



EXAMINATIONS COUNCIL OF SWAZILAND  
Swaziland General Certificate of Secondary Education

CANDIDATE  
NAME

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CENTRE  
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NUMBER

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**ACCOUNTING**

**6896/01**

Paper 1

**October/November 2018**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name 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 correction fluid.

You may use a calculator.

Answer **all** questions.

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.

At the end of the examination, fasten all your work securely together.

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 **19** printed pages and **1** blank page.

1 For each of the following questions (a) to (j) choose the response which you consider to be the correct answer and write the letter in the box to indicate the correct answer.

(a) What is the accounting equation?

- A assets = capital - liabilities
- B assets = capital + liabilities
- C capital = assets + liabilities
- D liabilities = assets + capital

[1]

(b) What would a trader classify as drawings?

- A cash withdrawn from bank for office expenses
- B cash withdrawn from bank for petty expenses
- C cash withdrawn from bank for the trader's business expenses
- D cash withdrawn from bank for the trader's personal expenses

[1]

(c) On 1 August the bank column in Jekwa's cash book showed a credit balance of E200.

The following transactions took place in August.

Cash sales E1400, were paid directly into the bank  
E50 was withdrawn from the bank for office use

What was the balance on the bank column of Jekwa's cash book on 1 September?

- A E1150 Credit
- B E1150 Debit
- C E1550 Credit
- D E1550 Debit

[1]

(d) Which is a current liability for a business?

- A accrued interest charged on loan from bank
- B eight year loan from bank
- C insurance premium prepaid
- D provision for depreciation of non-current assets

[1]

(e) A trader made the following payments.

	E
Purchase of property	400 000
Legal fees on purchase of property	4 000
Cost of insuring the property	10 500

What was the total capital expenditure?

- A E400 000
- B E404 000
- C E410 500
- D E414 500

[1]

(f) Abethu purchased a machine costing E25 000 on 1 January 2016. He charged depreciation at a rate of 40% per annum on the net book value at the end of each year.

How much depreciation was charged to the income statement for the year ended 31 December 2017?

- A E 6 000
- B E 9 000
- C E10 000
- D E16 000

[1]

(g) A business withdrew E200 cash from the bank for office use. How was this transaction recorded?

- A debit bank                      credit cash
- B debit cash                        credit bank
- C debit drawings                credit bank
- D debit drawings                credit cash

[1]

(h) What is included in the profit and loss appropriation account of a partnership?

	Interest on partners' capital	Interest on partners' loans	Partners' drawings	Interest on partners' drawings
<b>A</b>	✓	✓		✓
<b>B</b>	✓		✓	
<b>C</b>	✓			✓
<b>D</b>		✓	✓	✓

[1]

(i) What is the purpose of depreciating a non-current asset?

- A** to estimate the length of the asset's useful life
- B** to estimate the value of the asset at the end of its useful life
- C** to provide money to replace the asset at the end of its useful life
- D** to spread the cost of the asset over its useful life

[1]

(j) Dada owed Phakade E1000. On 30 September he paid 90% of the amount due. Phakade wrote off the remaining amount as a bad debt.

What entries did Phakade make to write off the bad debt?

	Account to be debited	E	Account to be credited	E
<b>A</b>	Dada	100	bad debts	100
<b>B</b>	Dada	900	bad debts	900
<b>C</b>	bad debts	100	Dada	100
<b>D</b>	bad debts	900	Dada	900

[1]

**[Total: 10]**

2 Nceba, a trader, keeps a petty cash book using the imprest system.

**REQUIRED**

(a) (i) State the source document used for petty cash transactions.

..... [1]

(ii) State **two** reasons why Nceba maintains a petty cash book.

1 .....

.....

2 .....

..... [2]

(iii) Explain the term imprest system.

.....

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..... [2]

Nceba maintains a petty cash using the imprest system. The imprest amount of E500 is restored on the last day of each month. She provided the following information.

2018		E
July 1	Balance of petty cash book	500
5	Bought postage stamps	30
8	Paid travelling expenses	40
10	Bought cleaning material	55
15	Paid for envelopes	20
18	Cleaners' wages paid	80
20	Bus fares paid	25
24	Paid for parcel postage	50
30	Bought printing paper	70
31	Imprest restored	?

**REQUIRED**

**(b)** Write up Nceba's petty cash book for the month of July 2018.



(c) (i) State where double entry would be made for the item in the petty cash book on 31 August restoring the imprest amount.

..... [2]

(ii) Show the entries which would be made in the following accounts on 31 August 2018.

Cleaning account

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

Postages account

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

**[Total: 19]**





- 3 Simile is a trader who buys and sells goods on both cash and credit terms. She allows 20% trade discount to her customers.

The following invoices were issued by Simile to credit customers during the month of June 2018.

Date	Name of customer supplied	List price E
June 2	M. Mabuza	2000
6	B. Bongwe	400
9	M. Mabuza	800
12	T. Thusi	900
19	B. Bongwe	600

The following credit notes were issued by Simile to credit customers during the month of June 2018.

