

*EXAMINATIONS COUNCIL OF ESWATINI*

# **EGCSE**

**EXAMINATION REPORT**

**FOR**

**ACCOUNTING (6896)**

**YEAR**

**2020**

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**EGCSE ACCOUNTING****Paper 6896/01****General comments**

This paper comprised of **five** questions, ten multiple choice questions and **four** structured questions. Candidates were required to answer **all** the questions displaying knowledge and understanding, application and evaluation skills.

The overall performance of the candidates was poor in 2020 as compared to 2019. A majority of centres had candidates who showed signs of unpreparedness for the examination.

Question 3 was the worst performed question in this paper. Candidates were required to prepare subsidiary books and post to the ledger. In previous years' reports, it was reported that candidates did not write dates properly in ledger accounts, however, this time around teachers should be commended for emphasising to candidates the importance of writing dates properly in the ledger. Candidates showed great improvement in this regard. Most candidates did not attempt question 5.

## Comments on Specific Questions

**Question 1**

In this question, most candidates did not perform well. Some parts of the question were not attempted, especially **(f)**, **(g)**, **(i)** and **(j)**.

In **Question (f)** the candidates were required to calculate the balance as per bank statement.

They were given the following information:

Cheques not yet presented	268
Bank charges	22
Interest charged on overdraft	200
Rent paid by credit transfer	420

Most candidates did not comprehend the last item (rent paid by credit transfer). Rent paid is an expense and is supposed to be credited in the cash book. Most learners took it as credit transfer which is an income and thus could not get the correct answer.

In **Question (g)** the correct answer was “A”. There was a sense amongst examiners that candidates may have been guessing in this question. If a capital receipt is recorded as a revenue receipt; the profit for the year would be overstated and non-current assets also overstated.

In **Question (i)** the candidates were required to display the knowledge of effecting adjustments when preparing financial statements. As per the accruals concept, amounts owing must be added to the amount paid during the year. Candidates also failed to understand that when repairs are paid, the profits of the business are affected and eventually the capital of the business. Most candidates opted for D when the correct answer to the question was B.

In question **(j)** the the candidates were required to demonstrate recording and understanding of transactions involving the purchase of goods and drawings in the books of the business. The correct answer was D. Most candidates thought that the inventory account is affected. When drawings of goods are made, the purchases account is affected not inventory.

## **Question 2**

In this question the candidates were required to fill in a statement of account by inserting missing words and figures in **(i) – (iv)**. This was well answered by most candidates except for those who did not write the name of the business in full which is “Sipho cleaners”. Most candidates wrote Sipho. This is not acceptable. Some candidates struggled to calculate and insert the correct figures in the statement of account.

Generally most candidates did fairly well in this question, with a few candidates who could not explain the cash receipt on 25 August. Some candidates’ responses were that it is an amount paid for goods bought for cash”. This is incorrect. The correct response was that it is a payment from Sipho to Cece for the amount owing by Sipho.

For the discount also on the 25 August, there was a problem of identifying the buyer and the seller, that is, who is giving the discount and to whom. Candidates also could not differentiate between trade discount and cash discount. Most of them stated that it was discount for buying goods in large quantities.

This question was generally well answered by most candidates, however, some candidates did not understand that a statement of account is usually sent monthly. They stated that a statement of account is for the financial period.

Candidates were also required to identify the subsidiary books where the credit note and discount would be recorded. Most candidates were able to identify the subsidiary books but were unable to identify the accounts to be debited and the accounts to be credited for these transactions.

### **Question 3**

This question was poorly done by a majority of candidates.

**(a)** Candidates did not know which amounts were to be recorded in the purchases and returns outwards journals. They did not understand the meaning of list price and invoice price. The list price of goods is the price of goods before the deduction of the trade discount. Most of the entries were made before the deduction of trade discount. In some cases the dates were not written and the candidates lost marks.

