EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

ACCOUNTING **6896/02**

Paper 2 **October/November 2019**

Confidential

MARK SCHEME

{6896/02}

MARKS: 100

This document consists of **8** printed pages.

Question 1

(a) (i) FIFO method

Date	Goods issued	Goods sold	Balance (E)
April	100 @ E20 each		2000
May		80	400 **(1)**
June	230 @ E 25 each		6150 **(1)**
July		180	1750 **(1)**

[3]

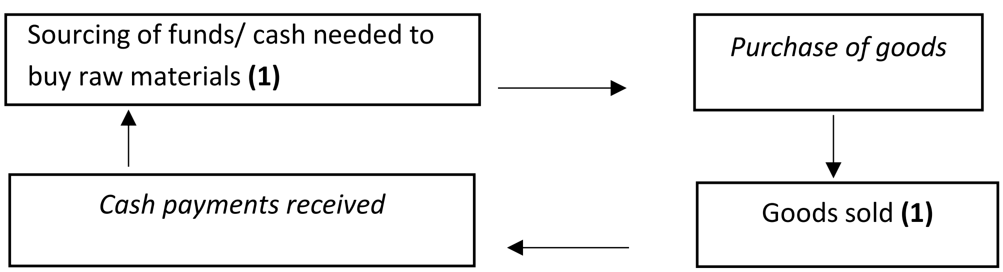
(ii) AVCO

Date	Goods bought	Goods sold	Average cost per unit	Number of units of inventory	Total value of stock E
April	100 @ E20		E20	100	2000
May		80	E20	20	400 **(1)**
June	230 @ E 25		E24.60 **(1)**	250	6150 **(1)**
July		180	E24.60 **(1)**	70 **(1)**	1722 **(1)**

[6]

(b) (i) Cash flow is the movement of money/cash into **(1)** and out of the business **(1)**. **[2]**

(ii)



[2]

(iii)

Stage	inflow/outflow
1	Inflow **(1)**
3	Inflow **(1)**

[2]

(iv) Lease non-current assets instead of buying
Conduct credit check on customers before selling to them on credit
Send invoice and statements promptly
Encourage customers to use electronic methods of payment
Increasing the selling price
Improving credit control
Buying from cheaper suppliers/ negotiating better terms with suppliers
Delaying payments to suppliers
Reducing expenses
Disposal of excess noncurrent assets for cash

Any three points x 1 **[3]**

[Total: 18]

Question 2

(a) (i) Sept 5 A contra entry **(1)** OR

Money was withdrawn from the bank **(1)** for office use **(1)**

10 Monti paid by cheque **(1)** after being allowed a cash discount **(1)**

20 Received cheque **(1)** for a sale of office equipment **(1)**

23 Bezile withdrew money from the bank **(1)** for private use **(1)**

Oct 1 Cash available from the previous month (September) **(1)** and amount overdrawn from the bank from the previous month **(1)**

[10]

(ii) Cash - current assets **(1)**

Bank - Current liabilities **(1)** **[2]**

(b)

Capital receipts	Revenue receipts	Capital expenditure	Revenue expenditure
Office equipment disposal **(1)**	Sales **(1)**	Fixtures and fittings / office furniture**(1)**	Rent/ purchases/ discount allowed **(1)**

[4]

(c) (i) Error 2 - No effect **(1)**

Error 3 - Decrease by E450 **(1)**

Error 4 - Increase by E560 **(1)**

Error 5 - Increase by E3600**(1)**

Accept + or – **[4]**

(ii) Bezile

Statement of corrected net assets at 30 September 2019

	Effect	E
Assets at 30 September 2019		33 000
1	*increase*	*4000*
2	No effect	- **(1)**
3	increase	450 **(1)**
4	Decrease	(560)**(1)**
5	No effect	- **(1)**
Net assets		36 890**(1)** **[5]**

[Total: 25]

Question 3

(a) If production is not adequate to meet demand /shortage of raw materials
When it is cheaper to buy the goods than producing them
When the business cannot produce the goods/quality/type required
Any 2 points x 1 mark **[2]**

(b)

Mzee

Income Statement for the year ended 31 July 2019

	E	E	
Revenue		180 000 **(1)**	
Opening inventory of finished goods	38 000		
Add: Production cost of completed goods	73 100 **(1)**		
Purchases of finished goods	13 400 **(1)**		
	124 500		
Less: Closing inventory of finished goods	32 000		
Cost of sales		92 500 **(1)**	
Gross profit		87 500 **(1)**	Office rates
15 600			
Office insurance	10 000	**(1)**	
Wages of office and sales staff	8 390		
Depreciation – Office equipment	4 850 **(1)**	38 840	
Profit for the year		48 660 **(1)**	**[8]**

