



EXAMINATIONS COUNCIL OF ESWATINI

Eswatini General Certificate of Secondary Education

Accounting (6896)
Examination Report for 2023

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

The general performance of the 2023 cohort was very poor. The majority of the candidates did not perform well in questions 1, 4 and 5. There are parts of questions 2 and 3 that also seemed to be a challenge to the candidates.

Although there was a general improvement in the writing of dates but some candidates still lost marks because of not writing dates in the preparation of subsidiary books. Centres are urged to encourage candidates to pay special attention the writing of dates because they lose marks.

Most candidates' performance was greatly affected by questions 4 and 5. Question 4 was a question on non-trading concerns. Most candidates in this question was not attempted especially the preparation of the subscriptions account. Most candidates also failed to prepare the income and expenditure extract to show how subscription for the year would be shown. Mostly they started doing the calculations again when they were supposed to transfer the amount from the subscriptions account.

Question 5 was a question on company accounts. This question also greatly affected the general performance of the candidates. This question was also rarely attempted by most candidates.

Centres are advised to discourage candidates from writing unnecessary abbreviations like "bal c/d" or "bal b/d".

Question 1

This question comprised of ten (10) multiple choice items and was poorly done. Most candidates scored on average of 4 marks. There are candidates who did not earn any marks in this question.

The correct responses were as follows:

- (a) B
- (b) A
- (c) C
- (d) B
- (e) B
- (f) D
- (g) A
- (h) D

(i) C

(j) A

Questions that proved difficult were part **(b)**, **(i)** and **(j)**

Question 2

This question was poorly done. Some candidates were failing to write proper dates when preparing subsidiary books.

(a)(i) Explain the meaning of the trade payables' balances on 1 September 2023.

Candidates failed to explain clearly the meanings of the balances. They were struggling to explain that Nana is owing Mabila E3200 from the previous month. Msobho is owing Nana E620 from the previous month. Some candidates are still using the old terms; debtor and creditor. Centres are urged to encourage candidates to use the new terminology of trade receivables and trade payables.

(ii) State the reasons that caused a debit balance in an account of a trade payable (Msobho).

Candidates were challenged in giving the reasons.

The expected responses were:

- Nana might have paid in advance
- Nana might have paid before deducting cash discount
- Nana might have paid more than what she owed Msombo
- Nana might have returned goods after paying her account

(b) (i) Name the document issued by the buyer (Nana) when returning goods to the supplier (Msobho).

Candidates' responses included the following: Invoice, Receipt, Credit note received, debit note received.

Correct response: Debit note

(ii) Name the document issued by the seller (Msobho) to the buyer (Nana) when goods are returned.

Candidates' responses included the following: Invoice, Receipt, Credit note received, debit note received.

Correct response: credit note

(iii) List four contents of the document sent by Nana to Mabila for the transaction on 10 September 2023.

Candidates' responses included the following:

Date of purchase of goods, incomplete details like 'name of the supplier' when the correct response would be 'name and address of the supplier'.

(c) Prepare Nana's purchases journal and returns outwards journal for the month ended 30 September 2023.

This question proved difficult for the candidates. In most cases the candidates failed to deduct the trade discount and they also failed to calculate the VAT. Some candidates omitted dates. In some instances, the candidates included wrong narrations in the detail column. They included narrations like purchases in the purchases journal and returns outwards in the returns outwards journal. They also narrated the total as balance instead of total for the month.

The expected answer was:

2023		Nana Purchases Journal		
		Net	VAT	Gross
		E	E	E
Sept. 6	Mabila	4 800	720	5 520
“ 24	Msobho	<u>4 080</u>	<u>612</u>	<u>4 692</u>
“ 30	Total for the month	<u>8 880</u>	<u>1 332</u>	<u>10 212</u>

2023		Nana Returns outwards Journal		
		Net	VAT	Gross
Sept. 10	Mabila	100	15	115
“ 29	Msobho	<u>500</u>	<u>75</u>	<u>575</u>
“ 30	Total for the month	<u>600</u>	<u>90</u>	<u>690</u>

(d) Write up the following accounts as they would appear in Nana's ledger. Balance Msobho's account and VAT account and bring down the balances on 1 October 2023.