Some candidates used the old format of preparing both the Purchases and the Returns outwards journals. In the old format entries are made on the credit column and the total entered on the debit column. This is being discouraged because once a learner makes a mistake by entering on the wrong column, everything will be wrong. The correct answer was:

**THIS FORMAT IS DISCOURAGED**

		E
Bobo Purchases Journal		
2020		
Jul 2	Buhle	8 000
6	Zinhle	12 800
17	Buhle	<u>6 400</u>
31	Dr Purchases account	<u>27 200</u>

**OR**

**THIS FORMAT IS ENCOURAGED**

		E
Bobo Purchases Journal		
2020		
Jul 2	Buhle	8 000
6	Zinhle	12 800
17	Buhle	<u>6 400</u>
31	Dr Purchases account	<u>27 200</u>

- (b)** Most candidates performed poorly in this question. The candidates were failing to post the entries from the subsidiary books (purchases journal, returns outwards journal and cash book) to the ledger accounts. They were supposed to post the entries to three accounts in the ledger: purchases account, returns outwards account and Sihle’s account. They could not write correct narratives/details and as a result they lost a lot of marks. In the purchases account in particular they were writing purchases when transferring the cash purchases from the cash book. The candidates were also failing to transfer the total from the purchases journal to the purchases account. Most candidates were posting the individual entries not the total. There are many instances where the candidates were failing to write dates appropriately.

- (c) The first part of this question was well done by most candidates. However, the second part of the question was the worst. Most candidates were defining the historical cost concept when they were supposed to explain the limitation of applying the historical cost concept. The limitation of the cost concept is that it does not take inflation into consideration, which does not show the true value of the non-current asset is not shown in the books.

#### Question 4

This question was well answered by most candidates even though some could not score full marks.

- (a) Some candidates included the closing inventory in the trial balance and lost marks. Some candidates recorded the provision for depreciation on the debit column and did not get full marks.

In the second part of the question most candidates performed very well although some candidates explained that the trial balance is used to correct errors which is incorrect. There were instances where candidates explained that the trial balance is used for allocating errors. This was not accepted because a trial balance is used to locate errors not to allocate them.

- (b) (i) A majority of candidates were able to score above average in this part of the question except for a few who could not demonstrate a clear presentation of the income statement. These candidates lost marks because of the poor presentation of the income statement. In some instances, some candidates failed to make adjustments for accruals and depreciation. These candidates lost marks.

- (ii) Only a few candidates displayed a good understanding of the rate of inventory turnover.

A majority could not even write the correct formula. They also could not write sound comments. The rate of inventory turnover was 7.93 times. Zethu is a supermarket. The rate of 7.93 is very low for a supermarket. The amount of cash

tied up in the inventory could be used for other purposes. Most candidates explained the rate of 7.93 that Zethu was able to buy and replace inventory 7.93 times in the financial year. This was not acceptable.

- (c) In this question the candidates were required to explain why Zethu's rate of inventory turnover for the supermarket is higher than that of Mandla a furniture shop. Most candidates did not perform well in this question. Most of them explained the problems of inter-firm comparison. This was not acceptable.

***The Supermarket deals in goods which are required on a daily basis/highly demanded whereas the furniture shop deals in goods which are only purchased occasionally/lowly demanded.***

***The Supermarket deals in low price goods whereas the furniture shop deals in more expensive goods***

### Question 5

This question was fairly done by most candidates.

- (a) The candidates were to state the uses of the general journal. Some answers were incomplete such as learners "purchases and sale of non-current assets "instead of "purchases and sale of non-current assets on credit". This was not accepted.
- (b) Candidates did not display understanding of journalising items. Some candidates failed to indent the account to be credited. In some cases, the candidates were starting with the account to be credited instead of the account to be debited.
- (c) The candidates did not display understanding of a suspense account. They failed to write the details correctly. Most of them were writing suspense as a narrative or detail instead of the accounts that were being corrected. In some cases, the candidates were writing names of subsidiary books not the accounts.



- (d)** This question was poorly done by most candidates. The candidates were expected to show the effects of correcting the errors on the profit for the year of the business. Most candidates displayed little knowledge of the effects of correcting the errors on the profit for the year of the business. The correct answer was:

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

## EGCSE ACCOUNTING

### Paper 6896/02

#### **General comments:**

The paper comprised of five (5) structured questions drawn from the 2020 EGCSE accounting examination syllabus. All questions were compulsory and the paper was written in 1 hour 45 minutes. The general performance of candidates in this examination was not pleasing. A majority of candidates' performance was below than that of the 2019 cohort.

