higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

27 NOVEMBER 2019

This marking guideline consists of 7 pages.

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QUESTION 1

1.1 A
1.2 D
1.3 B
1.4 D
1.5 A
1.6 A
1.7 C
1.8 D
1.9 B
1.10 B

(10 × 3) **[30]**

QUESTION 2

2.1
2.1.1 True
2.1.2 False
2.1.3 True
2.1.4 True
2.1.5 True
2.1.6 True
2.1.7 True
2.1.8 True
2.1.9 True
2.1.10 False

(10 × 2) (20)

2.2 Profit company
A company incorporated for the purpose of financial gain for its shareholders✓✓ or
A company whose aim is to make profit

Non-profit company
A company incorporated for a public benefit and its income and properties is not distributable to its incorporators, member or directors✓✓ or
A company whose intention is not to make profit, but to serve the interest of the public (4)

2.3 Statement of financial position
- A statement that shows the financial position of the company as at the end of the financial year, in terms of its
- assets, liabilities and equities.✓✓

Statement of comprehensive income
- A statement that shows the financial performance of the company for a particular financial year, by means of calculating
- a profit or loss.✓✓ (4)

2.4
- Preference shares
  Shares that give their holders first preference/claim on the profit of the company and having voting rights at AGM only in certain instances as allowed by the MOI✓✓
- Ordinary shares
  Held by the owners of the company, and have voting rights in the AGM and can direct the activities of the company✓✓
  Cannot get a dividend before the preference shareholders get theirs.
  They share in the remaining profit after a dividend has been declared and paid to preference shareholders. (4)

2.5
- Distributable reserves
  Reserves that can be distributed as dividends to shareholders✓✓
- Non-distributable reserves
  Reserves that cannot be distributed as dividends to shareholders✓✓ (4)

2.6
- Comparability✓ – financial statement must be comparable with those of previous years and also of similar companies in order to identify trends over time.✓
- Verifiability✓ – it enables users to confirm that the presented information does in fact accurately present the events.✓
  or transaction it purports to present.
- Timeliness✓ – financial information must be reported timeously in order to influence the decision of users.✓
- Understandability✓ – financial statements should be understandable to the average user who has a reasonable knowledge✓
- of business and willingness to study the information with the necessary diligence. (8)

2.7
- Incomes
- Expenses (2)

2.8
- Assets
- Owners' equity
- Liabilities (3)

2.9
2.9.1 R1 000✓✓✓
2.9.2 R140✓✓✓
2.9.3 R5 700✓✓✓
2.9.4 R5 000✓✓✓
2.9.5 R17 100✓✓✓
2.9.6 R2 100✓✓✓
2.9.7 R23 000✓✓✓
2.9.8 R3 220✓✓✓

(24)
[73]

QUESTION 3

3.1 STATEMENT OF FINANCIAL POSITION OF MABOTJA TRADING CC AT 31 DECEMBER 2017

ASSETS	NOTES	
NON-CURRENT ASSETS		
Property, plant and equipment		856 000 √
Other financial assets		100 000 ✓
Loan to members		30 000 ✓
CURRENT ASSETS		**328 400**
Inventories		50 000 ✓
Trade and other receivables (170 000✓ + 5 000)✓		175 000
Cash and cash equivalents (102 200✓ + 750 + 450)✓		103 400
TOTAL ASSETS		**1 314 400** ✓
EQUITY AND LIABILITIES		
Members' contribution and reserves (900 000✓ + 15 000✓ + 42 400✓ + 50 000✓ + 100 000)✓		1 107 400
NON-CURRENT LIABILITIES		**90 000**
Long term borrowings		70 000 ✓
Loans from members		20 000 ✓
CURRENT LIABILITIES		**117 000**
Trade and other payables (34 000 + 3 000)		37 000 ✓✓
Distribution to members		80 000 ✓
Total equity and liabilities		**1 314 400** ✓

(20)

