



EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

ACCOUNTING

6896/02

Paper 2

October/November 2020

Confidential

MARK SCHEME

{6896/02}

MARKS: 100

This document consists of **12** printed pages.

- 1 (a) Name and address of supplier/seller
 Name and address of customer/buyer
 Invoice number
 Date
 VAT
 Invoice price/ total amount owed
 Full details/description, quantities and prices of the goods supplied
 Trade discounts
 Terms of trade/payment
 Any other relevant point
- Do not accept:** "terms", "amount", "discount", name of supplier/customer without "address"
- Any four x 1 mark [4]
- (b) (i) So that Themba can make a profit/because he is in the same trade
 To encourage bulk buying
 Any one x 1 mark [1]
- (ii) E6000 x 15/100 = E900
 E6000 – E900 = E 5100 (1)
- Accept: 85% x 6000 = E5100 (1) / E6000 – E900 = E 5100 (1) [1]
 No mark without working
- (iii) Purchases (1)
 Sinenhlanhla (1) [2]
- (c) (i) E500 x 15/100 = E75
 E500 – 75 = E425 (1)
 E 5100 – E425 = E4675
 E4675 x 2/100 = E93.50 (1)OF
 E4675 – E93.50 = E4581.50 (1)OF
- Accept:**
 E6000 – E500 = E550
 E5500 x 85/100 = E825(1)
 E5500 – E825 = E4675
 E4675 x 2/100 = E93.50 (1)OF
 E4675 – E93.50 = E4581.50 (1)OF
 Accept any other relevant calculation [3]

(ii) Realisation (1)

Profit is only regarded as being earned when the legal title of goods or services passes from the seller to the buyer **(1)**. **OR**

Accept: Profit is only regarded as being earned when the legal title/ownership of goods or services changes hands from seller to buyer **(1)** **OR**

Profit is only regarded as being earned when the customer incurs the legal liability to pay for goods or services **(1)**

Any other relevant point

Award "0" for explanation for a wrong principle

Award "1" for correct explanation if principle is not stated.

[2]

[Total: 13]

2 (a) Motor vehicles account

			E				E
2018				2019			
May 1	Balance	b/d	<u>60 000</u> (1)	Apr 30	Balance	b/d	<u>60 000</u>
2019				Nov 1	Disposal		<u>60 000</u> (1)
May 1	Balance	b/d	60 000 (1)	2020			
Nov 1	Bank		<u>65 000</u>	April 30	Balance	c/d	<u>65 000</u>
			<u>125 000</u>				<u>125 000</u>
2020							
May 1	Balance	b/d	65 000 (1)				

+ 1 for dates OR Award + 1 for dates if 2019 is not balanced
 Accept Balance b/d OR Balance OR Bal b/d for accounts balanced correctly

[5]

(b) Ayabonga
Provision for depreciation account - motor vehicles

			2018				2018
2019				2018			
April 30	Balance	c/d	21 600	May 1	Balance	b/d	12 000 (1)
				2019			
			<u>21 600</u>	April 30	Income statement		<u>9 600</u> (1)
							<u>21 600</u>
2019				2019			
Nov 1	Disposal		25 440	May 1	Balance	b/d	21 600 (1)/OF
2020				2020			
April 30	Balance	c/d	<u>6 500</u>	April 30	Income statement		<u>10 340</u>
			<u>31 940</u>				<u>31 940</u>
				2020			
				May 1	Balance	b/d	6 500(1)/OF

+ 1 for dates

Accept Balance b/d OR Balance OR Bal b/d for accounts balanced correctly

[5]

Workings box

Depreciation calculation:

Old motor 20% x (60 000 - 21 600) x 6 months = 3 840 (1)

New motor 20% x 65 000 x 6 months = 6 500 (1)

Depreciation for the year 10 340

Disposal of old motor

Accumulated depreciation of old motor = 12 000

Depreciation for year ended 30 April 2019: 20% x (60 000 - 12 000) = 9 600(1)

Depreciation for year ended 30 April 2020: 20% x (60 000 - 12 000 - 9600)
x 6 months =Depreciation for disposed motor 3 840(1)OF

25 440

OR

Accumulated depreciation for old motor = 21 600(1)

Depreciation for year ended 30 April 2020: 20% x (60 000 - 12 000 - 9600)
x 6 months =Depreciation for disposed motor 3 840(1)OF

25 440

[9]

		Ayabonga	
		Asset Disposal account - motor vehicle	
2019			2019
Nov 1	Motor vehicle	60 000 (1)	Nov 1 Simo 40 000(1)
2020			
Apr 30	Income statement/profit (1)	<u>5 440(1)OF</u>	Nov 1 Prov for Dep <u>25 440(1)OF</u>
		<u>65 440</u>	<u>65 440</u>

(1) Mark for whole line

No mark for income statement figure **OF**, if there is an item missing

2020, Apr 30 income statement/ profit (1)
5 440(1)OF

If provision for depreciation calculated from the working box differs from the amount entered in the provision for depreciation account; "Take amount from the account".

