



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

FINANCIAL ACCOUNTING N6

13 JUNE 2016

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QUESTION 1

- 1.1 1.1.1 • It is probable that economic benefits will flow to the entity.
• The cost or valuation of the asset can be measured reliably.
- 1.1.2 • It is probable that economic benefits will flow from the entity when an obligation is settled.
• The cost of the liability can be measured reliably.
- 1.1.3 An increase in future economic benefits related to an increase in an asset or decrease of a liability has arisen and can be measured reliably.
- 1.1.4 A decrease in future economic benefits related to a decrease in an asset or increase of a liability has arisen and can be measured reliably.
- 1.1.5 It is stock or any other security representing an ownership interest.
(5 x 2) (10)

1.2

	ITEMS	IS VAT CHARGED?	AT WHAT RATE?/ REASON FOR NOT CHARGING VAT?
1.2.1	Capital	No✓	VAT exempt✓
1.2.2	Interest on loan	No✓	VAT exempt✓
1.2.3	Water and electricity	Yes✓	14%✓
1.2.4	Rent paid	Yes✓	14%✓
1.2.5	Stationery	Yes✓	14%✓
1.2.6	Salaries and wages	No✓	VAT exempt✓
1.2.7	Interest on fixed deposit	No✓	VAT exempt✓
1.2.8	Bank charges	Yes✓	14%✓
1.2.9	Fruits	Yes✓	0%✓
1.2.10	Brown bread	Yes✓	0%✓

(10 x 2) (20)

- 1.3 1.3.1 Net sales: sales – debtors allowances
 $(114\,000 \times 100/114)✓✓ - (5\,700 \times 100/114)✓✓$
 $= 100\,000✓ - 5\,000✓$
 $= 95\,000✓$ (7)
- 1.3.2 Gross profit: Net sales – cost of sales
 $95\,000✓ - 30\,000✓$
 $= 65\,000✓$ (3)
- 1.3.3 Income from investment
 $2\,000✓ + 2\,500✓ = 4\,500✓$ (3)

- 1.3.4 Finance charges
 $1\,500\checkmark + 3\,000\checkmark = 4\,500\checkmark$ (3)
- 1.4
- Interest on debentures
 - Interest on loan
 - Depreciations
 - Directors' fees (4 x 1) (4)
- 1.5
- Listed
 - Unlisted (2)
- 1.6 Statement of comprehensive income (2)
- 1.7 To determine/show the financial performance of the business for the year ended (2)
- 1.8
- IFRS
 - IFRS for SME
 - SA GAAP (Any 1 x 2) (2)
- [58]**

QUESTION 2

- 2.1
- Profit companies are incorporated for the purpose of financial gain for its shareholders.
 - Non-profit companies are incorporated for public benefit. (2 x 2) (4)
- 2.2
- State-owned companies
 - Personal liability companies
 - Private companies
 - Public companies (4 x 1) (4)
- 2.3
- Board of directors
 - Shareholders entitled to exercise at least 10% of the voting rights on such resolutions (2 x 2) (4)

2.4	PUBLIC COMPANY	SOLE TRADER
2.4.1	• Capital is obtained by issuing shares to the public	• Owner contributes capital
2.4.2	• Profit is distributed among shareholders by declaring a dividend	• Owner takes/is entitled to all the profits
2.4.3	• Auditing is compulsory	• Auditing is optional
2.4.4	• Managed by at least three directors	• Managed by the owner
2.4.5	• Name must end with Limited (Ltd)	• No legal requirements with the name

(10 x 2) (20)

2.5	2.5.1	True
	2.5.2	True
	2.5.3	True
	2.5.4	False
	2.5.5	False
	2.5.6	False
	2.5.7	True
	2.5.8	True
	2.5.9	False
	2.5.10	True

(10 x 2) (20)
[52]

QUESTION 3

ZEE TRADERS CC
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
28 FEBRUARY 2014