(c)

Mzee
Statement of Financial Position as at 31 July 2019

Non-current assets	Cost	Acc depr	Net Book Value
	E	E	E
Factory machinery	86 000	44 400 **(1)**	41 600 **(1)**
Office equipment	56 000	12 350 **(1)**	43 650 **(1)**
	142 000	56 750	85 250
Current Assets			
Inventories:			
raw materials	15 700		
work in progress	10 110 **(1)**		
finished goods	32 000	57 810	
Trade receivables		43 000 **(1)**	
Cash and bank		13 200	
		114 010	
Current liabilities			
Trade payables		40 200 **(1)**	
Working capital			73 810 **(1)**
			159 060
Financed by:			
Capital			110 400 **(1)**
Profit for the year			48 660 **(1)**
			159 060

[10]

[Total: 20]

Question 4
(a)

Nkosi and Sisa
Appropriation Account for the year ended 30 June 2019

			E	E
Profit for the year				22 000
Add:	Interest on drawings	Nkosi	500 **(1)**	
		Sisa	600 **(1)**	1 100
				23 100
Less:	Interest on capital	Nkosi	3 000	
		Sisa	2 000 **(1)**	
	Salary	Sisa	6 000 **(1)**	11 000
				12 100
Share of profits:		Nkosi		7 260 **(1)**
		Sisa		4 840 **(1)**
				12 100

[6]

(b)

Sisa
Current account

			E				E
2018				2019			
Jul 1	Balance	b/d	2 200	June 30	Interest on capital		2 000 **(1)**
2019				30	Share of profits		4 840 **(1)**
June 30	Drawings		12 000	30	Salary		6 000
				30	Interest on loan		200**(1)**
	Interest on drawings		600 **(1)**	30	Balance	c/d	1 710
			14 800				14 800
2019							
Jul 1	Balance	b/d	1 710**(1)**				

[5]

(c) Nkosi – credit balance shows that the business owed Nkosi E9000 on that date **(1)/**undrawn profits
Sisa – debit balance shows that Sisa owed the business E2200 on that date **(1)** / overdrawn

[2]

(d)

Account debited	Account credited
Bank/cash **(1)**	Loan – Nkosi **(1)**

[2]

[Total: 15]

Question 5

(a) (i) Working Capital – the amount available for the day to day running of the business
- No mark for formula **[1]**

(ii)

Current Assets			
Inventory		6 500	
Trade receivables		24 000	
Cash		300	
		30 800	**(1)**
Current Liabilities			
Trade payables	25 000		
Bank overdraft	4 900	29 900	**(1)**
		900	**(1)**

[3]

(iii)
- Sibusile may not be able to purchase goods when they are required/ pay for expenses
- Sibusile may have difficulty in obtaining further supplies on credit.
- Sibusile cannot meet immediate liabilities when they are due.
- Sibusile cannot take advantage cash discounts from suppliers
- Sibusile cannot take advantage of business opportunities when they arise

Any three points x 1 mark **[3]**

(iv) Introduction of additional capital
Sale of non-current assets
Obtaining long term loans
Reduction in drawings
Delaying purchase of non-current assets
Increasing profits.

Any three points x 1 mark **[3]**

(b) (i) **-** an amount owed to a business which trade receivables are not likely to be paid**(1)**.

OR

An estimate of the amount which the business will lose as a result of bad debts. **(1)** **[1]**

(ii)

Sibusile
Provision for doubtful debts account

			E				E
2016				2016			
Aug 31	Balance	c/d	1600	Aug 31	Income statement		1600 **(1)**
2017				2016			
Aug 31	Balance	c/d	2500	Sept 1	Balance	b/d	1600 **(1)**
				2017			
				Aug 31	Income statement		900 **(1)**
			2500				2500
2018				2017			
Aug 31	Income statement		500**(1)**	Sep 1	Balance	b/d	2500 **(1)**
31	Balance	c/d	2000				
			2500				2500
				2018			
				Sept 1	Balance	b/d	2000 **(1)**

+ 1 for dates **[7]**

(iii) Trade receivables have increased at the end of the financial year. **(1)** **[1]**

(c) Prudence **(1)**

Prudence means that the assets and profits of a business should not be overstated **(1)** and liabilities and losses should not be understated **(1).**

OR

A business should never anticipate profits **(1)** but should provide for all possible losses **(1)**.

Matching **(1)**

Requires that a business should record an expense in its income statement **(1)** in the same period as the related revenue **(1)**.

No mark for explanation if concept is wrong **[3]**

[Total: 22]

