higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N570**(E)**(J7)H

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

(4010216)

7 June 2019 (X-Paper)
09:00–12:00

This question paper consists of 11 pages and an answer book of 9 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 on the attached ANSWER BOOK.
2. Read ALL the questions carefully.
3. Write your EXAMINATION NUMBER on every page of the attached ANSWER BOOK.
4. Show ALL calculations in brackets, where applicable.
5. Financial statements must be done according to the 2015 syllabus.
6. Use only BLUE or BLACK ink.
7. Tipp-Ex may NOT be used.
8. Round off ALL amounts to the nearest rand.
9. Write neatly and legibly.

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QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK. ℘

1.1.1 The VAT amount for an article is R21.

The VAT inclusive amount is …

A R18
B R171
C R150
D R221

1.1.2 Use the information given in QUESTION 1.1.1 to calculate the VAT exclusive amount:

A R180
B R221
C R150
D R72

1.1.3 The elements of the statement of comprehensive income can be classified according to their …

℘

A their nature or function.
B the type or amounts.
C their function or materiality.
D their nature or materiality.

1.1.4 … are the shares that a company is registered with.

A Ordinary shares
B Authorised shares
C Preference shares
D Share capital

1.1.5 The Companies Act recognises TWO types of companies, namely … ℘

A profit and non-profit companies.
B public and private companies.
C public companies and close corporations.
D private companies and close corporations.

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1.1.6 The purpose of … is to show the financial position, performance and cash flow of a company.

A the financial statements
B the cash flow statement
C accounting
D the statement of changes in equity

1.1.7 The current VAT rate/s applicable in South Africa is/are …

A 14%
B 0%
C 14% and 0%
D 14% and 28%

1.1.8 Calculate the VAT payable/refundable if VAT input is R2 300 and VAT output is R1 700:

A R600
B R4 000
C -R600
D 0

1.1.9 Assets in the statement of the financial position can be calculated by …

A adding the liabilities and equities together.
B subtracting the liabilities from the equities.
C subtracting the equities from the liabilities.
D None of the abovementioned

1.1.10 Sales in the statements of comprehensive income will be shown net (or sales less) of …

A VAT.
B debtors allowances.
C carriage on sales.
D VAT and debtors allowances.

(10 × 2) (20)

1.2 Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A–L) next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

COLUMN A		COLUM B	
1.2.1	Expenses	A	comprises source documents and analytical procedures used in forming an audit opinion
1.2.2	Equity		
1.2.3	Going concern	B	held by owners of the company
1.2.4	Liabilities	C	where companies are registered
1.2.5	Zero-rated items	D	where VAT is registered
1.2.6	Exempted items	E	auditors are not satisfied with the financial statements as there are uncorrected material misstatements
1.2.7	Companies and Intellectual Properties Commission	F	items that are not charged VAT
1.2.8	Ordinary shares	G	represents the owner's interest in the company/business
1.2.9	Qualified opinion	H	obligations of the business which must be settled and will result in an outflow of cash
1.2.10	Audit evidence	I	resources of the business which have monetary value and are used to generate income for the business
		J	items that are charged VAT at zero percent
		K	payments made by the business which decreases assets
		L	reduces the assumption that the business will continue operating in the foreseeable future

(10 × 2) (20)
[40]

QUESTION 2

2.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (2.1.1–2.1.10) in the ANSWER BOOK.

2.1.1 A dividend is a share in the profit of the company paid to the shareholders.

2.1.2 An external audit is performed by an employee of the company.

2.1.3 One of the objectives of internal auditing is to ensure that assets are safeguarded.

2.1.4 Salaries and wages are exempt from VAT.

2.1.5 Input VAT is VAT charged by the business to its customers on taxable supplies.

2.1.6 An amount in the VAT control account is a liability when output tax is less than input tax.

2.1.7 A VAT vendor charges and collects VAT on behalf of SARS.

2.1.8 Good financial statements must be understood by the average user.

2.1.9 It is compulsory for state-owned companies to be audited.

2.1.10 Public companies raise capital by issuing shares to its existing shareholders.

(10 × 2) (20)

2.2 Differentiate between a public company, private company and personal liability company as forms of ownership by completing the following table:

DIFFERENTIATING POINTS	PUBLIC COMPANY	PRIVATE COMPANY	PERSONAL LIABILITY COMPANY
Name of the company			
Raising of capital			
Liability of owners/directors			
Auditing of financial statements			
Minimum number of directors			
Distribution of profit			

(3 × 6) (18)

2.3 Which act regulates the companies in South Africa? (2)

2.4 Which document of a company sets out the rights, duties and responsibilities of shareholders and directors? (2)

2.5 What does IFRS stand for? (2)

2.6 What are shareholders given as proof of holding shares in a company? (2)

2.7 Use the information given below to calculate the following in the notes of the financial statements:

2.7.1 Retained income as it will appear in the statement of changes in equity (12)

2.7.2 Carrying amount of vehicle as it will appear in the notes to the financial statements (Show ALL items as required by IFRS.) (14)

