higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

26 NOVEMBER 2018

This marking guideline consists of 7 pages.

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✓ = mark
√ = ½ mark

QUESTION 1

1.1
1.1.1 True
1.1.2 True
1.1.3 False
1.1.4 False
1.1.5 True
1.1.6 True
1.1.7 True
1.1.8 True
1.1.9 False
1.1.10 False

(10 × 1) (10)

1.2
- Profit companies
- Companies incorporated for purposes of financial gain for its shareholders

- Nonprofit companies
- Companies incorporated for public benefit, not financial gain (2 × 2) (4)

1.3

		PRIVATE COMPANY	PUBLIC COMPANY
1.3.1	Number of directors	• It must have at least one director	• It must have at least three directors
1.3.2	Capital contribution	• Obtained by issuing shares privately	• Obtained by issuing shares to the public
1.3.3	Name of the company	• Name must end with Proprietary Limited Pty (Ltd)	• Name must end with Limited (Ltd)
1.3.4	Auditing of books	• Auditing is done only when required by regulation	• Auditing is compulsory

(4 × 4) (16)

1.4 Preference shares
- Shares that have first claim to profit, i.e. preference dividends have to be paid first before a dividend can be allocated to another type of shares.
- Their holders usually do not have voting rights, except in cases where their dividends fall in arrears. (Any 1 × 2) (2)

Ordinary shares
- Their holders have voting rights at general meetings and their holders are the true owners of a company. (1 × 2) (2)

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1.5 The sum of:
- A number of points equal to the average number of employees of the company during the financial year
- One point for every R1 million (or potion thereof) in third party liability of the company at financial year end
- One point for every R1 million (or portion thereof) in turnover during the financial year
- One point for every shareholder or member of the company at the end of the financial year (4 × 2) (8)

1.6 1.6.1 It implies that transactions are recorded when they occur and not when the related cash is received or paid. (1 × 2) (2)

1.6.2
- It is the assumption that the business will continue operating in the foreseeable future.
- Financial statements are drafted on the assumption that there is no intention to cease or materially curtail operations. (Any 1 × 2) (2)

1.6.3
- Assets held for sale in the ordinary course of business
- Assets in the process of production for such sale
- Assets in the form of materials or supplies to be consumed in the production process (Any 1 × 2) (2)

1.7

	LAND AND BUILDING	MACHINERY	FURNITURE	VEHICLES	TOTAL
Carrying amount at 1 July 2014	75 000	11 500	7 000	14 500	108 000
Cost price	75 000√	16 500√	11 000√	30 000√	132 500
Accumulated depreciation	–	(5 000)✓	(4 000)✓	(15 500)✓	(24 500)
Additions at cost	–	15 000✓	–	–	15 000
Disposals	–	–	–	(2 600) ✓✓	(2 600)
Depreciation	–	(3 550)✓✓	(1 100) ✓	(5 100) ✓✓	(9 750)
Revaluation	25 000✓✓				25 000
Carrying amount at 30 June 2015	100 000 √	22 950 √	5 900 √	6 800 √	135 650
Cost price	100 000✓	31 500✓✓	11 000✓	21 000✓✓	163 500
Accumulated depreciation	–	(8 550)✓	(5 100) ✓	(14 200) ✓✓	(27 850)

Land and building are situated on stand no. 72 Hanover Park.√
Were purchased in 2000 for R75 000.√
Were revalued by Mr Smith, a sworn valuator, for R100 000 on 30 May 2015.√
The revaluations are done every five years.√ (31)
[79]

QUESTION 2

2.1

	VAT TYPE	SUBSIDIARY JOURNAL
2.1.1	Output	Debtors allowances
2.1.2	Output	General journal
2.1.3	Input	Creditors journal
2.1.4	Output	General journal
2.1.5	Input	Cash payment

(5 × 2) (10)

2.2 2.2.1 Because those are zero-rated items

2.2.2 R179,95

2.2.3 R90,34

2.2.4 R11,00

2.2.5
- To show that the business is registered for VAT
- To serve as a proof for the customer when claiming for VAT

(Any 1 × 2)
(5 × 2) (10)

2.3
- It is a current obligation of the entity since it has to be paid
- It is the result of an event in the past when it was obtained
- It will result in the outflow of a future economic benefit when it is settled

(3 × 2) (6)

2.4
- The entity controls the vehicle since it is in its possession
- It is the result of an event in the past when the vehicle was purchased
- The vehicle holds future economic benefit for the entity since it will be used for delivery (3 × 2) (6)

