



EXAMINATIONS COUNCIL OF ESWATINI  
Eswatini General Certificate of Secondary Education

CANDIDATE  
NAME

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CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**6896/02**

Paper 2

**October/November 2019**

**1 hour 45 minutes**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your candidate name, Centre number and candidate number on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in the Question Paper are fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
1	
2	
3	
4	
5	
<b>Total</b>	

This document consists of **15** printed pages and **5** blank pages.

- 1 Zitsile started a business on 1 April 2018. Zitsile buys and sells goods on cash and credit basis. She values inventory at the end of each financial year.

The following transactions took place during the first four months of trading.

Date	Goods bought	Goods sold
April	100 @ E20 each	
May		80
June	230 @ E25 each	
July		180

### REQUIRED

- (a) Complete Zitsile's inventory record cards using the first in first out (FIFO) and the average cost (AVCO) methods.

- (i) FIFO method

Date	Goods bought	Goods sold	Balance E
April	100 @ E20 each		2000
May		80	..... (1)
June	230 @ E25 each		..... (1)
July		180	..... (1)

[3]

- (ii) AVCO

Date	Goods bought	Goods sold	Average cost per unit E	Number of units of inventory	Balance E
April	100 @ E20		20	100	2000
May		80	20	20	..... (1)
June	230 @ E25		..... (1)	250	..... (1)
July		180	..... (1)	..... (1)	..... (1)

[6]

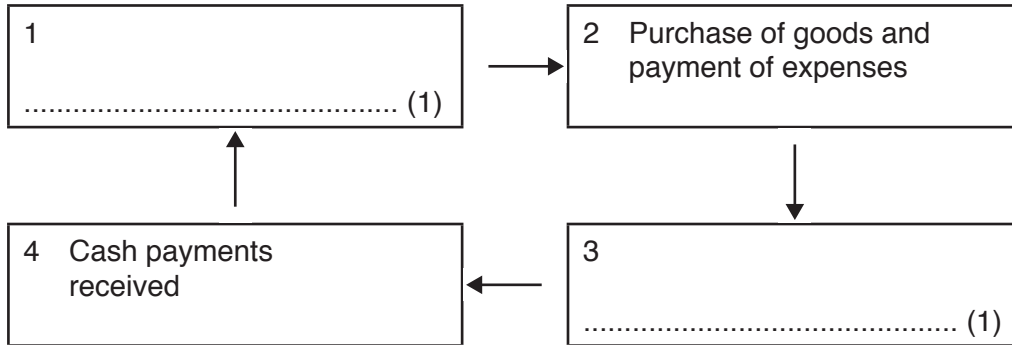
Zitsile is hoping to improve her cash flow in the business.

**REQUIRED**

**(b) (i)** Explain what is meant by cash flow.

.....  
..... [2]

**(ii)** Complete the following cash flow cycle.



[2]

**(iii)** State whether stage 1 and 3 in Zitsile’s cash flow cycle are an inflow or outflow.

Stage	Inflow/outflow
1	..... (1)
3	..... (1)

[2]

**(iv)** Suggest **three** ways of improving Zitsile’s cash flow.

- 1 .....
- 2 .....
- 3 ..... [3]

**[Total: 18]**

2 Bezile buys goods on a cash basis from suppliers and sells on cash and credit basis.

Extracts from the debit and credit sides of the cash book are shown for the month of September 2019.

Cash book debit side

Date	Receipts	Discount	Cash	Bank
2019 Sept 1	Balance b/d	E	E	E 4 000
5	Bank		2 000	
10	Monti	125		5 775
12	Sales			15 500
16	Sales		4 500	
20	Office equipment			2 500
30	Balance c/d			825
		<u>125</u>	<u>6 500</u>	<u>28 600</u>
Oct 1	Balance b/d		400	

Cash book credit side

Date	Payments	Discount	Cash	Bank
2019 Sept 2	Rent	E	E	E 3 800
5	Cash			2 000
17	Fixtures and fittings			7 100
23	Drawings			6 200
25	Office furniture		6 100	
27	Purchases			9 500
30	Balance c/d		400	
			<u>6 500</u>	<u>28 600</u>
Oct 1	Balance b/d			825

**REQUIRED**

- (a) (i) Explain the meaning of **each** of the following transactions which appeared in Bezile's cash book.

One has been completed as an example.

2019

Sept 16                      *Sales*

*Received cash for goods sold*

Sept 5 Cash and bank

.....

.....

Sept 10 Monti

.....

.....

Sept 20 Office equipment

.....

.....

Sept 23 Drawings

.....

.....

Oct 1 Cash balance

.....

.....

Oct 1 Bank balance

.....

.....

[10]

- (ii) State the section of the statement of financial position where the cash book closing balances will be shown.

Cash balance .....

Bank balance ..... [2]

- (b) Identify **one** example of a capital receipt, revenue receipt, capital expenditure and revenue expenditure from Bezile's cash book.

Capital receipt	Revenue receipt	Capital expenditure	Revenue expenditure
.....	.....	.....	.....

[4]

The following transactions were discovered to have been incorrectly treated in Bezile's books of accounts.