3.2 Property, plant and vehicle

	Land/ building	Vehicle	Furniture	TOTAL
Balance as at 1 January 2017	**600 000**	**88 000**	**62 500**	**750 500** √
Cost/valuation price	600 000 ✓	100 000 ✓	73 000	773 000
Accumulated depreciation	-	(12 000) ✓	(10 500) ✓	(22 500)
Addition at cost		20 000 ✓		20 000
Revaluation surplus	100 000 ✓			100 000
Depreciation for the year	-	(12 000)	(2 500)	(14 500)
Balance as at 31 December 2017	**700 000**	**96 000**	**60 000**	**856 00** √
Cost/valuation price	700 000 ✓	120 000 ✓	73 000	893 000
Accumulated depreciation	-	(24 000)	(13 000)	(37 000)

(10)
[30]

QUESTION 4

DIHANGWANE STORES CC

4.1 **STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 OCTOBER 2016**

	NOTE		
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers (686 000 + 20 000)		706 000 ✓	
Cash paid to suppliers and employees (-686 000 + 187 200 – 3 500 – 12 000 – 3 000 + 8000 + 2 500) / (706 000 – 199 200)		(506 800) ✓✓	
Cash generated from operations		199 200 √	
Interest received		3 000 ✓	
Interest paid		(2 500) ✓	
Distribution to members		(10 000) √	
Taxation paid		(10 000) √	
Net cash flow from operating activities			179 700 ✓
CASH FLOW FROM INVESTING ACTIVITIES			
Expansion of assets		(53 700) ✓	
Additions to assets		(22 300) ✓	
Fixed deposit withdrawn		70 000 ✓	
Loan to member granted/advanced		(54 000) ✓	
Net cash flow from investing activities			(60 000) ✓
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in loan from members		7 300 ✓	
Net cash flow from financing activities			7 300
Net increase in cash			77 000 ✓
Cash at the beginning of the period			(77 000)
Cash at the end of the period			50 000

(17)

4.2 4.2.1

Reconciliation of profit before tax with cash generated

Net profit before taxation		187 200 ✓
Adjusted for:		
Depreciation		8 000 ✓
Interest received		(3 000) ✓
Interest paid		2 500 ✓
Operating profit before working capital changes		4 500 √
Increase in inventory	(12 000) ✓	
Decrease in trade and other receivables	20 000 ✓	
Decrease in trade and other payables	(3 500) ✓	
		199 200 ✓

(9)

4.2.2

Taxation and Distribution

	Taxation	Distribution to members
Amount payable at the beginning of the year	(60 000) ✓	(40 000) ✓
Amounts according to statement of comprehensive income:		
Taxation	(25 200) ✓	
Distribution to members		(30 000) ✓
Amount payable at the end of the year	75 200 ✓	60 000 ✓
	(10 000) ✓	(10 000) ✓

(8)
[34]

QUESTION 5

5.1

INTERNAL AUDITING	EXTERNAL AUDITING
• Audit done by an employee of the business.✓	• Audit done by an independent contractor.✓
• The primary aim is to meet the needs of management.✓	• The primary aim is to meet the needs of shareholders.✓
• The overview of the activities of the business is ongoing.✓	• The investigation takes place periodically, usually once a year.✓
• The auditor is directly involved in tracing and preventing fraud.✓	• The auditor is mainly tracing and preventing fraud which are material in financial statements.✓
• The procedures are not limited to financial matters.	• Procedures are limited to financial matters.
• The auditor must be subordinate to some levels of management.	• The auditor must be independent of management in deed and in attitude.

(8)

Three types of external audit reports

- Unqualified audit report✓
  A report issued when the financial statements are free of material misstatements.✓✓
- Qualified audit report✓
  Report issued when the financial statements were not prepared according to the agreed upon standards, GAAP, IFRS, etc. but there was no misrepresentation.✓✓
- Disclaimer/withholding of opinion✓
  In the absence of enough evidence to form an opinion, the auditor will not issue a report.✓✓ (9)

5.3 Objectives of internal auditing

- The evaluation of internal systems and procedures
- Checking that internal control policy and procedures agree
- Ensuring that assets are safe
- Ensuring that accounting and other developed data are reliable
- Assessing the quality of performance of allocated duties
- Carrying out special investigations (Any 3 × 2) (8)

5.4

- Plan the audit.
- Examine and evaluate evidence collected.
- Communicate the results of the audit findings in the audit report.
- Follow up the findings of the audit report. (4 × 2) (8)

[33]

TOTAL: 200

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