2.5 UNQUALIFIED OPINION (1)
- Means that the financial statements are fairly presented in accordance with agreed upon criteria and are free from material misstatements
- Opinion issued when there was no restriction on the scope of the investigation
- Adequate audit evidence could be obtained to enable the auditor to conclude that he complied with all his audit standards (Any 1 × 2) (2)

QUALIFIED OPINION (1)
- An opinion issued with some exceptions because the scope of the investigation was limited
- The financial statements were not prepared according to criteria agreed upon (Any 1 × 2) (2)

WITHHOLDING AN OPINION (1)
- Issued when there was insufficient appropriate evidence to form an opinion (2)

[41]

QUESTION 3

3.1 **STATEMENT OF FINANCIAL POSITION OF MOTSTAL CC AT 31 DECEMBER 2016**

ASSETS	
Noncurrent assets	**561 000 √**
Property and equipment (450 000 + 120 000 – 24 000)✓✓✓	546 000
Other financial assets	15 000✓
Current assets	**1 695 000√**
Inventory	660 000✓
Trade and other receivables	990 000✓
Cash and cash equivalents	45 000✓
TOTAL ASSETS	**2 256 000**
EQUITY AND LIABILITIES	
Members' contribution and reserves	46 878✓
Noncurrent liabilities	**945 000√**
Long-term borrowings (150 000 – 30 000)✓✓	120 000
Loans from members (375 000 + 450 000)✓✓	825 000
Current liabilities	**1 264 122√**
Trade and other payables	1 020 000✓
Current portion of long-term borrowing	30 000✓
Taxation payable	34 122✓
Distribution to members	180 000✓
TOTAL EQUITY AND LIABILITIES	**2 256 000**

(20)

3.2 **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

	Members' contribution	Surplus on revaluation	Retained earnings	TOTAL
Balance at 1 January 2016	13 500✓	• ✓	120 000✓	133 500
Total comprehensive income (97 500 – 34 122)			63 378✓✓	63 378
Less: Distribution to members			(180 000) ✓	(180 000)
Revaluation of land and building		30 000✓		30 000
Balance at 31 December 2016	13 500✓	30 000✓	3 378✓	46 878

(10)
[30]

QUESTION 4

4.1 **CASH FLOW STATEMENT OF MALEMA LTD FOR THE YEAR ENDED 31 DECEMBER 2017**

Cash flow from operating activities	NOTES		
Cash generated from operations		117 000✓	
Interest paid		(12 000)√	
Interest received		10 000√	
Taxation paid		(4 000)✓	
Dividends paid		(2 000)✓	
Net cash flow from operating activities			109 000√
Cash flow from investing activities			
Replacement of equipment		(180 000)✓✓	
Purchase of equipment-expanding		(200 000)✓✓	
Replacement of vehicle		(32 000)✓✓	
Proceeds on the sale of equipment		70 000✓✓	
Proceeds on the sale of a vehicle		4 000✓✓	
Investment acquired		(100 000)✓	
Net cash flow from investing activities			(438 000)√
Cash flow from financing activities			
Proceeds from issuing of share capital		240 000✓	
Proceeds from issuing of debentures		120 000✓	
Net cash flow from financing activities			360 000√
Increase in cash and cash equivalent			31 000✓
Cash at the beginning of the period			30 000√
Cash at the end of the period			61 000✓

(21)

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4.2 **NOTES**

1. RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

Profit before taxation		91 000✓
Adjustment for:		
Depreciation (60 000 + 18 000)		78 000✓
Profit on sale of equipment		(10 000) √
Loss on sale of vehicles		2 000√
Interest received		(10 000) √
Interest expenses		12 000√
Operating profit before working capital changes		163 000
Working capital changes		(46 000)
Decrease in inventory	4 000✓	
Increase in trade and other receivables	(30 000)✓	
Decrease in trade and other payables	(20 000)✓	
Cash generated		117 000

(7)

2. TAXATION AND DIVIDENDS

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	TAXATION	DIVIDENDS
Amount payable at the beginning of the year	(6 000)√	(1 000)√
Amounts according to the income statement		
Taxation expense	(47 000)√	
Dividends paid and proposed		(4 000)√
Amount payable at the end of the year	49 000	3 000
Amount paid	(4 000)	(2 000)

(2)
[30]

QUESTION 5

5.1 5.1.1 D
5.1.2 F
5.1.3 B
5.1.4 E
5.1.5 A

(5 × 2) (10)

5.2
- The evaluation of all internal systems and procedures
- Checking that internal control policy and procedures agree
- Ensuring that the assets of the business are protected against any type of loss
- Assessing whether the accounting and other data developed by the business are reliable
- Assessing the quality of the performance of allocated responsibilities
- Carrying out special investigations (Any 5 × 2) (10)

[20]

TOTAL: 200

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