It was noted that several candidates failed to pay attention to rubrics as they ignored the use of the working box that was provided, yet instructed to show their working in the box. The vast majority lost marks allocated for the working. Some candidates negligently wrote their own months ignoring the one given in the question. This is not acceptable and centres should caution their candidates to pay attention to rubrics of each and every question to avoid loss of marks. In question 4, most candidates had challenges in responding to the demands of the question as it indirectly assessed two aspects that is, the proper presentation of the statement of financial position and the correction of errors. Centres are urged to ensure that candidates differentiate between the horizontal and vertical format. Further, Candidates should refrain from using a format used to present the question as the format might be wrong.

There was an improvement in the writing of dates in ledger accounts, this is commendable. However, some candidates did not write dates thus losing marks where a mark was allocated for a whole line (date, detail and amount). This has been mentioned in several previous years' examination reports.

**Comments on specific questions****Question 1**

**(a)** The question required candidates to state contents of an invoice. The majority of candidates got this question correct, however, some candidates lost marks by giving incomplete responses such as name of supplier, amount, terms, discount and quantities.

Correct responses included:

- Name and address of supplier/seller
- Name and address of customer/buyer
- Invoice number
- Date
- VAT
- Invoice price
- Full details/description, quantities and prices of the goods supplied
- Trade discounts
- Terms of trade/payment

**(b) (i)** Candidates were asked to state the reason for the seller to allow trade discount. The question was well answered by most candidates only a few confused it with cash discount.

**(ii)** Candidates were required to calculate the total of the invoice sent. This question was fairly done even though some candidates further deducted the cash discount and did not earn the mark. Some candidates ignored the instruction to show workings and answers without the working were not awarded the mark.

**(iii)** Candidates were asked to state double entry for an invoice received. The question was fairly done as a reasonable number of candidates were able to identify the account to be credited (Sinenhlanhla) but a vast majority failed to state “purchases” as the account to be debited.

- (c) (i) Candidates were required to calculate the amount paid after deducting returns and cash discount. A significant proportion of candidates could not effect trade discount on the returns and some candidates effected the cash discount on the original invoice amount. This resulted in failure to attract full marks though the question looked easy. Centres are urged to familiarize their candidates with similar questions as a majority of candidates used abstract methods to calculate the paid amount and most of these methods resulted in wrong answers.
- (ii) This part question required candidates to explain the accounting principle which is applied to determine when revenue is recognised as being earned. Most candidates did not recall the name of the principle asked and some of those who did, could not spell it correctly as answers included: reality, realisable, realistic etc. Also, some candidates failed to differentiate between change of ownership and delivery of goods. The expected answer was: Realisation; revenue is only regarded as being earned when the legal title of goods or services passes from the seller to the buyer.

**Question 2**

- (a) Candidates were required to prepare a motor vehicle account showing an opening balance and one vehicle bought by cheque. The old vehicle later sold on credit. This part question was poorly done by most candidates. A majority of the candidates were unable to make correct entries in the motor vehicle account. Some had incorrect dates, wrong narrative or wrong amount. Some candidates disposed the motor vehicle at its selling price instead of its cost price. The correct answer was:

Motor vehicles account

2018			E	2019		E
May 1	Balance	b/d	<u>60 000</u> (1)	Apr 30	Balance	b/d <u>60 000</u>
2019				Nov 1	Disposal	60 000 (1)
May 1	Balance	b/d	60 000 (1)	2020		
Nov 1	Bank		<u>65 000</u>	Apr 30	Balance	c/d <u>65 000</u>
			<u>125 000</u>			<u>125 000</u>
2020						
May 1	Balance	b/d	65 000 (1)			

(b) This question asked for the preparation of the provision for depreciation account – motor vehicle. It was pleasing to have candidates attaining full marks on this part question but there were some candidates who did not attempt the question at all. Some candidates wrote wrong narratives, wrong dates and some lost marks due to failure to balance the account correctly. This question provided a working box and learners were instructed to use the box to show the working. However, it was disappointing that candidates wrote correct amounts in the account but failed to show their working in the working box that was provided, losing the marks allocated for the working. Teachers should continue to emphasise the need for candidates to adhere to rubrics when answering questions.

