

General Studies
Financial Accounting
LEVEL (N6)
SAMPLE INTERNAL EXAM

Date
18 May 2020

Duration
3 hours

Total marks

200

Instructions

- 1 Answer ALL the questions.
- 2 Read ALL the questions carefully.
- 3 Number the answers according to the numbering system used in this question paper.
- 4 Write neatly and legibly.
- 5 Keep questions and sub-sections of questions together.
- 6 A non-programmable pocket calculator may be used.

QUESTION 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 – 1.10) in the ANSWER BOOK.

- 1.1 Calculate the amount of sales that will appear in the statement of comprehensive income.

Sales (VAT inc)	R114 000
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- A. R100 000
 - B. R99 130
 - C. R129 960
 - D. R112 000
- 1.2 Calculate the amount of dividends as it will appear in statement of changes in equity, if a dividend of 10 cents per share is declared on ordinary shares.

100 000 ordinary shares @ R2 each	R200 000
50 000 10% preference shares @ R3 each	R150 000
Retained income	R45 000

- A. R10 000
 - B. R20 000
 - C. R15 000
 - D. R25 000
- 1.3 Calculate the amount of retained income at 31 December 2018 using the information below.

Retained income (1 January 2018)	R35 000
Net profit before tax	R80 000
Transfer to general reserve (still to be made)	R5 000
Dividends declared	R3 000
Taxation	R15 000

- A. R110 000
 - B. R92 000
 - C. R107 000
 - D. R112 000
- 1.4 According to IFRS, the accrual basis must be used when preparing the financial statements. How much will be recorded as advertising in the statement of comprehensive income if R14 000 was paid for 14 months?
- A. R14 000
 - B. R4 000
 - C. R2 000
 - D. R12 000

1.5 How much will be the amount of share capital and reserves if Assets are R450 000 liabilities are R320 000?

- A. R130 000
- B. R770 000
- C. R320 000
- D. R450 000

1.6 Calculate the amount of loan to appear under non-current liability in the statement of financial position using the information below:

Financial year-end is 30 June 2016

Loan: ABSA (15%)	R170 000
Installment payable every six months	R20 000

The installment for 2016 has already been paid but not yet recorded.

- A. R155 500
- B. R160 000
- C. R180 000
- D. R195 000

1.7 How much will be recorded in the statement of financial position for vehicles, if the cost price is R250 000 and accumulated depreciation is R70 000?

- A. R250 000
- B. R320 000
- C. R180 000
- D. R70 000

1.8 How much will the income tax expense of Motswako Ltd be if the net profit before tax is R530 000?

- A. R159 000
- B. R65 088
- C. R74 200
- D. R148 400

The following information relates to QUESTION 1.9 and 1.10

Creditors control	R30 000
Accrued income	R14 000
Prepaid expense	R3 000
Income received in advance	R3 500
Shareholders for dividends/Dividends payable	R25 000
Bank (Dr)	R15 000

1.9 Use the information above to calculate the total current liability amount:

- A. R47 000
- B. R58 500
- C. R36 500
- D. R45 000

1.10 Use the information above to calculate the amount of current assets:

- A. R17 000
- B. R32 000
- C. R16 500
- D. R15 000

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QUESTION 2

2.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only "TRUE" or "FALSE" next to the question number (2.1.1 – 2.1.10) in the ANSWER BOOK.