Credit side, award (1) for second entry if date is written/ not written for the first entry [5]

(d) Revaluation method (1)

The value of the asset at the beginning of the each year is compared with the value of the asset at the end (1). The amount by which the value has decreased is the depreciation for the year (1).

Award "0" for explanation for a wrong method of depreciation

Award "0" for 'It is a method of calculating depreciation for non-current assets of low value'

Award "1" for correct explanation if method of depreciation is not stated.

[3]

[Total: 22]

- 3 (a) To ensure that transactions are not forgotten/ overlooked
 To enable the preparation of financial statements/ income statements and statement of financial position
 Full details are available about the assets, liabilities/revenues and expenses
 The preparation of financial statements is relatively straightforward
 The calculation of the profit or loss for the year is likely to be more accurate/ not exaggerated or understated
 More informed decision-making is possible **Do not accept** find/locate fraud
 A greater degree of control can be exercised over business activities
 The possibility of fraud is reduced
 Comparisons with the results of previous years and other businesses are possible/
 monitor progress/ see if business is doing well or making profit;
 Detailed records are available for reference purposes
 Information required by a bank or other lender is readily available/ any point related to users of accounting information
 Or other suitable reasons

Any four x 1 mark

[4]

(b) Calculation of sales

Receipts from trade receivables	44 500 (1)
Less opening trade receivables	<u>13 200</u>
	31 300
Add closing trade receivables	<u>14 700 (1)</u>
	46 000
Add discount allowed	<u>800 (1)</u>
	46 800
Add irrecoverable debts	<u>400 (1)</u>
Total sales	<u>47 200 10F</u>

OR

		Total trade receivables		
Balance	b/d	13 200	Bank	44 500 (1)
Sales		47 200 10F	Discount	800 (1)
			Irrecoverable debts	400 (1)
			Balance c/d	<u>14 700 (1)</u>
		<u>60 400</u>		<u>60 400</u>

Calculation of purchases

Payments to creditors	32 400 (1)
Less opening trade payables	<u>15 480</u>
	16 920
Add closing trade payables	<u>12 800 (1)</u>
	29 720
Add discount received	<u>1 200 (1)</u>
	30 920
Add returns	<u>480 (1)</u>
Credit purchases	31 400 (1)
Add cash purchases	<u>5 590 (1)</u>
Total purchases	<u><u>3 6990</u> 1OF</u>

Or

	Total trade payables		
Bank	32 400 (1)	Balance b/d	15 480
Discount received	1 200 (1)	Purchases	31 400 (1)
Returns	480 (1)		
Balance c/d	<u>12 800 (1)</u>		
	<u>46 880</u>		<u>46 880</u>

$$E31\ 400 + E5590\ (1) = E36\ 990\ (1)$$

Accept any format used to calculate sales/purchases, including figures only

For ledger account do not penalize candidates for wrong headings and sides. Award marks for reversed entries

Award **2OF** for correct total purchases if cash purchases are incorporated in the ledger account

Award **OF** if all entries are entered

Do not award **OF** if there is an alien [12]

(c)	Sales		E47 200(1)OF
	Less: cost of sales:		
	Opening inventory	8 700	
	Purchases	36 990(1)OF	
	Less returns	<u>480(1)</u>	36 510
		45 210	
	Closing inventory	<u>7 450</u>	
	Cost of sales		<u>37 760 (1)OF</u>
	Gross profit		<u>9 440 (1)OF</u>

NO OF mark for cost of sales if calculation left some entries [5]

- (d)** Increased rate of trade discounts on sales
 Selling goods at cheaper prices/lower sales price
 Not passing on increased costs to customers
 Higher purchase cost/expensive goods/higher cost of sales/ increase in customs duties or carriage inwards/ decrease in purchases returns
 Lower sales/fall in demand for goods and services/ different sales mix/ increased sales returns/ holding seasonal sales
 Lower rate of trade discounts received from suppliers

Any other relevant point

Any four x 1 mark

[4]

- (e)** To know the gross profit earned**(1)** for every E100 of sales**(1)**. **Award “0”** for %/percentage of sales

To compare with gross profit margin of previous years**(1)** and take corrective measures**(1)**

To compare the gross profit margin with other businesses **(1)** from the same industry**(1)**

Helps businesses to set prices**(1)** for goods and services**(1)**

To determine if the business is able to control the cost of sales**(2)**

Any one x 2 marks

[2]

[Total: 27]

4 (a)

