higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N570**(E)**(N26)H

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

(4010216)

26 November 2018 (X-Paper)
09:00–12:00

Nonprogrammable calculators may be used.

This question paper consists of 9 pages and an answer book of 10 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 in 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 according to the 2015 syllabus.
6. Write neatly and legibly.

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QUESTION 1

1.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

1.1.1 A company is a juristic person

1.1.2 A share certificate is given to everyone who buys shares in a company

1.1.3 Authorised shares refer to the shares that are not issued.

1.1.4 The preference shareholders have the voting rights at every AGM

1.1.5 There is provision in the companies ACT for a name reservation

1.1.6 The company pays tax in its own name

1.1.7 One of the main duties of the CIPC is to register companies and intellectual property rights.

1.1.8 Statement of changes in equity is one the company's financial statements.

1.1.9 IFRS stands for 'international financial responses statement'.

1.1.10 A company may issue shares to itself.

(10 × 1) (10)

1.2 Name and explain TWO categories of companies in terms of the Companies Act. (2 × 2) (4)

1.3 Differentiate between a *private company* and a *public company*, using the headings below. Give your answer in table form.

1.3.1 Number of directors

1.3.2 Capital contribution

1.3.3 Name of the company

1.3.4 Auditing of books (financial statements)

(4 × 4) (16)

1.4 Differentiate between *preference shares* and *ordinary shares*. (2 × 2) (4)

1.5 How is a public interest score calculated? (8)

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1.6 Explain the following terms:

1.6.1 Accrual basis of accounting

1.6.2 Going concern

1.6.3 Inventory

(3 × 2) (6)

1.7 Study the following information from Kgathi Limited on 1 July 2014 and answer the question:

Furniture	
Cost price	11 000
Accumulated depreciation	4 000
Vehicles	
Cost price	30 000
Accumulated depreciation	15 500
Machinery	
Cost price	16 500
Accumulated depreciation	5 000
Land and building	
Cost price	75 000

ADDITIONAL INFORMATION

1. Land and building is not depreciating
   - Land and building situated on stand no. 72 Hanover Park were purchased in 2000 for R75 000. It was revalued by Mr Smith, a sworn valuator, for R100 000 on 30 May 2015. The revaluations are done every five years.

2. Furniture: 10% p.a. on straight-line method

3. Vehicles: 20% p.a. on straight-line method
   - On 31 December 2014, a delivery vehicle which originally cost R9 000 was sold for R3 750. At 1 July 2014 the accumulated depreciation of the vehicle amounted to R5 500.

4. Machinery: 20% p.a. on diminishing-balance method
   - On 31 January 2015 new machinery was purchased for R15 000.

REQUIRED

Disclose the property, plant and equipment note as at 30 June 2015 so as to comply with the requirements of IFRS. (31)

[79]

QUESTION 2

2.1 Study the transactions below and identify the type of tax (input or output) affected and the journal to be used to record the transactions. The business is a registered VAT vendor.

2.1.1 Goods returned by a debtor

2.1.2 Trading stock taken by owner for personal use

2.1.3 Goods bought on credit by the business

2.1.4 Bad debts written off

2.1.5 Stationery bought for cash

(5 × 2) (10)

2.2 Study the following document and answer the questions.

Mokgobu Store
Mankweng
Tel: 015 273 0600

TAX INVOICE
VAT NO: 3720057741

YOUR CASHIER IS LADY-D

Milk l/fat square					25.18 *
Clover full cream milk					25.18 *
Tastic Rice					39.98 *
Kiwi polish 500 g					29.78
Yourghurt Bulgarian					29.98
White sliced bread					10.98
Tab caffeine free					18.90
Total					179.98
Rounding					– 0.03
Items	7	DUE			179.95
	CASH				200.00
	CHANGE				20.05
NONVAT	0.00	00.0% IN			90.34
VAT AMT	11.00	14% IN			89.64
0523 2514/004/016		24/01/2017	15:30		

Mokgobu Stores

THANK YOU FOR YOUR SUPPORT. PLEASE VISIT AGAIN

2.2.1 Why is there an asterisk (*) next to some of the amounts on the till slip?

2.2.2 What is the total amount due (including VAT) by the customer?

2.2.3 What is the total amount of the items without VAT?

2.2.4 What is the total amount of VAT charged on this tax invoice?

2.2.5 Why should the registration number appear on the source document?

(5 × 2) (10)

2.3 Discuss on the basis of the definition of a liability, why the bank overdraft of an entity can be classified as a liability. (6)

2.4 Discuss on the basis of the definition requirements of an asset, why a motor vehicle in possession of an entity can be classified as an asset. (6)