Date	Name of customer	List price E
June 16	B. Bongwe	150
28	M. Mabuza	320

**REQUIRED**

- (a) Record Simile's transactions above in the sales journal and sales returns journal. Total the journals and indicate the ledger account to which the total would be posted.

(i) Simile  
Sales Journal

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..... [6]

(ii)

Simile  
Sales Returns Journal

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..... [3]

(iii) Write up M. Mabuza's account in Simile's books. There was no balance on the account on 1 June 2018.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 July 2018.

Where a three column running balance account is used the balance column should be updated after each entry.

Simile  
M. Mabuza account

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..... [3]

Simile updates her cash book using various source documents.

**REQUIRED**

- (b) Identify any **three** source documents Simile would use to record transactions in the cash book.

Cash Book Source documents	
1	
2	
3	

[3]

Simile provided the following information for the month ended 31 July 2018.

	E
Trade receivables at 1 July 2018	1 150
Total revenue: credit	15 200
cash	5 600
Sales returns	750
Cheques/cash received from credit customers	8 400
Discount allowed to credit customers	650
Dishonoured cheque	2 800
Bad debts	1 060
Provision for doubtful debts	560
Sales ledger balances set off against purchases ledger balances	880

**REQUIRED**

- (c) (i) Prepare Simile's sales ledger control account for the month ended 31 July 2018.

Balance the account and bring down the balance on 1 August 2018.

Simile  
Sales Ledger Control account

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..... [8]

**(ii)** State the amount and section of the statement of financial position on 31 July 2018 where the balance of the sales ledger control account will be entered.

Amount .....

Section ..... [2]

**[Total: 25]**

- 4 Magwegwe operates a retail outlet specialising in hair products. His financial year ends on 30 September.

Magwegwe provided the following information about his Inventory on 30 September 2018.

Product	Quantity (units)	Cost price per unit E	Selling price per unit E
Straight hair	20	50	80
Blonded hair	30	65	60
Light n shiny	60	90	100
Freely hair	15	75	60

**REQUIRED**

- (a) State the basis on which Magwegwe should value his inventory.

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

- (b) Calculate the value of Magwegwe’s inventory at 30 September 2018. Show your workings.

.....  
 .....  
 .....  
 .....  
 .....  
 .....  
 .....  
 ..... [5]

(c) State and explain **three** methods of inventory valuation.

Method 1 .....

Explanation .....

.....

.....

Method 2 .....

Explanation .....

.....

.....

Method 3 .....

Explanation .....

.....

..... [6]

Magwegwe provided the following information on 30 September 2018.

	E
Non current assets	43 570
Current assets	18 700
Non current liabilities	5 000
Current liabilities	8 900

Additional information

Cash E300 taken by Magwegwe for own use was completely omitted in the books..

**REQUIRED**

(d) Calculate Magwegwe's working capital as at 30 September 2018. Show your workings.

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..... [3]

(e) (i) State why it is useful for Magwegwe to calculate the current ratio.

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..... [2]

(ii) Calculate Magwegwe's current ratio on 30 September 2018 to **two** decimal places.

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..... [2]

Magwegwe overlooks some accounting concepts

**REQUIRED**

(f) Identify and explain the accounting concepts violated by Magwegwe in each of the following cases when he:

1. recorded all transactions in the books of the business including his personal transactions.

.....

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..... [2]

2. recorded credit sales in the books only when cash was received.

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.....

..... [2]

**[Total: 23]**



- 5 Zethu is a trader who keeps a full set of accounting records and her financial statements are prepared at the end of each financial year.

**REQUIRED**

- (a) State **two** purposes of preparing a statement of financial position.

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

The following balances remained on Zethu's books after the preparation of the income statement.

	E
Machinery at book value	10 300
Office furniture at book value	21 000
Inventory 31 July 2018	5 000
Trade receivables	14 600
Bank	1 000 (Dr)
Capital 1 August 2017	40 000
Trade payables	7 000
Drawings	800
Profit for the year	5 700

No entries have been made in Zethu's financial records for the following.

- 1 Cash, E300, received from a credit customer.
- 2 A long term loan of E5000 received from JJ Financial Services was deposited in the bank.
- 3 Additional office furniture, E8500, was purchased by cheque.



(c) Explain what is meant by the terms:

1. Capital owned

.....  
.....

2. Capital employed

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

(d) State **two** ways in which capital employed can be calculated.

1 .....  
.....

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

(e) Using your answer to (b) state the amount of Zethu's capital owned and capital employed at 31 July 2018.

Capital owned .....  
Capital employed ..... [2]

On 31 August 2018 Zethu had a bank overdraft of E2500. She took out an additional long term loan of E15 000.

**REQUIRED**

- (f) Complete the following table by placing a tick (✓) in the correct column to indicate the effect of obtaining the additional loan. The first has been completed as an example.

	Increase	Decrease	No effect
Bank overdraft		✓	
Non-current liabilities			
Working capital			
Profit for the year			
Capital			

(4)

**[Total: 23]**