Sales (230 155 -705)		√ √229 450
Less: Cost of sales		120 400
Gross profit		√109 050
Other income		6 620
Rent income	√5 300	
Discount received	√320	
Interest on loan to member	√1 000	
Operating income		√115 670
Less: Expenses		77 483
Discount allowed	√1 200	
Salary: I. Kune	√7 500	
Salaries and wages	√35 500	
Stationery	√2 800	
Water and electricity	√6 300	
Remuneration: Accounting officer	√2 860	
Interest on mortgage bond	√5 600	
Interest on loan: T. Mooki (375 + 1 125)	√√1 500	
Bad debts (1 430 + 300)	√√1 730	
Rent expense: T. Mooki	√800	
Telephone (730 + 81)	√√811	
Rates	√1 845	
Advertising	√1 390	
Bank charges	√77	
Depreciation (880 + 6 500)	√√7 380	
Provision for bad debts adjustment (1090 - 900)	√√190	
Net income before tax		38 187
Income tax		√(24 000)
Net profit for the period		√14 187

[30]

QUESTION 4

4.1

**MALEMA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013**

	NOTES		
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from clients		√605 570	
Cash paid to suppliers and employees		√483 226	
Cash generated from operations	4.2.1	√122 344	
Interest paid		√ (16 500)	
Dividends paid	4.2.2	√(27 000)	
Taxation paid	4.2.2	√(42 300)	
Net cash flow from operating activities			√36 544
CASH FLOW FROM INVESTING ACTIVITIES			
Improvement to land and buildings		√ (100 000)	
Proceeds from the sale of vehicle		√40 000	
Proceeds from the sale of machinery		√12 000	
Replacement vehicle		√√(54 000)	
Machinery bought		√ (46 000)	
Net cash flow from investing activities			√(148 000)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in issued share capital		√100 000	
Increase in long-term borrowings		√20 000	
Net cash flow from financing activities			√120 000
Net increase in cash			√8 544
Cash at the beginning of the period			23 208
Cash at the end of the period			31 752

(18)

4.2 4.2.1 **RECONCILIATION OF NET PROFIT BEFORE TAX TO CASH
GENERATED FROM OPERATIONS**

Net profit before tax		√97 182
Adjustment for:		
Interest paid		√16 500
Depreciation		√20 000
Profit on sale of assets		√ (6 000)
Operating profit before working capital changes		127 682
Working capital changes		(5 338)
Increase in stock	√(3 990)	
Decrease in trade and other receivables	√4 570	
Decrease in trade and other payables	√(5 918)	
Cash generated		√122 344

(8)

4.2.2 **TAXATION AND DIVIDENDS**

	TAXATION	DIVIDENDS
Amount payable at the beginning of the year	√(2 752)	√(12 000)
Amounts according to the statement of comprehensive income:		
Taxation expense	√(43 732)	
Dividends paid and proposed		√(30 000)
Amount payable at the end of the year	√4 184	√15 000
Amount paid	√42 300	√27 000

(8 x ½)

(4)

[30]

QUESTION 5

5.1	5.1.1	It is an independent investigation√ of activities in a business√ to obtain an overview of activities as a service to the management of the business.√ It is management control of other functions√ by means of measuring and evaluating the effectiveness of the other controls.√	(5)
	5.1.2	It is a system of controls√, financial or otherwise√ that is introduced by management√ to manage the business in an orderly way√ and to secure the assets.√	(5)
	5.1.3	These are used to test of the accounting system and are normally designed to test for monetary errors.	(2)
	5.1.4	These are methods designed to ensure that internal control systems are effective.	(2)
	5.1.5	Audit evidence comprises all source documents√ and accounting records√ that underlie financial information√ and all other information relevant to the auditor's investigation.√	(4)
5.2	<ul style="list-style-type: none"> • Unqualified opinion • Qualified opinion • Withholding of an opinion 	(3 x 2)	(6)
5.3	<ul style="list-style-type: none"> • To ensure that financial statements • are prepared according to the provision of IFRS and • are a fair representation of the organisation's financial position at a particular date and performance for the period ended. 	(3 x 2)	(6)
TOTAL:			200

[30]