higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N580**(E)**(J13)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

(4010216)

13 June 2016 (X-Paper)
9:00–12:00

Calculators may be used.

This question paper consists of 10 pages and an answer book of 11 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
FINANCIAL ACCOUNTING N6
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Read ALL the questions carefully.
3. Answer ALL the questions in the attached ANSWER BOOK.
4. Write your EXAMINATION NUMBER and CENTRE NUMBER at the top of every page of the attached ANSWER BOOK.
5. Show ALL calculations in brackets, where applicable.
6. Financial statements must be according to the 2015 Syllabus.
7. Use only blue or black ink.
8. Tipp-Ex may NOT be used.
9. Write neatly and legibly.

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QUESTION 1

1.1 Describe the recognition criteria of the following elements of financial statements:

1.1.1 Assets

1.1.2 Liabilities

1.1.3 Income

1.1.4 Expenses

1.1.5 Equity

(5 x 2) (10)

1.2 State whether VAT is charged on the following items or not and if yes, state the rate. Write your answers next to the question numbers (1.2.1-1.2.10) in the ANSWER BOOK.

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

(10 x 2) (20)

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1.3 Use the following information to answer the questions.

Sales (VAT inclusive)	R114 000
Debtors allowances (VAT inclusive)	5 700
Discount allowed	3 000
Cost of sales	30 000
Dividends received – Alma Ltd	2 000
Discount received	1 000
Interest on debentures	1 500
Bad debts recovered	700
Interest on loan	3 000
Dividends received – TT Pty (Ltd)	2 500
Bank charges	400
Depreciations	4 000
Directors' fees	7 000
Rent paid	6 000
Loan	50 000

Calculate:

1.3.1 Net sales (7)

1.3.2 Gross profit (3)

1.3.3 Income from investment (3)

1.3.4 Finance charges (3)

1.4 Identify and name the disclosed expense items from the information in the table in QUESTION 1.3. (4)

1.5 Name TWO categories of income from investments as disclosed in the above information. (2)

1.6 Which financial statement can be prepared from the above information? (2)

1.7 What is the purpose of preparing the statement in QUESTION 1.6? (2)

1.8 With which standard must the above financial statement comply? (2)
[58]

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QUESTION 2

2.1 Differentiate between *profit companies* and *non-profit companies*. (2 x 2) (4)

2.2 Name FOUR types of profit companies that can be formed according to the Companies Act No 71 of 2008. (4 x 1) (4)

2.3 Which TWO parties in a company can propose an amendment to the Memorandum of Incorporation? (2 x 2) (4)

2.4 Differentiate between a Public Company and a Sole Trader under the following headings:

2.4.1 Provision of capital

2.4.2 Distribution of profit

2.4.3 Auditing of books

2.4.4 Management (person(s) who manage(s))

2.4.5 Name of the company

(10 x 2) (20)

2.5 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (2.5.1–2.5.10) in the ANSWER BOOK.

2.5.1 A share certificate is issued to shareholders after acquiring shares.

2.5.2 A company is a legal person.

2.5.3 It is not compulsory for a private company to be audited.

2.5.4 The annual financial statements must be approved and signed by the board of shareholders.

2.5.5 The statement of the financial position comprises the assets, equity and income.

2.5.6 According to the accrual basis, only the income/value that has been received during a specific period may be recognised in the profit calculation.

2.5.7 Assets and liabilities should be presented as either current or not current in the financial statement.

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2.5.8 A user of financial statements regards an item as important if its non-disclosure may lead to a different decision.

2.5.9 The solvency test is satisfied if the equities of a company are more than the liabilities.

2.5.10 Goodwill is classified as an asset in the statement of the financial position.

(10 x 2) (20)
[52]

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QUESTION 3

PREADJUSTMENT TRIAL BALANCE OF ZEE TRADERS CC ON 28 FEBRUARY 2014

	FOL.	DEBIT		CREDIT	
BALANCE SHEET ACCOUNTS SECTION					
Members' contribution				65 000	00
Retained income				19 000	00
Loan from T. Mooki				15 000	00
Land and buildings		89 050	00		
Vehicles		32 500	00		
Equipment		9 500	00		
Accumulated depreciation: Vehicle				6 300	00
Accumulated depreciation: Equipment				1 200	00
Loan to: I. Kune		8 000	00		
Trading stock		17 500	00		
Debtors control		22 100	00		
Provision for bad debts				900	00
Bank		6 288	00		
Creditors control				17 400	00
Receiver of revenue		22 500	00		
Mortgage bond				35 000	00
NOMINAL ACCOUNTS SECTION					
Sales				230 155	00
Cost of sales		120 400	00		
Debtors' allowances		705	00		
Rent income				5 300	00
Discount received				320	00
Discount allowed		1 200	00		
Salary: I. Kune		7 500	00		
Salaries and wages		35 500	00		
Stationery		2 800	00		
Water and electricity		6 300	00		
Remuneration: Accounting officer		2 860	00		
Interest on mortgage bond		5 600	00		
Bad debts		1 430	00		
Interest on loan: I. Kune				1 000	00
Rent expense: T. Mooki		800	00		
Telephone		730	00		
Rates		1 845	00		
Advertising		1 390	00		
Bank charges		77	00		
		396 575	**00**	**396 575**	**00**