2.5 Name and explain THREE types of audit opinions that an auditor can issue.

(3 × 3) (9)

[41]

QUESTION 3

The following information relate to Motstal CC for the year ended 31 December 2016. Use the information to draw up a:

3.1 Statement of the financial position as at 31 December 2016 (20)

3.2 Statement of changes in equity for the year ended 31 December 2016 (10)

MOTSTAL CC

	R	R
Member's contribution		13 500
Surplus on revaluation of land and building		30 000
Loans from members		
Motsoako		375 000
Stalwart		450 000
Mortgage bond		150 000
Land and building at valuation	450 000	
Equipment		
Cost price	120 000	
Accumulated depreciation		24 000
Inventory: 31 December 2016	660 000	
Debtors	990 0000	
Investments	15 000	
Creditors		1 020 000
Cash at bank	45 000	
Retained earnings: 1 January 2016		120 000
Net profit before tax		97 500

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ADDITIONAL INFORMATION

1. Motsoako and Stalwart are the only two members of the corporation. Each of them contributed 50%.

2. The land and building was revalued on 31 July 2016.

3. The provision for normal tax is calculated as R34 122.

4. The members decided on a distribution of R180 000 for the year.

5. R30 000 of the amount owing on the mortgage bond will be repaid on 31 August 2017

[30]

QUESTION 4

You are provided with figures extracted from the financial statements of Malema Ltd.

PROFIT/LOSS STATEMENT AND COMPREHENSIVE INCOME OF MALEMA LTD FOR THE YEAR ENDED 31 DECEMBER 2017

Gross profit	196 000
Interest received	10 000
Profit on disposal of equipment	10 000
Other expenses	(113 000)
Finance cost	(12 000)
Profit before tax	91 000
Income tax expense	(47 000)
Profit for the period (after tax)	44 000
Retained earnings (beginning of the year)	45 000
Dividends	(4 000)
Retained earnings (end of the year)	85 000

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STATEMENT OF FINANCIAL POSITION OF MALEMA LTD
AT 31 DECEMBER 2017

	2016	**2017**
ASSETS		
Noncurrent assets	192 000	460 000
Equipment	140 000	400 000
Cost price	200 000	480 000
Accumulated depreciation	60 000	80 000
Vehicles	52 000	60 000
Cost price	112 000	124 000
Accumulated depreciation	60 000	64 000
Investments	-	100 000
Current assets	100 000	157 000
Inventory	40 000	36 000
Account receivables	30 000	60 000
Bank	30 000	61 000
Total assets	**292 000**	**717 000**
EQUITY AND LIABILITIES		
Issued share capital and reserves	245 000	525 000
Ordinary share capital	200 000	440 000
Retained earnings	45 000	85 000
Noncurrent liabilities		
Debentures	-	120 000
Current liabilities	47 000	72 000
Accounts payable	40 000	20 000
Taxation payable	6 000	49 000
Dividends payable	1 000	3 000
Total equity and liabilities	**292 000**	**717 000**

ADDITIONAL INFORMATION

1. Included in other expenses are:

   Depreciation: Equipment R60 000
   Vehicle R 9 000
   Loss on disposal of vehicle R 2 000

2. Equipment which was originally purchased for R100 000, with a net book value of R60 000, was sold during the year. New equipment was purchased to replace the equipment sold.

3. The capacity of the plant was expanded through the purchase of new equipment to the value of R200 000.

4. A vehicle which cost R20 000, with a net book value of R6 000, was sold during the year. A new vehicle was purchased to replace the vehicle disposed of.

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REQUIRED

4.1 Prepare the Cash Flow Statement of Malema Ltd for the year ended 31 December 2017. (21)

4.2 Do the following notes:

1 Reconciliation of net profit before taxation with cash generated from operations (7)

2 Dividends and taxation paid (2)
[30]

QUESTION 5

5.1 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–F) next to the question number (5.1.1–5.1.5) in the ANSWER BOOK.

	COLUMN A		COLUMN B
5.1.1	Substantive procedures	A	methods designed to obtain assurance that internal control systems are effective
5.1.2	Audit evidence	B	systems of control introduced to manage the business and to secure the assets
5.1.3	Internal control	C	management control to measure the effectiveness of other controls
5.1.4	Audit report	D	steps taken by the auditor to detect material misstatements at assertion level
5.1.5	Compliance procedure	E	written record of the findings during the audit process
		F	all source documents and accounting records relevant to the auditors' investigations

(5 × 2) (10)

5.2 Describe the FIVE objectives or aims of internal auditing. (5 × 2) (10)
[20]

TOTAL: 200

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