Bhekiwe

Corrected Statement of Financial Position as at 31 August 2020

	E Cost	E Accumulated depreciation	E Net book value
Non current assets			
Motor vehicle	82 000	7 000	75 000 (1)
Kitchen equipment	<u>23 375</u>	<u>3 375</u>	<u>20 000(1)</u>
	<u>105 391</u>	<u>10 375</u>	95 000
Current assets			
Inventory		15 850 (1)	
Trade receivables (17 200 – 2500(1))	14 700		
Less Provision for doubtful debts	<u>500(1)</u>	14 200	
Prepayment		<u>250 (1)</u>	<u>30 300</u>
			<u>125 300</u>
Capital			
Capital			75 000
Add profit for the year (14 570 + 800(1) + 700(1) – 2070(1) – 500(1))			<u>13 500</u>
			88 500
Less drawings (5000 + 800)			<u>5 800 (1)</u>
			82 700
Non current liabilities			
Bank loan			24 300(1)
Current liabilities			
Trade payables (15 600 - 2500)		13100 (1)	
Bank overdraft		<u>5 200 (1)</u>	<u>18 300</u>
			<u>125 300</u>

OR

Bhekiwe
Corrected Statement of Financial Position as at 31 August 2020

	E Cost	E Accumulated depreciation	E Net book value
Non current assets			
Motor vehicle	82 000	7 000	75 000 (1)
Kitchen equipment	<u>23 375</u>	<u>3 375</u>	<u>20 000(1)</u>
	<u>105 391</u>	<u>10 375</u>	95 000
Current assets			
Inventory		15 850 (1)	
Trade receivables (17 200 – 2500 (1))	14 700		
Less Provision for doubtful debts	<u>500(1)</u>	14 200	
Prepayment		<u>250 (1)</u>	
		30 300	
Current liabilities			
Trade payables (15 600 - 2500)	13100 (1)		
Bank overdraft	<u>5 200 (1)</u>	<u>18 300</u>	
Working capital			<u>12 000</u>
			<u>107 000</u>
Financed by			
Capital			75 000
Add profit for the year (14 570 + 800 (1) + 700 (1) – 2070 (1) – 500 (1))			<u>13 500</u>
			88 500
Less drawings (5000 + 800)			<u>5 800(1)</u>
			82 700
Non current liabilities			
Bank loan			<u>24 300(1)</u>
			<u>107 000</u>

Accept any other suitable format, **do not accept** format used to present data

Award **(1)** for whole line and correct presentation of sub headings except for the non-current liability

Award marks for working done on the data/adjusted amounts without working **[14]**

- (b)**
- to ascertain the value of the assets and liabilities/ **(1)** of the business at a particular date **(1) NOT** trading period.
 - to use as a proof of the worth of his business**(1)** when sourcing funds**(1)**
 - to use as a proof/reference of the worth of his business **(1)** when selling the business. **(1)**
 - Any suitable point explained

Any one x 2 marks

[2]

[Total: 16]

5 (a) WXY Limited
Statement of Changes in Equity for the year ended 30 June 2020

Details	Share capital E	General reserve E	Retained earnings E	Total E	
Balance at 1 July 2019	300 000	25 000	8 000	333 000	(1)
Profit for the year			34 700	34 700	(1)
Dividend paid			(5 000)	(5 000)	(1)
Transfer to general reserve		15 000	(15 000)		(1)
Balance at 30 June 2020	300 000	40 000	22 700(1)	362 700(1)	

[6]

- (b) The liability of shareholders for debts of the business is limited to the amount they agreed to contribute to the capital of the business /
Shareholders are only liable for the amount equal to the value shares contributes to settle company debts
Do not accept 'members' or 'partners' in place of shareholders
Accept any relevant point

[1]

(c)

Public limited company	Private limited company
1. Can sell shares to the general public/listed or advertised on stock exchange	2. Not allowed to sell shares to the general public/sold privately/ not listed on stock exchange/to friends and relatives
2. Must have at least 2 directors	3. Must have at least 1 director
3. Shares are freely transferable on stock exchange/restricted	4. Shares are not freely transferable/shares cannot be sold without the consent of other shareholders
4. Accounts are published annually	5. Not obliged to publish annual accounts
5. The name ends with PLC/ Ltd	The name ends with (Pty) Ltd
6. Maximum number of shareholders is infinite	Maximum number of 50 shareholders

Accept first point if candidate contrasts two different points as one
Do not accept small versus big if not qualified by number of shareholders, number of employees, amount of share capital
Do not accept "members" and "partners" instead of shareholders
Accept any other relevant point
Any three x 2 marks

[6]

(d)

Preference Shares	Ordinary Shares
1. Dividend is fixed	1. Dividend varies/depends on profits
2. Dividends are paid before ordinary share dividends	2. Dividends are paid after preference share dividends
3. Shareholders have no voting rights	3. Shareholders have voting rights
4. Shareholders are paid before ordinary shareholders if company liquidates	4. Shareholders are paid after preference shareholders if company liquidates

Accept any other relevant points
Any two x 2 marks

[4]**(e) (i)** Long term loan **(1)** which has a fixed rate of interest. **(1)**

Do not accept 'liability' or 'finance' instead of loan

[2]**(ii)** $5/100 \times \text{E}50\,000$ = E2500 **(1)****[1]****(f)** 1 Relevance **(1)**2 Understandability **(1)****[2]****[Total: 22]**