ACCOUNTING **6896/01**

Paper 1 **October/November 2020**

Confidential

MARK SCHEME

{6896/01}

MARKS: 100

This document consists of **7** printed pages.

Question 1

(a)   D

(b)   A

(c)   B

(d)   C

(e)   C

(f)   D

(g)   A

(h)   B

(i)   B

(j)   D

[Total: 10]

Calculations for numerical items

(f)   A   E1530 Cr (1904 – 22 – 200 – 420) + 268

       B   E1530 Dr (1904 – 22 – 200 – 420) + 268

       C   E2278 Cr (1904 + 22 + 200 + 420) – 268

       D   E2278 Dr (1904 + 22 + 200 + 420) – 268   Key

(h)   A   E8450 (E9500 – (E600 + E450))

       B   E8900 (E9500 – E600) key

       C   E9350 (E9500 – 600 + E450)

       D   E9500

Question 2

(a) **(i)** 31 August 2020 **(1)**

(ii) Sipho Cleaners **(1)**

(iii) E8500 **(1)**

(iv) E1470 **(1)**

(v) E8380 **(1)**

NB

(ii) accepted Sipho as a stand-alone but not Cleaners **[5]**

(b) August 12 Cece sent a credit note**(1)** to Sipho Cleaners**(1)**
25 Amount paid by Sipho Cleaners **(1)** to Cece **(1)**
25 Discount allowed by Cece **(1)** to Sipho Cleaners **(1)/** discount received
by Sipho Cleaners **(1)** to Cece **(1)**

NB

Accept:

August 12 Sipho returned goods (1) to Cece (1)
Sipho returned goods (1) worth E120 (1)
August 25 Sipho paid (1) E1470 in cash (1)
August 25 Sipho received discount E30 (1) for prompt payment (1)

However DO NOT accept
Sipho received discount E30 for buying in bulk **[6]**

(c) To inform Sipho Cleaners of the balance on their account

To remind Sipho Cleaners of the amount due and the date on which it is due

To provide Sipho Cleaners with a summary of the transactions for the month

To allow Sipho Cleaners to check their records against the statement

To demand/request payment from Sipho Cleaners

ACCEPT ANY OTHER RELEVANT POINT

Any one x 1 **[1]**

(d)

Date	Entry in statement of account	Subsidiary book	Account debited	Account credited
Aug 12	Credit note - 012	Returns inwards journal **(1)/Sales returns journal/Revenue returns journal**	Returns inwards**(1)** / sales returns	Sipho Cleaners **(1)**
25	Discount	Cash book **(1)**	Discount allowed **(1)**	Sipho Cleaners **(1)**

[6]

[Total: 18]

Question 3

(a)   Bobo
                                                          Purchases Journal

			E
2020			
Jul 2	Buhle		8 000 **(1)**
6	Zinhle		12 800 **(1)**
17	Buhle		6 400 **(1)**
31	Dr Purchases account/transfer to purchases account		27 200 **(1)**

1 mark for whole line

                                                            Bobo
                                                  Returns Outwards Journal

			E
2020			
Jul 11	Zinhle		480 **(1)**
22	Buhle		300 **(1)**
31	Cr Returns outwards account		780 **(1)**

[7]

1 mark for whole line

(b)   Buhle account

2020			E	2020			E
Jul 4	Bank		2 500	Jul 1	Balance	b/d	2 800 **(1)**
19	Bank		4 656	2	Purchases		8 000 ⎫
	Discount received		144 **(1)**	17	Purchases		6 400 ⎭ **(1)**
22	Returns outwards		300 **(1)**				
31	Balance	c/d	9 600				
			17 200				17 200
				Aug 1	Balance	b/d	9 600 **1OF**

Purchases account

2020			E	2020			E
Jul 1 Balance	b/d	16 600 **(1)**		Jul 31 Balance	c/d		49 300
14 Bank		5 500 **(1)**					
31 Credit purchases for the month		27 200 **1OF**					
		49 300					49 300
Aug 1 Balance	b/d	49 300 **1OF**					

Accept:
August 31   trade payables/creditors/total for the month

Returns outwards account

2020				2020			E
Jul 31 Balance	b/d	1260		Jul 1 Balance	b/d		480 **(1)**
				31 Returns for the month			780 **1OF**
		1260					1260
				Aug 1 Balance	b/d		1260 **(1)**

+ 1 mark for dates
   ▪ **If all 18 entries have correct dates**
   ▪ **For incomplete work at least 10 entries must be dated correctly   [13]**