The correct answer was:

Ayabonga							
Provision for depreciation account - motor vehicles							
2019				2018			
April 30	Balance	c/d	21 600	May 1	Balance	b/d	12 000
			<u>21 600</u>	2019			
				April 30	Income statement		<u>9 600</u>
							<u>21 600</u>
2019				2019			
Nov 1	Disposal		25 440	May 1	Balance	b/d	21 600
2020				2020			
April 30	Balance	c/d	<u>6 500</u>	April 30	Income statement		<u>10 340</u>
			<u>31 940</u>				<u>31 940</u>
				2020			
				May 1	Balance	b/d	6 500

Working Box

<b>Depreciation calculation:</b>		
Old motor 20% x (60 000 - 21 600) x 6 months =	3 840	(1)
New motor 20% x 65 000 x 6 months =	<u>6 500</u>	(1)
Depreciation for the year	10 340	
<b>Disposal of old motor</b>		
Accumulated depreciation of old motor	=	12 000
Depreciation for year ended 30 April 2019: 20% x (60 000 – 12 000) =		9 600(1)
Depreciation for year ended 30 April 2020: 20% x (60 000 – 12 000 - 9600) x 6 months =		<u>3 840(1)</u>
Depreciation for disposed motor		25 440

- (c) Candidates were required to prepare a motor vehicle disposal account. To earn an entry's mark, the whole line needed to be correct. That is, the date, the narrative (detail) and amount. It was disheartening to see some candidates losing marks because of writing wrong dates as this had been raised again and again in previous years.

The correct answer was:

Ayabonga			
Asset Disposal account - motor vehicle			
2019		2019	
Nov 1	Motor vehicle	Nov 1	Simo
	60 000		40 000
2020			
Apr 30	Income statement/profit	Nov 1	Prov for Dep
	<u>5 440</u>		<u>25 440</u>
	<u>65 440</u>		<u>65 440</u>

- (d) This part question required candidates to name and explain the depreciation method which would be most suitable for Ayabonga to use for his tools. A majority of candidates were able to state the method of depreciation (the revaluation method) but failed to explain the method instead stated its use. E.g it is used for small items. The correct explanation was:

The value of the asset at the beginning of each year is compared with the value of the asset at the end. The amount by which the value has decreased is the depreciation for the year.

### Question 3

This question required candidates to state the reasons for recording all business transactions. This question was fairly done however, some candidates kept repeating the same point like measuring progress, to know if the business is doing well or not, to know the profit or loss. Teachers are urged to ensure that candidates are familiar with this type of question and are able to recognize similar points as this is regarded as repetition and does not attract any mark. Correct responses included:

To ensure that transactions are not forgotten

To enable the preparation of financial statements

Full details are available about the assets, liabilities/revenues and expenses

The preparation of financial statements is relatively straightforward

The calculation of the profit or loss for the year is likely to be more accurate/ not exaggerated or understated

More informed decision-making is possible

A greater degree of control can be exercised over business activities

The possibility of fraud is reduced **NOT** to find/locate fraud

Comparisons with the results of previous years and other businesses are possible/ monitor progress/see if business is doing well or making profit;

Detailed records are available for reference purposes

Information required by a bank or other lender is readily available/ any point related to users of accounting information

This question required candidates to calculate the total sales and purchases given inventory at the beginning and end of the period, details of credit transactions and cash purchases. The majority of candidates failed to calculate total purchases and total sales. Some had wanting formats while some included inventory in their calculations and they lost marks. In fact, some just listed unexplained figures as if they were not familiar with the type of question. Teachers are urged to give candidates more practice on this type of questions and guide them on the proper approach to answer the question. Candidates who used the control account format were able to score high marks but some included the cash purchases within the control account. It should be emphasized that the correct presentation of control accounts is vital, therefore candidates should be sure of sides used for each entry. Candidates who prepared the statement for the calculations lost marks because they were mixing up items i.e. by adding some items that were supposed to be subtracted and visa versa. Some failed to top up the credit purchases figures with the amount of cash purchases and lost two marks. The correct answer was:

**Calculation of sales**

Receipts from trade receivables	44 500
Less opening trade receivables	<u>13 200</u>
	31 300
Add closing trade receivables	<u>14 700</u>
	46 000
Add discount allowed	<u>800</u>
	46 800
Add irrecoverable debts	<u>400</u>
Total sales	<u>47 200</u>

