higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

15 JUNE 2018

This marking guideline consists of 8 pages.

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QUESTION 1

1.1
1.1.1 Reserves
1.1.2 shareholders
1.1.3 dividend
1.1.4 payable
1.1.5 Inventory
1.1.6 net realisable
1.1.7 system
1.1.8 otherwise
1.1.9 management
1.1.10 secure

(10 × 1) (10)

1.2

	PUBLIC COMPANY	SOLE TRADER
Provision of capital	Obtained by issuing shares to the public	Owner provides own capital
Profit distribution	Profit is distributed by declaring dividend per share	The owner takes all the profit
Liabilities	Liabilities are limited to the owner interest in the company/ are limited	Liabilities are unlimited
Auditing of books	Auditing of books is compulsory	Auditing of books is optional
Name of business	Name must end with 'limited' or Ltd	There is no legal requirement

(10)

1.3
- 14%
- 0%

(2)

1.4 The government (2)

1.5
- VAT vendors
- VAT registered businesses

(Any 1 × 2) (2)

1.6
- Financial services
- Child care services offered by crèches
- Passenger transport by road or rail (not air or sea)
- Residential accommodation (not holiday)
- Education services (primary, secondary and tertiary)

(Any 4 × 1) (4)
[30]

QUESTION 2

2.1 2.1.1 **Cash receipt journal**

Date	Details	Analysis of receipts	Bank	VAT	Sales	Debtors control	Discount Allowed
1	Sales	570	570✓	70✓	500✓		
3	Zwane	6 886	6 886✓	(14)✓✓		7 000✓	100✓

2.1.2 **Cash payment journal**

Date	Payee	Bank	VAT	Trading stock	Creditors control	Discount received
2	Makro	1 710✓	210✓	1 500✓		
4	Game	3 000✓	(28)✓✓		3 228✓	200✓

2.1.3 **General Journal**

Date	Details	Debit	Credit
5	Drawings	2 280✓	
	Stationery		2 000✓
	VAT output		280✓

(20)

2.2 2.2.1

- Understandability✓ – Financial information must be understood by an average user who has a reasonable knowledge of business and is willing to study the information diligently.✓
- Comparability✓ – Information is useful if it can be compared with similar information about other entities or the same entity for another period or date.✓
- Verifiability✓ – Different independent knowledgeable observers could reach a consensus that a particular depiction is a faithful representation.✓
- Timeliness✓ – Information must be available to decision makers in time to influencing decisions✓ (4 × 2) (8)

	Answer	Calculation	
2.2.2	3 535 400✓	2 491 500✓ + 210 000✓ + 833 900✓	(4)
2.2.3	2 285 800✓	3 535 400✓ – 1 232 000✓ – 17 600✓	(4)
2.2.4	3 535 400✓	2 491 500✓ + 210 000✓ + 833 900✓	(3)

2.2.5 The name of the business, which ends with Ltd. (2)

2.2.6 Three (3) (2)

2.2.7 Authorised shares (2)

2.2.8 It is part of the long-term borrowings that will be paid within 12 months from period end. (3)

2.2.9
- General reserves
- Retained income/earnings/profit
- Reserves for increase replacement value of machinery
- Revaluation surplus
- Capital redemption reserve fund (Any 3 × 1) (3)

2.2.10
- Goods that are held for sale in the ordinary course of business.
- It may include raw material, finished goods, work in progress and consumable stores on hand. (Any 3 × 1) (3)

2.2.11 To present the financial position of the business at a particular date (year-end). (2)

2.2.12 Companies and Intellectual Property Commission (2)

2.3 2.3.1 Revenue
- Sales
- Services rendered
- Royalties

Distribution costs
- Salary for sales representatives
- Advertising

Finance costs
- Interest on loan
- Interest on bank overdraft

Administrative costs
- Telephone
- Stationery
- Insurance (10)

2.3.2 Statement of comprehensive income (2)

2.3.3

Revenue	xx✓
Cost of sales	(xx)✓
Gross profit	xx✓
Other incomes	XX✓
Distribution cost	(xx)✓
Administration cost	(xx)✓
Other costs	(xx)✓
Finance costs	(xx)✓
Profit before tax	xx✓
Tax expense	(xx)✓
Profit for the period	xx✓
Other comprehensive income	
Revaluation surplus	xx✓
Total comprehensive income	xx✓

(13)
[83]