2.1.1 Holders of ordinary shares are the owners of the company

2.1.2 Every business can register as a VAT vendor.

2.1.3 The name of companies owned by the state must end with SOC.

2.1.4 A share certificate is proof that one is a shareholder.

2.1.5 Reserved share capital refers to shares which were not issued.

2.1.6 Dividends are due and payable once they are declared.

2.1.7 The public interest score is determined by using a formula.

2.1.8 Preference shares have first preference on the profit of the company.

2.1.9 Statement of changes in equity shows the movements in the equities of the company.

2.1.10 The current tax rate for companies is 30%.

(10 x 2) (20)

- 2.2 Differentiate between a *profit company* and *non-profit company*. (4)
- 2.3 Differentiate between *statement of financial position* and *statement of comprehensive income*. (4)
- 2.4 Differentiate between *preference shares* and *ordinary shares*. (4)
- 2.5 Differentiate between *distributable reserves* and *non-distributable reserves*. (4)
- 2.6 Name and discuss four qualitative characteristics of good financial reporting. (8)
- 2.7 Name TWO elements of the financial statement found in the statement of comprehensive income. (2)
- 2.8 Name THREE elements found in the statement of financial position. (3)
- 2.9 Fill in the missing amounts:

Inclusive amount	Exclusive amount	VAT
R1 140	2.9.1	2.9.2
2.9.3	2.9.4	R700
2.9.5	R15 000	2.9.6
R26 220	2.9.7	2.9.8

(8 X 3)

(24)
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QUESTION 3

The following information was taken from the records of Mabotja Trading CC at 31 December 2017:

Members contribution	900 000
Retained income 1 January 2017	50 000
General reserve	15 000
Revaluation surplus	100 000
Creditors control	34 000
Distribution to members	80 000
Income received in advance	3 000
Loan to member: Mabotja	30 000
Loan from member	20 000
Loan: FNB (12%)	70 000
Prepaid expense	5 000
Debtors control	170 000
Petty cash	750
Cash float	450
Inventories	50 000
Bank (dr)	102 200
Land and buildings (at revaluation)/replacement amount	700 000
Vehicles (vehicle bought during the year, R20 000)	120 000
Accumulated depreciation: 31 December 2017 (Depreciation for the year, R12 000)	24 000
Furniture	73 000
Accumulated depreciation: 31 December 2017 (Depreciation for the year, R2 500)	13 000
Fixed deposit: Gupta Bank (15%)	100 000
Net profit for the year	42 400

3.1 Prepare the statement of financial position of Mabotja Traders at 31 December 2017.

3.2 Prepare the note for property, plant and equipment.

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QUESTION 4

The following information was taken from the books of Dihangwane Stores CC:

Extracts from the statement of comprehensive income for the year ended 31 October 2016

Net profit before tax	187 200
The following were taken into account when calculating net profit:	
Depreciation	8 000
Interest on loan to members	3 000
Interest on loan from members	2 500
Income tax	25 200
Distribution to members	30 000
Turnover	686 000

Extracts from the statement of financial position as at 31 December 2016

	2016	2015
Property, plant and equipment at net carrying value	860 000	552 000
Cost	940 000	624 000
Accumulated depreciation	(80 000)	(72 000)
Other financial assets	70 000	140 000
Loan to member	54 000	
Trade and other receivables	54 000	74 000
Inventory	95 200	83 200
Cash and Cash equivalents	50 000	-
TOTAL ASSETS	1 023 200	921 200
Trade and other payables	60 000	63 500
Loan from member	88 000	80 700
Bank overdraft		77 000
Taxation payable	75 200	60 000
Distribution to members	60 000	40 000
Reserves	300 000	
Member's contribution	600 000	600 000
TOTAL EQUITY AND LIABILITIES	1 023 200	921 200

Additional information

· Property, plant and equipment were bought during the year, R53 700 was to expand operations and R240 000 was revaluation. No asset was sold during the year.

REQUIRED:

4.1 Prepare the statement of Cash Flow for the year ended 31 October 2016.

4.2 Prepare the following notes and calculations:

4.2.1 Reconciliation of net profit before tax with cash generated from operations.

4.2.2 Taxation and distribution paid.

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QUESTION 5

5.1 Give FOUR differences between *internal auditing* and *external auditing*. (8)

5.2 Name and explain THREE types of external audit reports. (9)

5.3 Describe any FOUR objectives of internal auditing. (8)

5.4 Name the FOUR steps of the internal audit process. (8)

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GRAND TOTAL [200]