EXAMINATIONS COUNCIL OF SWAZILAND
Swaziland General Certificate of Secondary Education

ACCOUNTING **6896/02**

Paper 2 **October/November 2018**

Confidential

MARK SCHEME

{6896/02}

MARKS: 100

This question paper consists of **8** printed pages.

Question 1

(a) At 1 July 2017

Assets

	E	E
Machinery	15 400 **(1)**	
Furniture	6 300 **(1)**	
Inventory	5 120 **(1)**	
Trade receivables	4 800 **(1)**	31 620
Liabilities		
Bank overdraft	400 **(1)**	
Trade payables	2 900 **(1)**	
Accrued expense	130 **(1)**	3 430
Capital		28 190 **(1)**

[8]

(b)

Final capital at 30 June 2018	35 110 **(1)**
Less initial capital at 1 July 2017	28 190 (**1)**
	6 920
Add drawings	3 200 **(1)**
	10 120
Less additional capital	3 000 **(1)**
Profit for the year	7 120 (**1)**

Alternative presentation acceptable

Capital account

2018			2017				
June 30	Drawings	3 200 **(1)**	July 1	Balance	b/d	28 190 (**1)**
			2018			
30	Balance c/d	35 110 **(1)**	June 30	Furniture		3 000 **(1)**
			30	net profit		7 120 **(1)**
		38 310				38 310

[5]

(c) Trade payables – people or institutions owed by a business. **(1)**

Bank overdraft **–** is a situation whereby the bank allows the business to pay out more money from the bank than is available in its account. **(1)** **[2]**

(d) Margin measures gross profit as a percentage of selling price. **(1)**

Mark up measures gross profit as a percentage of cost price. **(1)** **[2]**

[Total: 17]

Question 2

(a)

Lwazi Swimming Club

Receipts and Payments Account for the year ended 31 March 2018

Receipts		E	Payments		E
2017			2018		
April 1	Balance b/d	2 900 **(1)**	Mar 31	Stationery	118
2018					
Mar 31	Subscriptions(140 + 4910 **(1)**+82)	5 132 **(1)**	Mar 31	Equipment	1 400
Mar 31	Swimming gala collections	1 280 **(1)**	Mar 31	Rent	3 640
Mar 31	Donations	800	Mar 31	Swimming gala expe	742 **(1)**
			Mar 31	Balance c/d	4 212
		10 112			10 112
2018					
April 1	Balance b/d	4 212 **(1)**			

[6]

(b)

Lwazi Swimming Club

Income and Expenditure Account for the year ended 31 March 2018

	E	E
Income		
Subscriptions (4910 + 40)		4950 **(1)**
Swimming gala (1280- 742)		538 **(2)**
Donations		800 **(1)**
		6288
Expenditure		
Stationery (118 + 32)	150 **(1)**	
Rent (3640 – 280)	3360 **(1)**	
Equipment depreciation	300 **(1)**	3810
Surplus		2478 **(1)**

[8]

(c) Accumulated fund at 1 April 2017 (E140 + E2700 +E 2900) – E280

= E5740 **(1)** – E280 **(1)**

= E5460 **(1)**

Accumulated fund at 31 March 2018 E 5460 + E 2478**(1)**

= E7938 **(1)**

OR

(4212 + 3800 + 40) – (32 + 82)

= 8052 – 114 **(1)**

= 7938 **(1)**

[5]

(d)

Non trading organizations	Trading organisations
Receipts and payments account	Cash book **(1)**
Deficit	Loss for the year **(1)**
Surplus	Profit for the year **(1)**
Accumulated fund	Capital **(1)**

[4]

[Total: 23]

Question 3

(a)
- Reputation of the business
- Good staff relations or reliable workforce
- Well established clientele' or customers
- Brand reputation of the product produced
- Quality of the goods/services
- Location of the business
- Contacts with reliable suppliers
- Number of regular customers

Any four x 1 **[4]**

(b)

Vuyani, Lokuhle and Buhle
Journal

	Debit E	Credit E
Goodwill	30 000 **(1)**	
Capital: Vuyani		12 000 **(1)**
Lokuhle		18 000 **(1)**
Bank (73 200 **(1)** - 40 000 **(1)**)	33 200	
Motor van	40 000 **(1)**	
Capital-Buhle		73 200 **(1)**

[7]

(c)

