



# higher education & training

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

N570(E)(N28)H  
**NOVEMBER EXAMINATION**  
**NATIONAL CERTIFICATE**  
**FINANCIAL ACCOUNTING N6**  
(4010216)

**28 November 2016 (X-Paper)**  
**09:00–12:00**

This question paper consists of 11 pages and answer book of 11 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

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**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
  2. Read ALL the questions carefully.
  3. Answer ALL the questions in the attached ANSWER BOOK.
  4. Write your EXAMINATION NUMBER and CENTRE NUMBER on every page of the attached ANSWER BOOK.
  5. Show ALL calculations in brackets, where applicable.
  6. Financial statements must be according to the 2015 Syllabus.
  7. Use only BLUE and BLACK ink.
  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 Owners of the company are those who hold ... shares.

- A preference
- B ordinary
- C cumulative preference
- D participating preference

1.1.2 Distributable reserves consist of ...

- A retained income.
- B revaluation surplus.
- C share capital.
- D capital redemption reserve fund.

1.1.3 According to the Companies Act is/are ... disclosable expense in the income statement.

- A salaries and wages
- B stationery
- C discount allowed
- D the director's fees

1.1.4 Goodwill is a ...

- A non-current asset.
- B non-current liability.
- C part of share capital.
- D part of reserves.

1.1.5 An entry on the credit side of an expense account can be as a result of ...

- A accrued expense.
- B payment of an expense.
- C prepaid expense.
- D increase in the expense account.

1.1.6 Contingent liability ...

- A is a liability where the amount is known.
- B is a liability where the amount can be estimated.
- C may be disclosed by way of a note.
- D may be disclosed in the balance sheet under current liability.

1.1.7 According to the accrual basis, the incomes are recognised when they are ...

- A received.
- B earned.
- C paid.
- D incurred.

1.1.8 Financial statements consist inter alia out of the ...

- A trial balance.
- B statement of the financial position.
- C statement of changes in equity.
- D cash receipt journal.

1.1.9 One of the characteristics of a company is ...

- A profits are distributed by way of dividends.
- B liabilities are unlimited.
- C it is not a legal entity.
- D auditing of financial statements is not compulsory.

1.1.10 A company with its name ending in 'limited' ...

- A is a legal entity.
- B must have a minimum of seven shareholders and the maximum is limited by its Memorandum and Articles of Association.
- C cannot offer shares to the general public but may offer shares to its directors.
- D A and B

(10 × 2) (20)

1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 A public company normally has the abbreviations, 'Pty Ltd', as part of its name.

1.2.2 All equity reserves can be distributed as cash dividends to shareholders.

1.2.3 Directors elect shareholders to manage a company on their behalf.

1.2.4 A limited company can only continue to exist for as long as the initial shareholders are alive.

1.2.5 Ordinary shares carry a fixed rate of dividend each year.

- 1.2.6 Holders of preference shares are normally allowed to vote at company meetings.
- 1.2.7 The financial accountability of the owner of a company is unlimited.
- 1.2.8 Ordinary dividends are always declared before preference dividends.
- 1.2.9 A company cannot issue more shares than it is authorised to do.
- 1.2.10 Redeemable preference shares can be bought by the company within its own right.

(10 × 2) (20)

1.3 Name and describe FIVE elements of financial statements. (5 × 2) (10)

1.4 Define the term *internal auditing*. (5)

1.5 Describe FIVE objectives of internal auditing. (5 × 2) (10)

1.6 Complete the following sentence by writing only the missing word(s) next to the question number (1.6.1–1.6.5) in the ANSWER BOOK.

The auditor must be (1.6.1) ... of the treasurer and (1.6.2) ... accountant, but be (1.6.3) ... to the (1.6.4) ... and requests of other elements of (1.6.5) ...

(5)  
[70]

## QUESTION 2

Complete the following table by calculating the missing amounts.

Participant	Transaction	Amount (VAT incl)	Amount (VAT excl)	VAT	Payable to SARS
Producer	Sells sugar cane to the processor	R11,40	2.1	2.2	2.3
Processor	Buys from producer	R11,40			
	Sells to manufacturer	R45,60	2.4	2.5	2.6
Manufacturer	Buys from processor	R45,60			
	Sells to retailer	R68,40	2.7	2.8	2.9
Total received by SARS					2.10

(10 × 2)

[20]

**QUESTION 3**

The following information relates to Capricorn Limited:

Balances at 31 December 2013

Issued share capital	??????
Equipment at cost	110 000
Vehicles at cost	105 600
Land and buildings at cost	756 800
Accumulated depreciation:	
Equipment	49 280
Vehicles	8 800
Bank (dr)	112 000
Inventory	228 800
Petty cash	2 000
Cash float	2 160
Accrued income	1 232
Trade debtors	154 000
Provision for bad debts	7 392
Income received in advance	12 760
Trade creditors	77 000
Accrued expenses	8 800
Provisional tax paid	96 800
Investment at cost	7 040
General reserve	13 200
15% loan from ABSA Bank	132 000
Retained income - 31 December 2012	189 200
Profit and loss account (before taking into account the information below)	528 000

**Additional information**

- The company was incorporated on 1 March 2000 with an authorised share capital of:  
550 000 ordinary shares of R1 each  
110 000 6% preference shares of R1 each
- The unissued share capital consists of:  
110 000 ordinary shares
- The investment consists of 3 520 shares at cost of R2 per share in Skhosana Ltd, (market value, R8 800)
- The general reserve must be increased by R15 400.