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ADJUSTMENT AND ADDITIONAL INFORMATION

- P. Peters, a debtor owing R600, was declared insolvent. The corporation received 50c in the rand from his insolvent estate. The rest is to be written off as irrecoverable. (The receipt of cash has already been recorded in the cash receipt journal.)
- Equipment is depreciated at 10% per annum according to the reducing balance. A new computer was bought for R1 500 on 1 November 2013. Depreciation on the vehicle is calculated at 20% per annum on cost price.
- The loan from T. Mooki was increased from R5 000 to R15 000 on 1 September 2013. The loan is redeemable in total by December 2017. Interest at 15% per annum must still be brought into account.
- Provision for bad debt must be maintained at 5% of outstanding debtors.
- The telephone account for February 2014 has been received but not yet paid, R81.
- Income tax for the year amounts to R24 000.

REQUIRED

Prepare a statement of comprehensive income for the year ended 28 February 2014. **[30]**

QUESTION 4

The following are the financial statements of Malema Limited.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

	NOTES	2013	2012
ASSETS			
Fixed Assets	1	352 000	218 000
Current Assets		161 812	153 848
Inventory		76 640	72 650
Trade and other receivables		53 420	57 990
Cash at bank		31 752	23 208
TOTAL ASSETS		513 812	371 848
EQUITY AND LIABILITIES			
Capital and reserve:		350 000	226 550
Issued share capital		300 000	200 000
Reserves	2	50 000	26 550
Non-current liabilities		120 000	100 000
Long-term loan		120 000	100 000
Current liabilities		43 812	45 298
Trade and other payables		24 628	30 546
Shareholders for dividends		15 000	12 000
Taxation payable		4 184	2 752
TOTAL EQUITY AND LIABILITIES		513 812	371 848

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MALEMA LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	
Turnover		601 000
Profit on sale of assets		6 000
Depreciation		20 000
Net profit before tax		97 182
Taxation		43 732
Net profit after tax		53 450
Ordinary dividends		30 000
Transfer to general reserve		5 000
Retained income for the year		18 450
Retained income at the beginning of the year		11 550
Retained income at the end of the year		30 000

NOTES TO THE FINANCIAL STATEMENTS ON 31 DECEMBER 2013

1. **FIXED ASSETS 2013**

	COST PRICE	ACCUMULATED DEPRECIATION	BOOK VALUE
Land and buildings	200 000	-	200 000
Vehicles	126 000	36 000	90 000
Machinery	86 000	24 000	62 000

FIXED ASSETS 2012

	COST PRICE	ACCUMULATED DEPRECIATION	BOOK VALUE
Land and buildings	100 000	-	100 000
Vehicles	122 000	42 000	80 000
Machinery	68 000	30 000	38 000

2.

	2013	2012
Reserves:	50 000	26 550
Retained income	30 000	11 550
General reserve	20 000	15 000

ADDITIONAL INFORMATION

- A vehicle with a book value of R30 000 was sold for R40 000 during the year and replaced with a newer model. Depreciation on vehicles during the year amounted to R14 000
- Machinery with a cost price of R28 000 was sold for R12 000 during the year.
- Improvements to land and buildings were completed during the year.

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REQUIRED

4.1 Prepare the cash flow statement for the year ended 31 December 2013. (18)

4.2 Do the following notes:

4.2.1 Reconciliation of net profit before tax to cash generated from operations (8)

4.2.2 Taxation and dividends (4)
[30]

QUESTION 5

5.1 Define the following terms/words:

5.1.1 Internal auditing (5)

5.1.2 Internal control (5)

5.1.3 Substantive procedures (2)

5.1.4 Compliance procedures (2)

5.1.5 Define audit evidence (4)

5.2 Name THREE types of opinions that can be issued by the auditor. (3 x 2) (6)

5.3 Describe the objectives of external auditing. (6)
[30]

TOTAL: 200

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