higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

FINANCIAL ACCOUNTING N6

11 NOVEMBER 2014

This marking guideline consists of 7 pages.

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QUESTION 1

Balance sheet on 30 June 2014

Assets	
Non-current assets	**68 760 000**
Fixed assets (49 200 000√ + 19 800 000√ – 7 920 000√)	61 080 000
Financial assets (3 000 000√ + 4 500 000√ + 180 000√)	7 680 000
Current assets	**10 770 000**
Stock	6 705 000√
Trade and other receivables (4 500 000√ – 600 000√)	3 900 000
Cash and cash equivalents (150 000√ + 15 000√)	165 000
Total assets	**79 530 000**
Equity and liabilities	
Share capital and reserves	68 799 000√
Ordinary share capital	27 000 000√
Share premium	1 200 000√
Non-distributable reserves	3 600 000√
Distributable reserves	33 399 000√
Ordinary shareholders equity	65 199 000√
Preference share capital	3 600 000√
Non-current liabilities	
Loan (1 800 000√ – 180 000√)	1 620 000
Current liabilities	**9 111 000**
Trade and other payables	3 993 000√
Short-term loan	180 000√
Shareholders for dividends	2 988 000√
SARS (income tax)	1 950 000√
	79 530 000

Notes:

Reserves

Non-distributable reserves

Surplus from revaluation from land and buildings	3 600 000√

Distributable reserves

Retained income	33 399 000√

Trade and other payables

Creditors control	3 600 000√
Expenses payable (120 000√ + 132 000√ + 120 000√ + 21 000√)	393 000
	3 993 000

[30]

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QUESTION 2

COX CC
Income statement for the year ended 28 February 2014

Sales (545 560√ – 8 000√)	537 560
Cost of sales	(260 000) √
Gross profit	277 560
Other income	19 180
Rent income (13 440√ + 1 320√)	14 760
Rent income: C Cox (3 300√ + 300√) of (300 x 12)	3 600
Provision for bad debts adjustment(1 900√ – 1 580√)	320
Profit on sale of asset	500√
Gross operating income	296 740
Operating expense	(191 640)
Salaries: Peters	√36 000
Bad debts (1 700 √+400√)	2 100
Trading stock deficit (60 500√- 60 200√)	300
Stationery (1 500√ – 160 √)	1 340
Water and electricity (11 000 √+ 980√)	11 980
Insurance (3 000√- 400√)	2 600
Depreciation (3 500√+12 960√)	16 460
Salaries (73 000√ + 8 300√)	81 300
Pensionfund contribution (7 160√ + 700√)	7 860
Remuneration accounting officer	6 000√
Bankcharges	2 800√
Sundry expenses	22 900√
Operating profit	105 100
Interest income	300√
Profitbefore interest expense	105 400
Interest expense	(3 600) √
Profit before tax	101 800
Income tax	(22 000) √
Net profit for the year	79 800

[34]

QUESTION 3

BM CC
Cash flow statement for the year ended 31 December 2014

Cash flow from operating activities	**30 500**
Cash received from clients	485 000√
Cash paid to suppliers and employees	(390 500) √
Cash generated from operations	94 500√
Dividends received	13 000√
Interest paid	(14 000) √
Income tax paid (36 000√ + 11 000√ – 9 000√)	38 000
Distribution paid to members (47 500√ + 15 000√ – (37 500√)	(25 000)
Cash flow from investing activities	**(73 500)**
Replacement of machinery (77 500√ – 40 000√)	(37 500)
Additions to machinery	(40 000) √
Proceeds from sale of machinery (17 000√ – 13 000√)	4 000
Cash flow from financing activities	**50 000**
Proceeds from members contributions (375 000√ – 355 000√)	20 000
Proceeds from long-term loan (100 000√ – 70 000√)	30 000
Net decrease in cash and cash equivalents	**7 000**
Cash and cash equivalents at beginning of year	7 000√
Cash and cash equivalents at end of year	14 000√

CALCULATIONS

Cash received from clients

Sales (income)	490 000√
+ debtors control (begin)	30 000√
- debtors control (end)	(35 000) √
Cash received from clients	485 000

Cash paid to suppliers and employees

Creditors (purchases) (301 500√ + 33 000√ – 25 000√)	309 500
Salaries to members	24 000√
Admin expenses	20 000√
Wages (36 000√ + 5 000√ – 6 000√)	35 000
Rent expense	2 000√
	390 500

[34]

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QUESTION 4

Hire-purchase debtors

2013	Hire-purchase account√	1 974 000√	March 31	Bank deposit√	166 800√
				Bank instalments√	690 000√
				Second-hand trading√	100 740√
				Hire-purchase account√	97 260√
				Balance √c/d	919 200√
		1 974 000			1 974 000
2014	Balance b/d	919 200			

Hire-purchase account

2013	Goods on hire purchase√	1 155 000√	2013	Hire-purchase debtors√	1 974 000√
	Hire-purchase debtors√	97 260√			
	Balance (unrealised profit) √	362 616√			
	Profit and loss (realised profit) √	357 324√			
		1 974 000			1 974 000

Goods on hire-purchase

2013	Purchases √	1 155 000√	2013	Hire purchases√	1 155 000√

Second-hand trading account

2013	Hire-purchase debtors√	100 740√	2013	Kim√	64 800√
	Bank √	15 000√		Loss on sale of second-hand trading√	50 940√
		115 740			115 740

Trading account

Jan 1	Opening stock		June 30	Sales	
June 30	Purchases			Closing stock	
	Profit and loss				

[48]

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QUESTION 5

5.1
- Adequate separation of duties within the system of activities
- Custody control to efficiently safeguard the undertaking's assets.
- Control over accounting records and the accuracy of the recording procedure
- Authority delegated to specific individuals who may be held responsible
- Adequate supervisory checks by management. (5 x 2) (10)

5.2
- Degree of risk of incorrect representation; nature of item
- Materiality of the item in relation to financial information as a whole
- Experience he acquired during previous audits
- Results of the audit procedures, including fraud or mistakes
- Type of information available (5 x 2) (10)

5.3 Note to the financial statements

	Land and buildings	**Vehicles**	**Equipment**	**Computers**
Carrying value at the beginning of the year	843 000√	234 000√	150 000√	129 000√
Cost price	843 000√	507 000√	408 000√	174 000√
Accumulated depreciation		(273 000) √	(258 000) √	(45 000) √
Additions	26 000√	261 000√	40 000√√	11 000√√
Disposals		(16 000) √√		
Depreciation		(106 100) √	(16 000) √√	(43 500)√√
Carrying value at the end of the year	869 000	372 900	174 000	96 500
Cost price	869 000√	648 000√	448 000√	185 000
Accumulated depreciation		(275 100) √	(274 000) √	(88 500) √

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Calculation of depreciation

Vehicles Trade-in 120 000 x 20% x 10/12 = R20 000√ Remainder 387 000 x 20% = R77 400√ New 261 000 x 20% x 2/12 = 8 700√	Total R106 100
Computers New 174 000 x 25% = 87 000 √	Total R43 500
Equipment New 40 000 x 10% x 3/12 = 1 000√ Old 150 000 x 10% = 15 000 √	Total R16 000

(34)
[54]

TOTAL: 200

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