**OR**

		Total trade receivables		
Balance	b/d	13 200	Bank	44 500
Sales		47 200	Discount	800
			Irrecoverable debts	400
			Balance c/d	<u>14 700</u>
		<u>60 400</u>		<u>60 400</u>

**Calculation of purchases**

Payments to creditors	32 400
Less opening trade payables	<u>15 480</u>
	16 920
Add closing trade payables	<u>12 800</u>
	29 720
Add discount received	<u>1 200</u>
	30 920
Add returns	<u>480</u>
Credit purchases	31 400
Add cash purchases	<u>5 590</u>
Total purchases	<u>3 6990</u>



Or

Total trade payables			
Bank	32 400	Balance b/d	15 480
Discount received	1 200	Purchases	31 400
Returns	480		
Balance c/d	<u>12 800</u>		
	<u>46 880</u>		<u>46 880</u>

$$E31\ 400 + E5590 = E36\ 990$$

Centres are advised to ensure that their candidates refrain from listing unexplained amounts like the following:  $32\ 400 - 15\ 480 + 12\ 800 + 1\ 200 + 480 + 5590 = 36\ 990$

Often this type of answer mixed up what should be added with items to be subtracted resulting in wrong final figures.

- (c) This question asked candidates to calculate gross profit using the sales and purchases amounts calculated in (b) making necessary adjustments for returns. It was disappointing to note that most candidates did not do so well in this question. In fact, some presentations were wanting. However, there were those who did very well as they transferred the sales and purchases figures they calculated. Some candidates who prepared the trading account, treated the returns outwards as returns inwards, while others did not include them in their calculations.
- (d) In this question, candidates were asked to state reasons for a decrease in gross margin. The question was fairly done but some candidates gave reasons for a decrease in the rate of inventory turnover. A lot of repeated responses in this question was noted as similar points were written as different points for example, fall in demand, lower sales volume, poor advertising, holding seasonal sales, increase in sales returns. These were regarded as one repeated point. Correct responses included:
- Increased rate of trade discounts on sales
  - Selling goods at cheaper prices/lower sales price
  - Not passing on increased costs to customers

Higher purchase cost/expensive goods/higher cost of sales/ increase in customs duties or carriage inwards/ decrease in purchases returns.

Lower sales/fall in demand for goods and services/ different sales mix/ increased sales returns/ holding seasonal sales

Lower rate of trade discounts received from suppliers

- (e) This part question required candidates to explain why the gross margin is important. The question was poorly done. Candidates were not giving responses specific to gross profit but mentioned overall profitability. Correct responses included:
- To know the gross profit earned for every E100 of sales. **Award “0”** for %/percentage of sales
  - To compare with gross profit margin of previous years and take corrective measures
  - To compare the gross profit margin with other businesses from the same industry

#### Question 4

- (a) This question required candidates to prepare a corrected statement of financial position. The question was poorly done by most candidates. A vast majority of candidates were giving unacceptable presentations, like listing assets and liabilities as per the presentation of the question. Other candidates gave journal entries while others ignored adjustments of items with errors, hence losing marks. Where an item was affected by more than one error, a majority of candidates did not show their working but entered the calculated figure. Teachers are again urged to emphasise that candidates should show working because if a mistake has been made in one amount, marks can be earned from the correctly treated amounts. A statement of financial position has subheadings, but this was ignored by a large volume of our candidates. The correct answer was:

Corrected Statement of Financial Position as at 31 August 2020

	E Cost	E Accumulated depreciation	E Net book value
Non-current assets			
Motor vehicle	82 000	7 000	75 000
Kitchen equipment	<u>23 375</u>	<u>3 375</u>	<u>20 000</u>
	<u>105 391</u>	<u>10 375</u>	95 000
Current assets			
Inventory		15 850	
Trade receivables (17 200 – 2500)	14 700		
Less Provision for doubtful debts	<u>500</u>	14 200	
Prepayment		<u>250</u>	
		30 300	
Current liabilities			
Trade payables (15 600 - 2500)	13 100		
Bank overdraft	<u>5 200</u>	<u>18 300</u>	
Working capital			<u>12 000</u>
		<u>107 000</u>	
Financed by			
Capital			75 000
Add profit for the year (14 570 + 800 + 700 – 2070 – 500)			<u>13 500</u>
			88 500
Less drawings (5000 + 800)			<u>5 800</u>
			82 700
Non-current liabilities			
Bank loan			<u>24 300</u>
			<u>107 000</u>

