



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL ACCOUNTING N6

30 November 2023

This marking guideline consists of 10 pages.

SECTION A**QUESTION 1**

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

(10 × 2) [20]

QUESTION 2

- 2.1 True
- 2.2 False
- 2.3 True
- 2.4 False
- 2.5 False

(5 × 2) [10]

QUESTION 3**3.1 VALUE-ADDED TAX (VAT)**

State ONE point why the government implemented VAT in South Africa.

- Additional source of revenue for the government/on a more regular basis
- To fund infrastructure/provision of public goods and services
- To provide for basic/essential services for the communities
- Finance public debts; maintain the large state-owned enterprises
- It is an indirect tax that is paid by all – easy and quick way to generate extra funds.

(2)

State ONE point why some products are zero-rated products.

- To make basic necessities affordable to indigent/poor communities/help them to live better (provide food)/they are cheaper (by the amount of VAT). Zero-rated items are regarded as essential items – consumed by all; should be accessible to all. (Any ONE valid explanation)✓✓

(2)

3.2

$$9\,450 + 61\,800 - 34\,500 - 1\,890 - 2\,520 + 1\,140 + 1\,380 = 34\,860$$
 OR

$$-9\,450 - 61\,800 + 34\,500 + 1\,890 + 2\,520 - 1\,140 - 1\,380 = -34\,860$$
 OR

$$9\,450 + 61\,800 - 34\,500 - 1\,890 - 2\,520 + 1\,140 + 1\,380 = 34\,860$$

✓ ✓✓✓ ✓✓✓ ✓ ✓✓✓ ✓ ✓ one part correct ☒✓✓

ignore sign on final answer

Output VAT: $61\,800 + 1\,140 + 1\,380 = 64\,320$
 $= 73\,770$
 Input VAT: $34\,500 + 1\,890 + 2\,520 = 38\,910$ Diff: 34 860

OR

VAT CONTROL*

34 500 ✓✓✓	9 450 ✓
<u>1 890</u> ✓	61 800 ✓✓✓
<u>2 520</u> ✓✓✓	<u>1 140</u> ✓
34 860 ☒ ✓✓	<u>1 380</u> ✓
73 770	73 770

Mark only ONE option.

Choose the option that benefits the candidate.

- * Amounts may be on opposite sides (mirror).
- * Underlined amounts may be in brackets, on the opposite side.

(16)
[20]**TOTAL SECTION A: 50**

SECTION B

QUESTION 4

4.1 Income tax paid

Workings

$$\begin{array}{r r r r}
 477\,900 & - & 63\,000 & - & 18\,000 \\
 \checkmark & & \checkmark & & \checkmark \\
 - & 477\,900 & + & 63\,000 & + & 18\,000
 \end{array}$$

one mark one mark one mark

Answer

☒ ✓ one part correct
R396 900

(5)

4.2 Dividends paid

Workings

$$\begin{array}{r r r r}
 195\,000 & + & 420\,000 & 1200\,000 \times 0,35 \\
 \checkmark & & \checkmark \checkmark & \\
 \text{OR: } 195\,000 + 792\,000 - 372\,000 \\
 - 195\,000 - 792\,000 + 372\,000
 \end{array}$$

brackets one mark one mark one mark

Answer

☒ ✓ one part correct
R615 000

(5)

4.3 Proceeds of shares issued

Workings

$$\begin{array}{r r r r}
 9\,300\,000 & - & 1\,860\,000 & - & 7\,724\,000 \\
 \checkmark & & \checkmark \checkmark \text{ 2 marks or 0} & & \checkmark
 \end{array}$$

300 000 x R6,20

1 860 000	9 300 000
7 724 000	284 000

Answer

☒ ✓ one part correct
R284 000

(6)

4.4 Fixed assets purchased

Workings

$$\begin{array}{r r r r}
 10\,658\,000 & - & 490\,000 & - & 408\,000 & - & 11\,835\,100 \\
 \checkmark & & \checkmark & & \checkmark & & \checkmark \text{ Choose one line only} \\
 \text{OR } 11\,835\,100 + 490\,000 + 408\,000 - 10\,658\,000
 \end{array}$$

10 658 000	408 000
2 075 100	490 000
	11 835 100

Answer

one part correct
R2 075 100 ☒ ✓

(6)
[22]

QUESTION 5

5.1 Personal liability companies✓✓ INC

- Auditing is compulsory.✓✓
- Company name must end with INCORPORATED or INC.
- Is regarded as a private company with personal liability applicable to the board of directors.
- Directors are jointly and severally liable for debts and liabilities of the company.

