higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N570(**E)**(J15)H

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

(4010216)

15 June 2018 (X-Paper)
09:00–12:00

A non-programmable calculator may be used.

This question paper consists of 9 pages and an answer book of 14 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. Number the answers according to the numbering system used in this question paper.
4. Show ALL the calculations within brackets where necessary.
5. Financial statements to be prepared according to the 2015 syllabus.
6. Write neatly and legibly.

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QUESTION 1

1.1 Complete the following sentences by filling in the missing word or words. Write only the word or words next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

(1.1.1 …) are retained profits that may be declared as a dividend to (1.1.2 …) at the discretion of directors. A (1.1.3 …) is due and (1.1.4 …) when it has been declared. (1.1.5 …) is valued at the lower of cost and (1.1.6 …) value. Internal control is a (1.1.7 …) of controls, financial or (1.1.8 …), that is introduced by (1.1.9 …) to manage the business in an orderly manner and to (1.1.10 …) the assets. (10 × 1) (10)

1.2 Use the following headings to differentiate between a public company and a sole trader:

- Provision of capital
- Profit distribution
- Liabilities
- Auditing of books
- Name of the business (10)

1.3 What is/are the current VAT rate(s) in South Africa? (2)

1.4 Whose income is VAT? (2)

1.5 Who collects VAT? (2)

1.6 Name FOUR examples of VAT exempt items. (4)
[30]

QUESTION 2

2.1 Record the transactions below in the appropriate journals.

All amounts are inclusive of VAT, except where stated otherwise.

Narrations are not required.

ROUND AMOUNTS OFF TO THE NEAREST RAND.

Transactions: March 2016

1. Sold goods for cash, R570.

2. Bought trading stock from Makro for cash, R1 500 (excl. VAT)

3. A debtor (A. Zwane) settled his debt of R7 000 and was allowed a discount of R114.

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4. A cheque was issued to Game in settlement of an account of R3 228, a discount of R228 was received.

5. The owner took stationery of R2 000 (excl. VAT) for personal use.

(20)

2.2 Use the following statement of financial position to answer the questions that follow.

STATEMENT OF FINANCIAL POSITION OF MARUMO LTD AT 31 DECEMBER 2015

ASSETS	Notes		
Non-current assets			
Property, plant and equipment		**2.2.3**	
Other financial assets		17 600	
Current assets			1 232 000
Inventory		566 500	
Trade and other receivables		369 600	
Cash and cash equivalents		295 900	
TOTAL ASSETS			**2.2.2**
EQUITY AND LIABILITIES			2 491 500
ISSUED SHARE CAPITAL AND RESERVES		1 375 000	
Issued share capital		1 116 500	
Reserves			
Non-current liability			210 000
Long-term borrowing		210 000	
Current liabilities			833 900
Trade and other payables		246 400	
Current portion of long-term borrowings		120 000	
Taxation payable		209 000	
Dividends payable		258 500	
TOTAL EQUITY AND LIABILITIES			**2.2.4**

2.2.1 Name and explain the four qualitative characteristics of good financial reporting that the above statement must satisfy to be regarded useful. (8)

2.2.2 Calculate the amount for total assets. (4)

2.2.3 Calculate the amount of property, plant and equipment. (4)

2.2.4 Calculate the amount of total equity and liabilities (3)

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2.2.5 What will help you to know what type of business ownership Marumo Ltd is? (2)

2.2.6 How many directors (minimum) should the type of business mentioned in QUESTION 2.2.5 have? (2)

2.2.7 Which shares must be registered in the MOI of a company? (2)

2.2.8 What is *Current portion of long-term borrowings* that appears under the current liability? (3)

2.2.9 Give THREE examples of reserves. (3)

2.2.10 What is inventory? (3)

2.2.11 What is the purpose of this financial statement? (2)

2.2.12 At which commission should this business be registered? (2)

2.3 Classify the following items per function:

Revenue, distribution cost, finance cost, administrative costs

Write first the function as a heading and then classify the items under them.