(b) This question required candidates to explain the importance of having an annual statement of financial position. Most candidates seemed confused about what was required as some defined a statement of financial position while others gave incomplete responses leaving out 'at a specific date' alternatively used 'at the end of the financial year' which was not required. Some candidates referred to profitability of the business. Teachers should emphasise to candidates the importance of using the accounting standards terminology. The correct response was:

- to ascertain the value of the assets and liabilities/ of the business at a particular date **NOT** trading period.
- to **use** as a proof of the worth of his business when sourcing funds
- to **use** as a proof/reference of the worth of his business when selling the business.

**Question 5**

- (a) This question required candidates to prepare a statement of changes in equity. It was pleasing to note that some candidates scored the full marks in this question. However, most candidates were unable to prepare it and others did not attempt to answer the question. The correct answer was:

WXY Limited

Statement of Changes in Equity for the year ended 30 June 2020

Details	Share capital E	General Reserve E	Retained earnings E	Total E
Balance at 1 July 2019	300 000	25 000	8 000	333 000
Profit for the year			34 700	34 700
Dividend paid			(5 000)	(5 000)
Transfer to general reserve		15 000	(15 000)	-
Balance at 30 June 2020	300 000	40 000	22 700	362 700

- (b) Candidates were asked to define the term 'limited liability'. This part question was fairly done although some defined the business entity principle or used wrong terminology like members, partners or business/company liability instead of shareholder liability. The expected response was:

The liability of shareholders for debts of the business is limited to the amount they agreed to contribute to the capital of the business

- (c) The question asked candidates to differentiate between private and public limited companies. This question was fairly done although most candidates gave differences between the private and public sector. The use of wrong terminology was also common in this part question as responses included members or partners yet owners of a companies are shareholders. Some candidates used features of business organisations like continuity, limited liability, and separate legal entity. Correct responses included:

Public limited company	Private limited company
Can sell shares to the general public/listed or advertised on stock exchange	2. Not allowed to sell shares to the general public/sold privately/ not listed on stock exchange/to friends and relatives
Must have at least 2 directors	3. Must have at least 1 director
Shares are freely transferable on stock exchange/restricted	4. Shares are not freely transferable/shares cannot be sold without the consent of other shareholders
Accounts are published annually	4. Not obliged to publish annual accounts
The name ends with PLC/ Ltd	5.The name ends with (Pty) Ltd

- (d) Candidates were required to distinguish between preference and ordinary shares. This part question was poorly done. Some candidates were giving incomplete points such as, 'they are paid fixed', leaving out dividends which was the key word. Other candidates instead of writing dividends, they wrote interest, profits or shares. Some stated that preference shares receive dividends whether profit has been made or not. This did not attract any mark. The correct responses included:

Preference Shares	Ordinary Shares
Dividend is fixed	Dividend varies/depends on profits
Dividends are paid before ordinary share dividends	Dividends are paid after preference share dividends
Shareholders have no voting rights	Shareholders have voting rights
Shareholders are paid before ordinary shareholders if company liquidates	Shareholders are paid after preference shareholders if company liquidates

- (e) (i) Candidates were asked to define the term 'debentures'. This part question was fairly done because a majority of candidates were able to state that debentures are long term loans but a vast majority did not include the aspect of fixed interest rate, thus their responses failed to attract full marks.

(ii) The question asked for the calculation of the interest payable on the debenture. The question was done very well by most candidates. They were able to calculate the interest though some deducted or added the interest thus losing marks. The question required a simple calculation as:  $5/100 \times E50\,000 = E2500$ .

(f) The question required candidates to state accounting objectives described in the following statements.

1. Accounting information should impact the decision making of the person using it. Most candidates lost marks on this part question because they thought that the statement described reliability instead of relevance.
2. Financial statements must be presented in such a way that the information can easily be comprehended by a person with a reasonable knowledge of business and finance.

A majority of candidates were able to give understandability as the correct response for this part question.