Improvement to land and buildings | | √ (100 000) | |
| Proceeds from the sale of vehicle | | √40 000 | |
| Proceeds from the sale of machinery | | √12 000 | |
| Replacement vehicle | | √√(54 000) | |
| Machinery bought | | √ (46 000) | |
| Net cash flow from investing activities | | | √(148 000) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Increase in issued share capital | | √100 000 | |
| Increase in long-term borrowings | | √20 000 | |
| Net cash flow from financing activities | | | √120 000 |
| Net increase in cash | | | √8 544 |
| Cash at the beginning of the period | | | 23 208 |
| Cash at the end of the period | | | 31 752 |

(18)

4.2 4.2.1 **RECONCILIATION OF NET PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS**

| | | |
|---|---|---|
| Net profit before tax | | √97 182 |
| Adjustment for: | | |
| Interest paid | | √16 500 |
| Depreciation | | √20 000 |
| Profit on sale of assets | | √ (6 000) |
| Operating profit before working capital changes | | 127 682 |
| Working capital changes | | (5 338) |
| Increase in stock | √(3 990) | |
| Decrease in trade and other receivables | √4 570 | |
| Decrease in trade and other payables | √(5 918) | |
| Cash generated | | √122 344 |

(8)

4.2.2 **TAXATION AND DIVIDENDS**

| | **TAXATION** | **DIVIDENDS** |
|---|---|---|
| Amount payable at the beginning of the year | √(2 752) | √(12 000) |
| Amounts according to the statement of comprehensive income: | | |
| Taxation expense | √(43 732) | |
| Dividends paid and proposed | | √(30 000) |
| Amount payable at the end of the year | √4 184 | √15 000 |
| Amount paid | √42 300 | √27 000 |

(8 x ½) (4)

**[30]**

**QUESTION 5**

5.1 5.1.1 It is an independent investigation√ of activities in a business√ to obtain an overview of activities as a service to the management of the business.√
It is management control of other functions√ by means of measuring and evaluating the effectiveness of the other controls.√ (5)

5.1.2 It is a system of controls√, financial or otherwise√ that is introduced by management√ to manage the business in an orderly way√ and to secure the assets.√ (5)

5.1.3 These are used to test of the accounting system and are normally designed to test for monetary errors. (2)

5.1.4 These are methods designed to ensure that internal control systems are effective. (2)

5.1.5 Audit evidence comprises all source documents√ and accounting records√ that underlie financial information√ and all other information relevant to the auditor's investigation.√ (4)

5.2
- Unqualified opinion
- Qualified opinion
- Withholding of an opinion (3 x 2) (6)

5.3
- To ensure that financial statements
- are prepared according to the provision of IFRS and
- are a fair representation of the organisation's financial position at a particular date and performance for the period ended. (3 x 2) (6)

**[30]**

**TOTAL: 200**

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