2.3.1 Sales, services rendered, interest on loan, salary for sale representatives, stationery, insurance, telephone, royalties, advertising, interest on bank overdraft (10)

2.3.2 Which financial statement is used to complete the items in QUESTION 2.3.1? (2)

2.3.3 Write the framework of the financial statement mentioned in QUESTION 2.3.2 in full, classifying the items by their function. Uses 'xx' in the space of amounts. Show subtractions with brackets. (13)

[83]

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QUESTION 3

The following information relates to Peter & John Close Corporation:

Trial balance at 28 February 2017

	Debit	Credit
Members' contribution: P Peter		112 500
J John		120 000
15% Long-term loan		90 000
10% Loan to J John (granted on 1 June 2016)	49 500	
12% Loan from P Peter (obtained 1 January 2016)		30 000
Sundry creditors		75 150
Land and building at cost	240 000	
Furniture at cost	120 000	
Investment at cost	60 000	
Sundry debtors	93 540	
Bank	60 960	
Accumulated depreciation: Furniture		12 300
Provision for bad debts		4 350
Trading account (gross profit)		442 500
Repairs and maintenance	21 000	
Interest on long-term loan	13 500	
Salaries and wages	140 400	
Administrative expenses	17 400	
Insurance	18 000	
Remuneration – accounting officer	19 050	
Dividends received on investments		9 000
Provisional tax paid	52 500	
Retained income – 29 February 2016		10 050
	905 850	905 850

Additional information:

- Bad debts to the amount of 540 must still be written off.
- The provision for bad debts must be adjusted to 5% of outstanding debtors.
- Dividends on investments include an amount of R1 500 for March 2017.
- Included in salaries and wages account is a profit distribution of R15 000 to each member.
- Provide for the following:
  - Interest on loans to and from members
  - Depreciation on furniture at 20% per annum on cost price
  - SA normal tax R108 300
  - An additional distribution to members, R75 000
- Sales, including VAT at 14%, amounts to R855 855.

REQUIRED:

Draw up the statement of comprehensive income of Peter & John CC for the year ended 28 February 2017. (Show calculations in brackets) **[30]**

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QUESTION 4

Study the information provided on Mushin CC below and answer the questions.

MUSHIN CC
Statement of comprehensive income for the year ended 29 February 2016

Sales		440 000
Less: Cost of sales		242 120
Gross profit		197 880
Plus: Other incomes		4 000
Interest received	4 000	
Gross income		201 880
Less: Expenses		146 120
Salaries to members	96 000	
Interest on members' loans	20 712	
Loss on sale of furniture	10 000	
Depreciation	19 408	
Net profit before tax		55 760
Taxation		(27 884)
Net profit after tax		27 876
Distribution to members		(24 000)
Retained income for the year		3 876
Retained income at the beginning of the year		5600
Retained income at the end of the year		9 476

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Mushin CC

Statement of financial position at 29 February 2016

	2016	2015
ASSETS		
Non-current assets		
Property and furniture (NOTE 1)	542 868	1 041 320
Investment	–	20 000
Current assets	**76 680**	**31 900**
Inventory	19 760	15 000
Debtors	56 920	6 120
Cash	-	10 780
TOTAL ASSETS	**619 548**	**1 093 220**
EQUITY AND LIABILITIES		
Members' contribution and reserves		
Members' contributions	210 000	180 000
Retained income	9 476	5 600
Non-current liabilities		
Loan from member	302 332	900 840
Current liabilities	**97 740**	**6 780**
Creditors	36 660	2 400
Receiver of revenue	15 280	2 200
Distribution to members	12 600	2 180
Bank overdraft	33 200	-
TOTAL EQUITY AND LIABILITIES	**619 548**	**1 093 220**

NOTE 1: Property and furniture

2016	COST PRICE	ACCUMULATED DEPRECIATION	BOOK VALUE
Land and building	480 000	-	480 000
Furniture	120 000	57 132	62 868
	600 000	57 132	542 868

2015	COST PRICE	ACCUMULATED DEPRECIATION	BOOK VALUE
Land and building	885 320	-	885 320
Furniture	200 000	44 000	156 000
	1 085 320	44 000	1 041 320

No property and furniture was bought during the year.
Furniture was sold during the year.
Land and building were sold at cost price.

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REQUIRED:

Draw up the following:

4.1	The statement of cash flow for the year ended 29 February 2016	(17)
4.2	Cash received from clients	(2)
4.3	Cash paid to suppliers and employees	(8)
4.4	Distribution and taxation paid	(3)
		[30]

QUESTION 5

5.1	Differentiate between *internal audit* and *external audit* by giving FIVE differences.	(5 × 2)	(10)
5.2	Name and explain THREE types of audit opinions/reports.		(9)
5.3	Name FOUR steps in the internal audit process.	(4 × 2)	(8)
			[27]
		TOTAL:	**200**

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