(Any 2 × 2)

Public company LTD

- The shares are available to the public.
- Transfer of shares is done any time to any individual.
- Company name must end with LIMITED or LTD.
- Minimum number of shareholders is 1.

Private company – (PTY) LTD

- The shares are not available to the public.
- Transfer of shares is limited by requiring permission of the shareholders.
- Company name must end with PROPRIETARY LIMITED or (PTY) LTD.

State-owned company – SOC

- Company name must end with 'STATE-OWNED COMPANY LIMITED SOC or LTD.
- Shares are owned in part or fully by the government.
- Enterprises are used by government to do business on their behalf.

(4 × 4) (16)

5.2 Public interest score is any interest any member of the public may have in the activities of a company.✓✓

It's calculated as the sum of:

- A number of points equal to the average number of employees of the company during the financial year✓✓
- One point for every R1 million in a third-party liability of the company at the financial year end✓✓
- One point for every R1 million in turnover at the financial year end✓✓
- One point for every shareholder or member of the company at the end of the financial year✓✓

(10)

5.3

- Type of a company
- Date of incorporation
- Company name
- Financial year-end
- A list of directors
- Names and details of incorporations
- Physical address of the main office or registered address

(Any 6 ×

2)

(12)

- 5.4 Disclosable cash flow items are business operating transactions that must be shown separately on the face of the statement of cashflow. (2)

Examples:

- Interest received
- Interest paid
- Dividends received
- Dividends paid
- Income tax paid

(Any 3 × 2) (6)

[46]

TOTAL SECTION B: 68

SECTION C

QUESTION 6

- 6.1 Unqualified✓

Reason:

- The financial statements fairly present the financial position.
- The external auditor has not stated any irregularities in the audit report.
- The audit report indicates that there were no issues that were found to be irregular.

(Any relevant reason)✓✓

(3)

- 6.2 Shareholders✓

Reason:

- The shareholders are the owners of the company (contributed the capital).
- The independent auditors are appointed by the shareholders at the AGM.

(Any relevant reason)✓✓

(3)

- 6.3 6.3.1
- The financial statements can be compared to international standards.
 - The company operates in a global economy.
 - Shareholders may be from various parts of the world.

(Any valid explanation)✓✓

- 6.3.2
- This assures the shareholders that the company is abiding by the law.
 - Standards are maintained.
 - This satisfies the shareholders that their investment is safe.
 - This creates investor confidence in the company.

(Any valid explanation)✓✓

6.4

INTERNAL AUDITING	EXTERNAL AUDITING
Audit is carried out by an employee of the business.	Audit is carried out by a professional practitioner acting as an independent contractor.
The primary aim is to meet the needs of management.	The primary aim is to meet the needs of third parties for reliable financial data
The work is primarily divided according to business functions and nature of management responsibilities.	The work is primarily divided in relation to statement of financial position and statement of comprehensive income accounts.
The auditor is directly involved in tracing and preventing fraud.	The auditor is mainly concerned with tracing and preventing fraud, particularly where it has a material effect on the financial statements
The auditor must be independent of the treasurer and chief accountants, but be subordinate to the needs and requests of other elements of management.	The auditor must be independent of management both in deed and in attitude.
The overview of the business activities is ongoing.	The investigation of the supporting data to the financial statements is periodical – usually once a year.

(5 × 2)

(10)

6.5

It helps the auditor assess the extent to which the organisation is accurate in recording its transactions and drawing up financial statements.✓✓ OR Is a test of accounting system and is normally designed to test for monetary errors.

