higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

(4010216)

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09:00–12:00

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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. Write your examination number on every page of the attached ANSWER BOOK.
3. Read all the questions carefully.
4. Show all calculations in brackets, where applicable.
5. The VAT rate applicable is 15%.
6. The 2015 syllabus was used.
7. Use only a black or blue pen.
8. Tipp-Ex may not be used.
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 Which ONE is exempted from VAT?

A Brown bread
B Water and electricity
C Residential accommodation
D Samp

1.1.2 Which type of business ownership must always be audited?

A Public company
B Sole trader
C Partnership
D Private company

1.1.3 The … is an important document in a company indicating the internal rules adopted to run the company.

A minutes
B notes to the financial statement
C memorandum of incorporation
D directors' report

1.1.4 The VAT charged by the business to its customers is called …

A VAT control.
B output tax/VAT.
C input tax/VAT.
D VAT inclusive.

1.1.5 The … may be used to determine whether certain types of business must be audited or not.

A courts
B public interest score
C directors' report
D shareholders report

1.1.6 The … will issue a certificate of registration upon the incorporation of a company.

A South African Revenue Service
B Companies and Intellectual Properties Commission
C bank
D board of directors

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1.1.7 A/An … will be issued to a shareholder as proof of ownership after buying shares.

A share certificate
B receipt
C audit report
D financial statement

1.1.8 Distributable reserves consist of …

A retained income.
B revaluation surplus.
C share capital.
D creditors control.

1.1.9 According to the Companies Act … is/are a disclosable expense in the income statement.

A salaries
B directors fees
C insurance
D discount allowed

1.1.10 The … is one of the financial statements of a company.

A statement of changes in equity
B trial balance
C bank statement
D bank reconciliation statement

(10 × 2) (20)

1.2 Give a term for each of the following descriptions. Write only the answer next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

1.2.1 The financial statement that shows the financial performance of a business

1.2.2 The person or persons employed to manage a company and to make decisions for its smooth running

1.2.3 A person appointed by a public company according to the dictates of the Companies Act, who expresses an unbiased opinion on the financial statements of the company

1.2.4 A person who owns shares in a company

1.2.5 A business registered for VAT

(5 × 2) (10)
[30]

QUESTION 2

2.1 Differentiate between the following:

2.1.1 Authorised share-capital and issued share capital

2.1.2 Distributable reserves and nondistributable reserves

2.1.3 Preference shares and ordinary shares

2.1.4 Current assets and noncurrent assets

2.1.5 Net profit and retained income

(5 × 4) (20)

2.2 Name and explain the FOUR qualitative characteristics of good financial reporting. (4 × 2) (8)

2.3 Name and explain TWO types of VAT. (2 × 2) (4)

2.4 You received the following information from Ramaphosa Ltd for 31 December 2018.

Land and building at valuation (cost price R100 000)	120 000
Debtors control	10 000
Bank (favourable)	30 000
Provision for bad debts (2017: R4 500)	3 200
Income receivable (accrued income)	1 930
Creditors control	17 200
Goodwill	30 000
Revaluation surplus	?
Current portion of long-term loan	5 000
Long-term loan	65 000
Retained earnings (2017: R47 000)	?
Dividend paid out to shareholders at year end	2 000
Net profit before tax	22 500
Depreciation for the year	2 000
Vehicle at cost price	20 000
Inventories	23 000
Income tax for the year	13 000
Provisional tax payment	6 000
Accumulated depreciation of vehicle at beginning of the year	4 000

Use the information above to answer the following questions with regard to the statement of the financial position of Ramaphosa Ltd on 31 December 2018. Where certain items need calculations, show them in brackets.

2.4.1 Draw up the noncurrent assets section. (6)

2.4.2 Draw up the current assets section. (6)

2.4.3 Calculate the amount for the reserves as it would appear at year end. (6)

2.4.4 Draw up the total current liabilities. (5)

2.5 Complete the following table by indicating whether the items are subjected to VAT or not and if so, at what rate. Indicate the answer by making a CROSS (X) ONLY in the relevant column in the ANSWER BOOK.

	VAT CHARGED		VAT EXEMPT
	0%	15%	
Interest on loan			
School fees			
Brown bread			
Stationery			
Bank charges			
White bread			
Petrol			
Passenger road transport			
Courier services			
Tax levy			

(10 × 2) (20)

[75]

QUESTION 3

The following records appeared in the books of Limpopo Traders CC, which has one member, namely R. Masokameng.

PREADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2018

Balance sheet accounts section	**Fol**	**Debit**	**Credit**
Member's contribution	B1		45 000
Retained income 1 March 2017	B2		10 000
Loan from: R Masokameng (12%)	B3		175 000
Land and buildings	B4	198 450	
Vehicles	B5	166 000	
Equipment	B6	64 190	
Accumulated depreciation: Vehicle	B7		53 000
Accumulated depreciation: Equipment	B8		14 000
Trading stock	B9	106 550	
Debtors control	B10	38 920	
Bank	B11	12 300	
Cash float	B12	93	
Creditors control	B13		55 329
SARS (Income tax)	B14	42 250	
Nominal accounts section			
Sales	N1		577 780
Cost of sales	N2	202 750	
Debtors allowances	N3	6 120	
Bad debts	N4	1 675	
Discount allowed	N5	4 270	
Discount received	N6		1 075
Stationery	N7	1 388	
Telephone	N8	4 450	
Water and electricity	N9	22 957	
Salaries	N10	152 043	
Interest on loan: R Masokameng	N11	11 000	
Income from commission	N12		100 000
		1 031 184	1 031 184

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. Two months' salary is outstanding.

2. The water and electricity account has been paid until 31 January 2018

3. A debtor with an account of R1 200 is declared insolvent. His estate paid a dividend of 40c in the rand and this was recorded. The balance must be written off. (No entry has been made for the bad debts part of this transaction.)

4. The member has decided to create a provision for bad debts at 5% of the debtors.

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5. Provide for depreciation as follows:

   Equipment at 10% p.a. on cost price
   Vehicle at 20% p.a. on diminishing balance

6. The member withdrew R5 000 of his membership contributions and no entry was made.

7. The loan from Masokameng was increased by R25 000 and correctly recorded on 1 November 2017. Make allowance for outstanding interest.

8. During the year extensions were done to the buildings. An invoice was received from the builder:

Extensions	R30 000
Repairs	R5 500

   The bookkeeper has erroneously debited the full amount to the land and buildings account.

9. The land and buildings were revaluated R10 000 above its cost price.

10. The income tax rate is 28%.

11. 10% of the member's contribution at year end paid to R. Masokameng.

REQUIRED

3.1 Prepare the statement of the profit/loss and comprehensive income for the year ended 28 February 2018. (28)

3.2 Prepare the statement of the changes in equity for the year ended 28 February 2018. Assume that the net profit for the year is R160 000. (7)

[35]

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QUESTION 4

The following information was obtained from the records of Malapane Ltd with the financial year end of June 2019:

EXTRACTS FROM THE STATEMENT OF THE FINANCIAL POSITION

	2019	2018
Ordinary share capital	4 575 000	4 155 000
Retained income	1 290 000	1 050 000
Mortgage bond: VSB bank	615 000	675 000
Land and buildings	4 706 700	4 680 000
Vehicle at cost	1 183 500	960 000
Accumulated depreciation on vehicle	313 500	210 000
Investment in fixed deposit	390 000	285 000
Trading inventory	532 500	675 000
Trade and other receivables	225 000	172 500
SARS (Income tax)	CR 22 800	Cr 135 600
Cash at bank	360 000	0
Petty cash	15 000	7 500
Trade and other payables	372 000	146 250
Shareholders for dividends	270 000	288 750
Bank overdraft	0	165 000

EXTRACTS FROM THE STATEMENT OF PROFIT/LOSS AND COMPREHENSIVE INCOME

	2019	2018
Net profit after tax	870 000	1 200 000
Income tax	780 000	1 050 000
Interest on loan	?	64 500
Depreciation	120 000	105 000

ADDITIONAL INFORMATION

1. The mortgage statement from VSB bank reflects the following:

Balance on 1 July 2018	675 000
Interest charged	?
Payments by Malapane Ltd to cover for loan and interest	(136 500)
Balance as at 30 June 2019	615 000

2. The vehicle with a cost price of R43 500 and accumulated depreciation of R16 500 at date of sale, was sold at book value.

3. Improvements were made to the office reception area.

4. Ordinary shares in issue at end of June 2018 were 1 031 250 shares.
   Ordinary shares in issue at the end of June 2019 were 1 125 000 shares.

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5. Interim dividends paid were 32 cents per share, while final dividends declared were 24 cents per share.

REQUIRED

4.1 Prepare the he cash flow statement for the year ended 30 June 2019. (16)

4.2 Prepare the reconciliation statement of the net profit before tax to cash generated from operations. (8)

4.3 Prepare the statement of taxation and dividends paid. (6)
[30]

QUESTION 5

5.1 Name and explain THREE types of reports that an external auditor can issue. (3 × 2) (6)

5.2 State THREE differences between an *internal audit* and an *external audit*. (3 × 2) (6)

5.3 State FOUR steps of the internal audit process. (4 × 2) (8)

5.4 Explain the following terms:

5.4.1 Compliance procedure (2)

5.4.2 Substantive procedure (2)

5.4.3 Internal control (4)

5.4.4 Audit evidence (2)
[30]

TOTAL: 200

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