ACCOUNTING   **6896/01**

Paper 1   **October/November 2018**

Confidential

MARK SCHEME

{6896/01}

MARKS: 100

                                                                [Turn over

Question 1

(a) B [1]

(b) D [1]

(c) B [1]

(d) A [1]

(e) B [1]

(f) A [1]

(g) B [1]

(h) C [1]

(i) D [1]

(j) C [1]

[Total: 10]

Question 2

(a)(i) Petty cash voucher **(1)**   **[1]**

(ii) - allows the chief cashier to delegate some of the work
- provides training for junior staff   members.
- reduces the number of entries in the main cash book/ removes small cash payments
  from the main cashbook.
- It reduces the number of entries ledger
- enables the Chief Cashier to concertrate on the more important tasks
- eliminates the use of cheques for small payments

Any 2 x 1   **[2]**

(iii) Imprest system - where the petty cashier is given a fixed amount called float or imprest
amount to use per given period, weekly or monthly **(1)** and the chief cashier pays back
the total amount paid to restore the balance to the amount of float. **(1)**   **[2]**

(b) Nceba

Petty Cash Book

Date	Details	Folio	Total Received E	Date	Details	Total Paid E	Cleaning E	Postages E	Travelling E	Stationery E
Jul 1	Balance	b/d	500	Jul 5	Postage stamps	30		30 **(1)**		
31	Cash/ Bank		370 **(1)**	8	Travelling expenses	40			40 **(1)**	
				10	Cleaning material	55	55 **(1)**			
				15	Envelopes	20				20 **(1)**
				18	Cleaner's wages	80	80 **(1)**			
				20	Bus fare	25			25 **(1)**	
				24	Parcel postage	50		50 **(1)**		
				30	Printing paper	70				70 **(1)**
						370	<u>135</u>	<u>80</u>	<u>65</u>	<u>90</u>
				31	Balance c/d	500				
			<u>870</u>			<u>870</u>				
Aug 1	Balance	b/d	500 **(1)**							

[10]

[Turn over

(c) (i) Credit **(1)** cash book/cash/bank   **(1)**   **[2]**

(ii)   Cleaning account
    2018   E
    Jul 31 Petty cash book/   135 **1**
            Petty cash

                                             Postages account
    2018   E
    Jul 31 Petty cash book/   80 **1**
            Petty cash

                                                                        [2]
                                                                        [Total: 19]

Question 3

(a)   **(i)**   Simile
                            Sales Journal

			E
June	2	M. Mabuza	1600 **(1)**
	6	B. Bongwe	320 **(1)**
	9	M. Mabuza	640 **(1)**
	12	T. Thusi	720 **(1)**
	19	B. Bongwe	480 **(1)**
	30	Transfer to sales account	3760 (**1**)

[6]

(ii)   Simile
                        Sales Returns Journal

			E
June	16	B. Bongwe	120 **(1)**
	28	M. Mabuza	256 **(1)**
	30	Transfer to sales returns account	376 (**1**)

[3]

(iii)   Simile
                        M. Mabuza account

		E				E
2018			2018			
June 2	Sales	1600 ⎱	June 28	Returns in	256 (**1**)	
9	Sales	640 ⎰ **(1)**	30	Balance c/d	1984	
		2240			2240	
2018						
July 1	Balance b/d	1984 (**1**)				

[3]

(b) Cash book source documents

    - receipt
    - paying-in book
    - cheque counterfoil
    - till roll
    - bank statement
    - cash slip
    Any three x 1   **[3]**

(c)(i)   Simile
                                        Sales Ledger Control account

2018			E	2018			E
Jul 1	Balance	b/d	1 150	Jul 31	Sales returns		750 **(1)**
31	Sales		15 200 **(1)**	31	Bank/cash		8 400 **(1)**
31	Bank		2 800 **(1)**	31	Discount allowed		650 **(1)**
	(Dishonored cheque)			31	Bad debts		1 060 **(1)**
				31	Set off		880 **(1)**
				31	Balance	c/d	7 410
			19 150				19 150

2018
Aug 1 Balance   b/d   7 410 **(1)**

[8]

(ii) Amount   E7 410 (**1**)
     Section   Current assets **(1)**   **[2]**

[Total: 25]

Question 4

(a) Magwegwe should value his inventory at the lower of cost or net realisable value.　　　**[1]**

(b)　　Straight hair　　　20 @ E50 = 　E1000 **(1)**

　　　Blonded hair　　　30 @ E60 = 　E1800 **(1)**

　　　Light n shiny　　　60 @ E90 = 　E5400 **(1)**

　　　Freely hair　　　15 @ E60 = 　E 900 **(1)**

　　　Total value of stock　　　E9100 **(1)**　　　**[5]**

(c) First in First Out **(1)**– it assumes that goods are issued or sold in the same order in which

　　　they were received. **(1)**

　　　Average cost **(1)** – an average cost is calculated each time goods are received and this
　　　Figure is used for issue or sales until a new batch of goods is received. **(1)**

　　　Last in First Out **(1)** - an accounting method which assumes that for each issue or sale the
　　　goods are from the last batch received. **(1)**　　　**[6]**

(d) (18700 – 300) **(1)** – 8900 **(1)** = E9500 **(1)**　　　**[3]**

(e) (i) Current ratio- is a liquidity ratio **(1)** that measures the ability of a business to meets its
　　　　　current liabilities(short term debts) when they fall due.**(1)**　　　**[2]**

　　(ii) Current ratio = $\dfrac{18\ 700 - 300}{8900}$

　　　　　　　　= $\dfrac{18\ 400}{8900}$ $\Big\}$ **(1)**

　　　　　　　　= 2.07 : 1 **(1)**　　　**[2]**

(f) (i) Business entity **(1)** financial transactions of the business and those of the owners are to be

　　　separated **(1).**　　　**[2]**

　　(ii) Realisation concept **(1)** Revenue is recognized when it is earned **(1)**

　　　　　　　　　　　　　　　[2]

[Total: 23]

Question 5

(a) - To provide information that can be used to measure the business progress/growth. **(1)**

- Helps in decision making about liquidity. **(1)**

- To show the assets and liabilities of a business at a certain date

- It helps in planning for future development of the business **[2]**

(b)

Zethu
Statement of Financial Position as at 31 July 2018

		E
Non current assets		
Machinery		10 300 **(1)**
Office furniture (21 000 + 8 500)		29 500 **(1)**
		39 800
Current assets		
Inventory	5 000 **(1)**	
Trade receivables (14 600 – 300)	14 300 **(1)**	
Cash	300 **(1)**	
	19 600	
Current liabilities		
Trade payables	7 000	
Bank overdraft {1000+ 5000 **(1)** – 8500 **(1)**}	2 500 9 500	
Working capital		10 100 **(1)**
		49 900
Financed by:		
Capital		40 000
Add: profit for the year		5 700 **(1)**
		45 700
Less: drawings		800 **(1)**
		44 900
Non- current liabilities		
Loan: JJ Financial Services		5 000 **(1)**
		49 900

[11]

(c) Capital owned – an amount owed by the business to the owner at a specific date. **(1)**

Capital employed – The total resources used by the business. **(1)** **[2]**

(d) 1 - owners equity (capital owned) + non current liabilities**(1)**

2 - non current assets + working capital **(1)** **[2]**

(e) Capital owned - E44 900 (**1**)
Capital employed – E49 900 (**1**) **[2]**

(f)

	Increase	Decrease	No effect
Bank overdraft		✓	
Non-current liabilities	✓ (1)		
Working capital	✓ (1)		
Profit for the year			✓ (1)
Capital			✓ (1)

[4]

[Total: 23]