We determine that all entries recorded in CPJ are valid by examining supporting documents.✓✓ OR that the extension of sales prices and units on sales invoice are correct. OR All transactions have been recorded and posted correctly in correct accounting period.

(4)

6.6

Prepared in accordance with the provisions of IFRS.✓✓
The statement prepared from the accounts fairly present the organisation's financial position, and the results of its financial operations.✓✓
OR
Examine the financial statements of a company and report to the shareholders whether the financial statements are a fair presentation of the financial position of the company.✓✓

(Two marks for each accurate and complete answer) (Any 3 × 2)

(6)

[30]

QUESTION 7

7.1

		ANSWER
(a)	780 000 – 600 000	180 000✓
(b)	$18\,000\checkmark - (6\,000\checkmark + 1\,350\checkmark\checkmark)$ $18\,000 - 12\,000 \quad 12\,000 \times 15\% \times 9/12$	☒ one part correct 10 650
(c)	Old/Remaining: $(280\,000 - 18\,000) - (70\,000 + 1\,350 - 7\,350)$ $= 262\,000 - 64\,000$ $= 198\,000\checkmark\checkmark \times 15\%$ $= 29\,700 \checkmark$ Sold: 1 350 ☒ (see b)	☒ one part correct 31 050

(11)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021		
Sales (3 345 000 – 9 920✓)		3 335 080
Less: Cost of sales (2 090 625 – 6 200✓)		(2 084 425)
Gross profit 3 marks	✓*	1 250 655
Plus: Income	✓*	130 290
Rent-income (126 224 – 10 304✓)	✓*115 920	
Provision for bad debts adjustment (13 050 – 10 480)	✓✓2 570	
Equipment hired from a member	5 200	
Discount received	3 800	
Interest income (2 200✓ + 600✓) 1 333,33 + 1 466,67 one mark each	✓* 2 800	
Operating income 6 marks		✓*1 380 945
Less: Expenses		✓* (729 403)
Rates and taxes	72 500	
Bad debts (9 450 + 8 360)	✓17 810	
Insurance (26 500 – 5 775✓)	✓* 20 725	
Salaries and wages (175 000✓ + 46 000✓ + 14 500✓ + 9 800✓)	✓*245 300	
Consumable goods	✓ 54 368	
Members' salaries	9 000	
Sundry expenses 10 marks	124 500	
Loss on sales of bags (5 700✓ + 51 200✓ + 12 800✓ – 56 600✓ – 3 600✓)	✓* 9 500	
Depreciation (138 000✓ + 31 050✓)	✓* 169 050	
Loss on asset disposal (10 650✓ see 7.1(b) – 4 000✓)	✓* 6 650	
Profit before interest expenses/Finance cost		651 542
Interest expense		✓* (51 542)
Profit before tax (Income tax × 30%)		✓ 600 000
Less: Income tax expenses		(180 000)
Total comprehensive income for the period: 6 marks		✓*420 000

- 7.3 (a)
- Tim is benefiting from a very low charge on an asset that is worth a lot more to the company and hence the shareholders are losing as a result of this transaction (a large loss was made on this disposal).
 - This sets a bad precedent for the company/misuse of his position as director; other employees might feel entitled to similar benefits.
 - The directors do not own the company; the shareholders are the owners of the company.
 - There are also tax implications – the director should be paying tax on this 'perk'.
 - The transaction was not transparent – no discussion/disclosure on the disposal in advance.
 - The asset was still of use to the company; the director had no right to take it. (Any one valid opinion)
- (Part-marks can be awarded for unclear or incomplete answer.)

- (b) Part-marks can be awarded for unclear or incomplete answer.
- The computer is already more than three years old and computers have a relatively short lifespan.
 - The computer is outdated; it will probably not be upgradeable.
 - The depreciation at 15% on carrying value for computers is unrealistic and should therefore have had a lower carrying value.

(Any one valid opinion)✓✓

(2 × 2)

(4)

[52]

TOTAL SECTION C: 82
GRAND TOTAL: 200