- 1 A computer bought on credit from Yee Woods for resale, E4000, was only recorded in Yee Woods's account in the ledger.
- 2 A cheque received from Monti, E 5775, a trade receivable was recorded in Mondli's account.
- 3 A bad debt written off, E380, was recorded as E830 in the books of accounts.
- 4 A credit sale of an old office desk, E560 at book value, to Mazwi was correctly entered in the subsidiary book but posted to the sales account in the ledger.
- 5 Purchases, E9500, were correctly recorded in the cash book but posted to the purchases account as E5900.

**REQUIRED**

- (c) (i) State whether **each** error caused the profit for the year to increase or decrease and state the amount. If the error did not affect the profit write "no effect".

The first one has been completed as an example.

Error 1: *No effect*

Error 2 .....

Error 3 .....

Error 4 .....

Error 5 ..... [4]

(ii) Complete the table to show the effect on the assets of **correcting each** error.

State whether the assets would increase or decrease and give the amount. If the assets are not affected write "no effect".

The first one has been completed as an example.

Bezile

Statement of corrected net assets at 30 September 2019

Assets at 30 September 2019		E
		33 000
<i>1</i>	<i>Effect increase</i>	<i>4000</i>
2	.....	
3	.....	
4	.....	
5	.....	
Net assets		..... [5]
		<b>[Total: 25]</b>

- 3 Mzee is a manufacturer. His financial year ends 31 July. He manufactures furniture and sometimes buy furniture from other manufactures.

**REQUIRED**

- (a) State **two** reasons why Mzee sometimes buy furniture from other manufacturers.

1 .....

.....

2 .....

..... [2]

Mzee provided the following information on 31 July 2019 **after** preparing the manufacturing account.

	31 July 2019
	E
Inventory of finished goods 1 August 2018	38 000
Revenue	180 000
Production cost of completed goods	73 100
Purchases of finished goods	13 400
Office rates	15 600
Office insurance	10 000
Factory machinery cost	86 000
Office equipment cost	56 000
Cash and bank	13 200
Wages of office and sales staff	8 390
Trade receivables	43 000
Trade payables	40 200
Capital	?

Additional information

- Provision for depreciation: 01/08/2018
 

factory machinery	30 000
office equipment	7 500
- Inventory 31 July 2019
 

Raw materials	E15 700
Work in progress	E10 110
Finished goods	E32 000
- Depreciation on office equipment is charged at 10% per annum on net book value.

Factory machinery depreciation charged in Mzee manufacturing account was E14 400.





(c) Draw up Mzee’s statement of financial position as at 31 July 2019, showing working capital.

Mzee  
Statement of Financial Position as at 31 July 2019

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[10]  
**[Total: 20]**





**(b)** Write up Sisa's current account for the year ended 30 June 2019.

Balance the account and bring down the balance on 1 July 2019.

Sisa  
Current account

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..... [5]

**(c)** State the meaning of Nkosi and Sisa's current accounts balances at 1 July 2018.

Nkosi .....

.....

Sisa .....

..... [2]

Nkosi made a loan to the partnership of E10 000.

**REQUIRED**

**(d)** State how this loan would be recorded in the books of the partnership.

Account debited	Account credited
.....	.....

[2]

**[Total: 15]**

5 Sibusile is a sole trader. His financial year ends on 31 August. On 28 February 2016 Sibusile was concerned about the business's working capital.

The following information was available on 28 February 2016.

	E
Trade payables	25 000
Trade receivables	24 000
Drawings	4 700
Inventory	6 500
Bank overdraft	4 900
Cash	300

**REQUIRED**

(a) (i) State the meaning of the term working capital.

.....  
 ..... [1]

(ii) Calculate Sibusile's working capital at 28 February 2016. Show your workings.

.....  
 .....  
 .....  
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 .....  
 ..... [3]

(iii) Suggest **three** problems Sibusile could face because of a shortage of working capital.

1 .....  
 .....  
 2 .....  
 .....  
 3 .....  
 ..... [3]

(iv) Suggest **three** ways in which Sibusile could improve his working capital.

- 1 .....
- .....
- 2 .....
- .....
- 3 .....
- ..... [3]

Sibusile maintains a provision for doubtful debts of 5% of the trade receivables at the end of each financial year.

The following balances were taken from Sibusile's books.

Trade receivables:	31 August	2016	E32 000
	31 August	2017	E50 000
	31 August	2018	E40 000

**REQUIRED**

(b) (i) State the meaning of doubtful debts.

- .....
- ..... [1]

- (ii) Prepare Sibusile’s provision for doubtful debts account for the three years ended 31 August 2016, 2017 and 2018. Balance the account at the end of each year and bring down the balance.

Sibusile  
Provision for doubtful debts account

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 ..... [7]

- (iii) State **one** reason why Sibusile increased his provision for doubtful debts.  
 .....  
 ..... [1]

- (c) Name and explain **one** accounting concept applied by Sibusile when maintaining the provision for doubtful debts account.  
 Concept .....  
 Explanation .....  
 ..... [3]

**[Total: 22]**