(c)   (i)   Historical cost **(1)**
              Accept: cost concept   [1]

(ii)   It does not take inflation into consideration **(1) either** the true value of non-current assets is not shown in the accounting records **or** it is difficult to make comparisons of transactions occurring at different times **(1)   [2]**

[Total: 23]

Question 4

(a)   (i)

Zethu
Trial Balance as at 30 September 2020

	Dr E	Cr E
Revenue		50 400**(1)**
Purchases	38 300**(1)**	
Returns inwards	1 200**(1)**	
Carriage inwards	550**(1)**	
Inventory 1 October 2019	6 900**(1)**	
Trade payables		13 300
Wages and salaries	9 150⌉ **(1)**	
Rent	5 000⌋	
Cash at bank	14 160⌉ **(1)**	
Fixtures and fittings at cost	10 300⌋	
Provision for depreciation-fixtures and fittings		3 090**(1)**
Capital		18 770**(1)**
	85 560	85 560 **[9]**

(ii) To check the arithmetical accuracy of ledger accounts

To check if the total debits equals total credits/to check accuracy of double entry

To assist in the preparation of financial statements

ACCEPT ANY OTHER RELEVANT POINT

Any one x 1 [1]

(b) **(i)**

Zethu

Income Statement for the year ended 30 September 2020

	E	E	E
Revenue			50 400
Less: returns inwards			1 200
			49 200**(1)**
Less: cost of sales			
Inventory at 1 October 2019		6 900	
Add: Purchases	38 300		
Carriage inwards	550		
		38 850**(1)**	
Cost of goods available		45 750	
Less: Inventory at 30 September 2020		3 700	
Cost of sales			42 050**1OF**
Gross profit			7 150**1OF**
Wages and salaries		9 150	
Rent (5 000 +900)		5 900 **(1)**	
Depreciation: Fixtures and fittings		1 030 **(1)**	16 080
Net loss/loss for the year			8 930 **1OF** [7]

(ii)

$$= \frac{E42\ 050}{(6\ 900 + 3700)/2}$$

$$= \frac{42\ 050 \quad \textbf{1OF}}{5\ 300 \quad \textbf{(1)}}$$

$= 7.93$ times **1OF** [3]

(iii) The rate of inventory turnover is low

The amount of cash tied up in the inventory could be used for other purposes

The risk of inventory deteriorating

Accept:

Bought and replaced stock 7.93 times (1) for the financial year ended 30 September 2020 (1)

Any two x 1 [2]

NOTE: Comments must be based on OF answers to (b) (ii)

(c) The Supermarket deals in goods which are required on a daily basis/highly demanded **(1)**: the furniture shop deals in goods which are only purchased occasionally/lowly demanded **(1)**

The Supermarket deals in low/cheaper price goods **(1)**: the furniture shop deals in more expensive goods **(1)**

If there is a fall in disposable income, consumers would buy basic goods from supermarkets**(1)** than buying consumer durables from a furniture shop **(1)**

ACCEPT ANY OTHER RELEVANT POINT

<div align="center">Any one x 2</div>   **[2]**

<div align="right">[Total: 24]</div>

Question 5

(a) Purchase and sale of non-current assets on credit
Writing off irrecoverable debts
Recording opening entries
Drawing of goods by owner
Making adjustments for year-end transfers
Expenses incurred on credit
Interest charged on overdue accounts
DO NOT ACCEPT
    Depreciation of assets
    drawings

Any four x 1 **[4]**

(b) Journal

		Dr E	Cr E
1	Motor expenses	120 **(1)**	
	Suspense		120 **(1)**
2	Suspense	200 **(1)**	
	Purchases returns		200 **(1)**
3	Zitha	300 **(1)**	
	Zikhetho		300 **(1)**
4	Sales	600 **(1)**	
	Suspense		600 **(1)**
5	Suspense	1000 **(1)**	
	Discount allowed		500 **(1)**
	Discount received		500 **(1)** **[11]**

(c)

Suspense account

Purchases returns	200**(1)**	Difference as per trial balance	480**(1)**
Discount allowed	500**(1)**	Motor expenses	120**(1)**
Discount received	500**(1)**	Sales	600**(1)** **[6]**
	1200		1200

Do not accept discount E1000/ motor van E120/ Purchases E200

(d)

Error	Effect of correcting the error on the Profit for the year
2	Increase by E200 **(1)**
3	No effect **(1)**
4	Decrease by E600 **(1)**
5	Increase by E1000 **(1)**

[4]
[Total: 25]