QUESTION 3

Peter & John CC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2017

Sales (855 855 × 100/114)/(855 855 –105 105)		750 750✓✓✓
Less: cost of sales		(308 250)✓✓
Gross profit		442 500✓
Other incomes		11 214✓
Interest on loan to John	3 714✓✓	
Dividend received (9 000 – 1 500)	7 500✓✓	
Gross income		453 714✓
Less expenses		(227 790)✓
Repairs and maintenance	21 000✓	
Salaries and wages (140 400 – 30 000)	110 400✓✓	
Administrative expenses	17 400✓	
Insurance	18 000✓	
Remuneration- accounting officer	19 050✓	
Bad debts	540✓	
Provision for bad debts adjustment	300✓	
Depreciation	24 000✓✓	
Interest on long-term loan	13 500✓	
Interest on loan from Peter	3 600✓✓	
Net profit before tax		225 924✓
Income tax expense		(108 300) ✓
Net profit for the period/Total comprehensive income		117 624✓✓

[30]

QUESTION 4

Mushin CC

4.1 **STATEMENT OF CASH FLOW FOR THE YEAR ENDED 29 FEBRUARY 2016**

Cash flow from operating activities			
Cash received from clients	389 200✓		
Cash paid to suppliers and employees	(212 620)✓		
Cash generated from operations	176 580✓		
Interest received	4 000✓		
Salary to member	(96 000)✓		
Interest on member's loan	(20 712)✓		
Distribution to members	(13 580)✓		
Taxation paid	(14 804)✓		
Net cash flow from operating activities		**35 484**	
Cash flow from investing activities			
Proceeds from the sale of furniture	63 724✓✓		
Proceeds from the sale of land and building	405 320✓✓		
Proceeds from the maturity of investment	20 000✓		
Net cash flow from investing activities		**489 044**	
Cash flow from financing activities			
Additional member contribution	30 000✓		
Repayment of loan from members	(598 508)✓✓		
Net cash flow from financing activities		**(568 508)**	
Decrease in cash		(43 980)	
Cash at the beginning of the year		10 780✓	
Cash at the end of the year		(33 200)	(17)

4.2 Cash received from clients

Sales		440 000	
Increase in debtors		(50 800)✓	
		389 200✓	(2)

4.3 Cash paid to suppliers and employees

Sales		440 000✓	
Less: Profit before tax		(55 760)✓	
Expenses for the period		**(384 240)**	
Adjusted for:			
Depreciation		19 408✓	
Salaries to members		96 000✓	
Interest received		(4 000)✓	
Interest on member's loan		20 712✓	
Loss on sale of furniture		10 000✓	
Working capital change		29 500✓	
Increase in stock	(4 760)		
Increase in creditors	34 260		
		212 620	(8)

4.4 Distribution and taxation paid

	Distribution	**Taxation**
Amounts unpaid at the beginning of the year	(2 180)	(2 200)✓
Amounts according to the income statement		
Distribution	(24 000)	
Taxation		(27 884)✓
Amounts unpaid at the end of the year	12 600	15 280✓
	13 580	14804

(3)
[30]

QUESTION 5

5.1

INTERNAL AUDITING	**EXTERNAL AUDITING**
• Primary aim is to meet the needs of management • Directly involved in tracing and preventing fraud • Overview of activities is ongoing • Audit is carried out by an employee of the business • Auditor must be subordinate to other levels and needs of management (Any relevant answer)	• Primary aim is to meet the needs of third parties • Trace and prevent fraud where it has a material effect on the financial statements • Investigation of supporting data is periodical • Audit is carried out by a professional practitioner acting as an independent contractor • Auditor must be independent of management, both in deed and attitude (Any relevant answer) (5 × 2)

(10)

5.2 Unqualified report

- Issued when there was no restriction on the scope of the investigation.
- The financial statements were presented according to agreed upon criteria.
- Adequate evidence could be obtained.

Qualified opinion

- Issued when the financial statements were not prepared according to agreed upon criteria.
- The scope of the audit investigation was limited considerably by the client.
- The accounting principles used in the financial statements were not applied consistently.

Withholding an opinion

- The opinion is withheld if there is insufficient appropriate evidence to form an opinion. (3 × 3) (9)

There is no need for the students to write three statements to explain the audit report. As long as the explanation makes sense, give full marks to student.

5.3
- Plan the audit; know exactly what will be done.
- Examine and evaluate the audit evidence.
- Communicate the result of the audit in an audit report.
- Follow up the findings of the audit report to determine whether necessary steps have been taken. (8)

[27]

TOTAL: 200

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