EXTRACTS FROM THE RECORDS OF CHAUKE (PTY) LTD
FOR OCTOBER 2017

Authorised shares: 5 000 000 ordinary shares @ R1 each	5 000 000
200 000 10% preference shares @ R2 each	400 000
Issued share capital: 220 000 ordinary shares	220 000
50 000 10% preference shares	100 000
Vehicle	350 000
Accumulated depreciation: 1 November 2016	70 000
Depreciation for the year	15 000
Retained income: 1 November 2016	150 000
Net profit before tax	950 000

The following information must still be taken into account:

- Transfer of R30 000 from retained income to general reserve must still be made
- Ordinary dividend of R0,20 per share has been declared
- Income tax for the year amounted to R15 000
- New vehicle was bought for R30 000 and was recorded. A vehicle with the cost price of R22 000 and accumulated depreciation of R12 000 (on the date of sale) was sold during the year. This transaction was not recorded.
- Repairs to equipment of R2 000 were incurred but not recorded. **[72]**

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QUESTION 3

The following information was taken from the books of Malapane CC on 30 June 2017, the end of the financial year:

PREADJUSTMENT TRIAL BALANCE OF MALAPANE CC ON 30 JUNE 2017

	FOL	DEBIT		CREDIT	
BALANCE SHEET ACCOUNTS SECTION					
Members' contribution: Malatji				184 500	00
Paseka				184 500	00
Vehicle		534 000	00		
Accumulated depreciation: Vehicle				332 528	00
Machinery		355 668	00		
Accumulated depreciation: Machinery				148 308	00
Inventory		460 956	00		
Bank		20 904	00		
Petty cash		1 500	00		
Cash float		2 106	00		
Debtors control		54 000	00		
Creditors control				70 092	00
Mortgage bond: (10%)				297 000	00
Investment: VBS Bank (12%)		237 000	00		
NOMINAL ACCOUNTS SECTION					
Sales				958 380	00
Cost of sales		257 850	00		
Debtors allowances		15 750	00		
Water and electricity		28 404	00		
Bad debts		16 470	00		
Rent income				18 768	00
Bad debts recovered				270	00
Telephone		2 418	00		
Insurance		84 000	00		
Discount allowed		16 404	00		
Advertising		10 776	00		
Interest received				13 104	00
Interest on mortgage bond		42 000	00		
Consumable stores		3 204	00		
Salaries		47 040	00		
		2 190 450	00	2 190 450	00

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The following must still be taken into account:

1. Insurance has been paid until 31 August 2017.
2. The investment in VBS Bank was made on 1 January 2017.
3. Rent income includes R368 for July 2017.
4. Water and electricity has been paid until May 2017.
5. Depreciation must be provided as follows:
   - 5.1 Vehicle at 15% per annum on the straight-line method
   - 5.2 Machinery at 10% per annum on the diminishing balance method
6. Sales amount includes VAT of R117 696.
7. Interest on mortgage bond must be adjusted.
8. Land and building were bought for R100 000 on 1 August 2016 and was revalued on 31 May 2017 for R120 000. Both the purchase and the revaluation were not recorded.
9. Income tax is levied at 28%.

REQUIRED:

Use the above trial balance and information given to prepare the statement of comprehensive income of Malapane CC for the year ended 30 June 2017. **[30]**

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QUESTION 4

Information on the following balances appeared in the books of Magaxa CC on 31 December 2017:

EXTRACT FROM THE STATEMENT OF THE FINANCIAL POSITION OF MAGAXA CC AT 31 DECEMBER 2017

	2017	2016
Debtors control	236 600	235 000
Inventory	325 000	340 000
Cash and cash equivalents	72 000	33 000
Creditors control	6 000	13 000
Distribution to members	35 000	40 000
Taxation payable	41 000	40 000
Provision for bad debts	5 500	4 100

EXTRACTS FROM THE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME 2017

Sales	450 000
Net profit after tax	75 000
Depreciation	7 500
Interest received	4 000
Interest paid	3 600
Loss on sale of asset	800
Distribution to members	20 000
Income tax expense	21 000

REQUIRED:

4.1 Prepare the statement of cash flow for the year ended 31 December 2017. (Prepare only the cash flow from operating activities.) (6)

4.2 Prepare the following note to the statement of cash flow:

4.2.1 Taxation and distribution to members (8)

4.2.2 Reconciliation of net profit before tax with cash generated from operations (16)

[30]

QUESTION 5

5.1 State whether the following duties are performed by/statements refer to the EXTERNAL AUDITOR or INTERNAL AUDITOR. Write only 'External auditor' or 'Internal auditor' next to the question number (5.1.1–5.1.10) in the ANSWER BOOK. ℘

5.1.1 Independent contractor

5.1.2 His/her work is ongoing. Audits are conducted throughout the year.

5.1.3 Done by an employee of the organisation who is on its payroll

5.1.4 Main concern is to trace fraud and misstatements which are material

5.1.5 Develops and maintain the internal controls of the organisation

5.1.6 The work is periodical, once or twice in a year

5.1.7 Auditors are responsible and accountable to the management.

5.1.8 Auditors are responsible and accountable to the shareholders.

℘ 5.1.9 Reports issued are used by stakeholders, such as investors.

5.1.10 Examines/Audits the financial statements/records and issues an opinion regarding financial statements of a company.

(10 × 2) (20)

5.2 Define the following terms:

5.2.1 Internal auditing ℘

5.2.2 Internal control

(2 × 4) (8)

[28]

TOTAL: 200

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