- The loan is secured by a first mortgage bond over land and buildings and is payable in equal instalments of R24 000 on 1 April and October each year.
- Provide for:
  - SA normal tax for the year, R180 400
  - Dividends on ordinary shares at 22 cents per share.

**REQUIRED**

- 3.1 Do the following calculations as at 31 December 2013:
- |       |  |      |
|-------|--|------|
| 3.1.1 | Total number and value of issued share capital | (9)  |
| 3.1.2 | Long-term borrowings                           | (4)  |
| 3.1.3 | Retained income                                | (8)  |
| 3.1.4 | Current liability                              | (10) |
| 3.1.5 | Trade and other receivable                     | (5)  |
| 3.1.6 | General reserve                                | (3)  |
- 3.2 Which financial statement can be drawn from the above information? (2)
- 3.3 Name the THREE elements of financial statements found in the statement mentioned in QUESTION 3.2 and give TWO examples of each element. (9)
- [50]**

**QUESTION 4**

The following is the trial balance of Mabotja CC for the year ended 30 June 2004:

	Dr	Cr
Members' contribution		45 000
Surplus with revaluation of land and buildings		2 500
Loan from members – Hamese		2 500
Loan to member – Muleya	5 000	
Mortgage bond: Nedbank (10%)		22 500
Land and buildings at valuation	30 500	
Furniture – cost	45 000	
Accumulated depreciation: furniture		20 000
Trading stock	15 000	
Debtors control	140 000	
Fixed deposit: TT Bank (15%)	25 000	
Creditors control		160 000
Receiver of revenue	25 000	
Bank	99 250	
Sales		900 000
Cost of sales	700 000	
Accounting officer – salary	2 000	
General expenses	6 000	
Advertisements	7 500	
Bad debts	2 000	
Rent paid – Muleya	11 000	
Office expenditure	8 000	
Salary and wages	25 000	
Salary – Hamese	15 000	
Travelling expenses	5 500	
Interest on fixed deposit		3 000
Interest on loan by member	250	
Interest on loan to member		500
Interest on mortgage bond	2 000	
Retained income (1 July 2003)		7 000



**Additional information**

- An amount of R1 250 was paid back on the loan from Hamese on 31 March 2004.
- Interest regarding loans to and from members is due at 10% per year.
- During the year, land and buildings were revalued at replacement value for R50 000 by P Galane, a sworn valuator. The land and buildings are located on site 442, Seshego and were purchased on 1 December 2002, for R27 500.
- Salaries and wages of R113 are still due, while rent paid of R500 were paid in advance.
- Debtors of R125 must be written off as irrecoverable.
- Create provision of 5% for bad debts.
- An amount of R2 500 was repaid on the mortgage bond on 1 May 2004.
- Provide for depreciation on furniture at 10% per annum on cost. Take note that furniture with a cost of R15 000 was sold for R12 500 on 30 October 2003. The accumulated depreciation of the furniture on date of sale was R2 000. This transaction has not yet been recorded.
- The provision for tax for the year is R55 000.

**REQUIRED****NB: ROUND OFF ALL AMOUNTS TO THE NEAREST RAND**

- |     |  |             |
|-----|--|-------------|
| 4.1 | Prepare the statement of comprehensive income for the year ended 30 June 2004. | (24)        |
| 4.2 | Do the note of transaction with members.                                       | (6)         |
|     |  | <b>[30]</b> |

**QUESTION 5**

The following information relates to Sako Limited.

**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2008**

	2008	2007
Land and buildings	1 350 000	1 380 000
Machinery	225 000	150 000
Cost price	600 000	450 000
Accumulated depreciation	375 000	300 000
Investment: Shares in Akhona Ltd	150 000	150 000
Current assets	480 000	495 000
Stock	150 000	270 000
Debtors	180 000	120 000
Cash	150 000	105 000
Current liabilities	360 000	150 000
Creditors	240 000	60 000
Shareholders for dividends	120 000	90 000

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 DECEMBER 2008**

Turnover	3 000 000	
Cost of sales	<u>1 650 000</u>	
Operating profit	645 000	
Profit on disposal of land	15 000	
Dividends received	15 000	
Profit before tax	675 000	
Taxation	300 000	
Net profit	375 000	
Dividends – paid	180 000	
– recommended	120 000	
Retained profit for the year	75 000	
Retained earnings at the beginning of the year	225 000	
Retained earnings at the end of the year	300 000	

**Additional information**

- No machinery was sold during the year. Machinery to the value of R90 000 was purchase to maintain operation.
- Operating profit was obtained after the following was taken into account:

Depreciation	R75 000
Interest paid	R60 000

**REQUIRED**

- 5.1 Prepare a statement of cash flow for the year ended 31 December 2008. (16)
- 5.2 Do the following notes:
- 5.2.1 Reconciliation of profit before tax with cash generated from operation (8)
- 5.2.2 Dividends and taxation (4)
- 5.2.3 Cash received from customers (2)
- [30]**
- TOTAL: 200**