Vuyani, Lokuhle and Buhle's

Statement of financial position as at 1 January 2018

Non-current assets		
		E
Goodwill		30 000 **(1)**
Motor vans (18 000 + 40 000)		58 000
Property		40 000
Shop fittings		12 000
		140 000 **(1)**
Current assets		
Inventory	10 000	
Trade receivables	17 000	
Bank {3 000 **(1)**+ 33 200 **(1)**	36 200	
	63 200	
Less: Current Liabilities		
Trade payables	8000	
Working Capital		55 200 **(1)**
		195 200
Financed by:		
Capital: Vuyani {36 800 **(1)**+ 12 000**(1)**}		48 800
Lokuhle {55 200 **(1)** + 18 000 **(1)**}		73 200
Buhle		73 200 **(1)OF**
		195 200

[10]

(d)
- To replace partner(s) who have left the partnership
- To get someone with a different skill that the present partners do not have
- To increase capital
- Sharing the risks
- sharing the responsibilities/ work load.

Any two x 1 **[2]**

[Total: 23]

Question 4

(a)

Rent account

2017				2018			
April 1	Balance	b/d	120 **(1)**	Mar 31	Income statement **(1)**		1440 **(1)**
July 1	Bank		1080 **(1)**				
2018							
Mar 31	Balance	c/d	240				
			1440				1440
				2018			
				April 1	Balance	b/d	240 **(1)**

[5]

(b)

Name of account	Side of the trial balance	Financial statement
1 Rent	Debit	Income statement
2 Drawings	Debit **(1)**	Statement of financial position **(1)**
3 Provision for depreciation	Credit **(1)**	Statement of financial position **(1)**
4 Carriage on purchases	Debit **(1)**	Income statement **(1)**

[6]

(c) Profitability ratios **(1)**
Liquidity ratios **(1)** **[2]**

(d) (i) $\frac{\text{profit for the year}}{\text{Revenue}} \times 100$ **(1)** **[1]**

(ii) - to take corrective action as necessary.

- to measure progress.

- for comparison with previous years.

- for comparison with other businesses

Any two x 1 **[2]**

(iii) - increase in expenses/ poor management of expenses. **(1)**
- decrease in other income. **(1)**
- decrease in gross profit percentage. **(1)**

[3]

(e) Increased cost of sales **(1)** by E 28 580 **(1)**
Decreased gross profit **(1)** by E 28 580 **(1)**
Decrease net profit **(1)** by E 28 580 **(1)**
Any one x 2 **[2]**

(f) (i) Reliability – the financial information is reliable only when it can be depended upon to represent actual events **(1)** and is free from error and bias **(1).** **[2]**

(ii) Comparability – the financial report can only be compared with reports for other periods **(1)** if similarities and differences can be identified **(1).** **[2]**

[Total: 25]

Question 5

(a) (i) Quick ratio = current assets – inventory : current liabilities

Mangweni Partners: (10 500 + 11 200) : 13 400

21 700 : 13 400 **(1)** = 1.62 : 1 (**1)** **[2]**

Lwethu:

10 700 : (8 200 + 6 000 +900)

10 700 : 15 100 **(1)** = 0.71 : 1 (**1)** **[2]**

(ii) Mangweni Partners - can meet current liabilities from liquid assets

- is above the bench-mark so is satisfactory
- is able to pay day-to-day expenses
- will be able to take advantage of any cash discount which may be available
- will be able to take advantage of any business opportunities which present themselves

Any two x 1

Accept any response based on candidates answer in **(a)(i)**

Lwethu – cannot pay short term liabilities from liquid assets

- Is below the bench-mark so is unsatisfactory
- Cannot pay day-to-day expenses
- Cannot take advantage of cash discounts which may be available
- May be forced to sell inventory at a reduced price
- Is not able to take advantage of business opportunitie as they arise

Any two x 1

Accept any response based on candidates answer in **(a)(i)** **[4]**

(b)

- Mangweni Partners and Lwethu must deal in the same type of goods.
- Mangweni Partners and Lwethu must be the same type of business.
- Mangweni Partners and Lwethu"s businesses must be of approximately the same size.
- Mangweni Partners and Lwethu must have been trading for approximately the same length of time.
- Mangweni Partners and Lwethu may have different types of expenses.
- Mangweni Partners and Lwethu may have different accounting policies
- Mangweni Partners and Lwethu financial years may end at different times of the trading cycle.

Any four x 1 **[4]**

[Total: 12]