- The candidates mostly omitted the opening balance in Msobho's account
- They posted the net amount instead of the gross amount from the purchases journal
- Some candidates posted the net amount and the VAT amount separately
- Some narrated by writing sales and sales returns
- Some of the accounts were recorded on the wrong sides

In the purchases account and returns outwards account:

- The opening balances were omitted

- Some candidates recorded the gross amount when they were supposed to record the net amount
- The purchases from the purchases journal were recorded individually not as a total for the month
- In some cases, the total of purchases were recorded on the credit side

VAT account

- The opening balance was omitted
- Wrong details were used (Msobho and Mabila) instead of purchases journal or returns outwards journal
- Mostly the VAT on sales was omitted

The expected answer was:

Msobho account					
2023		E	2023	E	
Sept 1	Balance b/d	620	Sept 24	Purchases	4692
" 29	Returns outwards	575			
" 30	Balance c/d	<u>3497</u>			
		<u>4692</u>			<u>4692</u>
			Oct 1	Balance b/d	3497

Purchases account					
2023		E	2023	E	
Sept. 1	Balance b/d	24 000			
" 30	Credit purchases for month	10 212			

Returns outwards account					
2023		E	2023	E	
Sept. 1	Balance b/d	1340			
30	Returns for the month	690			

VAT account					
2023		E	2023	E	
Sept. 1	Balance b/d	3600	Sept. 30	Returns outward	90
" 30	Purchases	<u>1332</u>	30	Sales	2250
		<u>4932</u>	30	Balance c/d	<u>2592</u>
Oct. 1	Balance b/d	2592			<u>4932</u>

Question 3

- (a) (i) Define a trial balance.

Most candidates were able to define a trial balance though sometimes the definitions were somehow incomplete. A trial balance is a list of ledger balances on a certain date.

(ii) State two uses of a trial balance to Sizwe.

The candidates were able to state the two uses of a trial balance. There are candidates who however used wrong words like 'to correct'. A trial balance is used to check not to correct.

(b) (i) State the type of error made in each of the errors 1 - 5.

This question was fairly done by most candidates. They were able to state the errors. However, only a few candidates were able to state correctly error number 3. This was an error of addition. Some candidates did not state the error of original entry correctly. They wrote 'error of origin' which is incorrect.

The expected answer was:

- Error 1 – error of omission
- Error 2 – error of commission
- Error 3 – error of addition/calculation
- Error 4 – error of original entry
- Error 5 – error of complete reversal of entries

(ii) Prepare journal entries to correct the errors.

This was fairly attempted by most candidates, although some candidates wrote incomplete answers in the details 'column, e.g.

Expenses instead of general expenses

Returns instead of returns outwards

Rent instead of rent received

In error 5 the candidates did not double the amount. The correct amount was E4000 not E2000.

The expected answer was:

		Debit	Credit
		E	E
Error 1	General expenses	340	
	Cash		340
Error 2	Nipho	2400	
	Zipho		2400
Error 3	Returns outwards	100	
	Suspense		100
Error 4	Cash	300	
	Rent received		300
Error 5	Office equipment	4000	
	BQ Office Supplies		4000

(c) Show the effects of the errors on the profit and on the statement of financial position.

Candidates lost marks in this question because they did not follow the example that was given. Some of them did not state the amount whereas in the given example the amount is shown.

The expected answer was:

	Effect of error on profit for the year	Effect of error on statement of financial position
Error 2	No effect	No effect
Error 3	Overstated by E100	Capital overstated by E100
Error 4	Understated by E300	Current assets understated by E300 Capital understated by E300
Error 5	No effect	Non-current assets understated by E4000 Current liabilities understated by E4000

Question 4

A majority of candidates did not attempt this question.

(a) (i) State two reasons for preparing a subscriptions account.

They were unable to state the reasons why a subscriptions account is prepared. They gave reasons like

- To find owing members
- To calculate subscriptions
- To identify fraud
- To calculate money prepaid by members

All the above reasons are incorrect.

Expected responses was:

- To calculate the subscription for the financial year
- To adjust the subscriptions received for accruals and prepayments

(ii) Prepare Asishukume Fitness Club`s subscriptions account for each of the two years ended 31 August 2022 and 31 August 2023. Balance the account and bring down the balances on 1 September 2022 and 2023.

The few candidates that tried to prepare the subscriptions account:

- Prepared separate accounts for the year ended 2022 and 2023
- Some prepared journal entries instead of the subscriptions account
- In most instances dates were omitted
- Did not narrate the subscriptions received correctly. They were writing subscriptions received instead of bank or cash.
- The amounts were sometimes entered on the wrong sides
- The amount to be transferred to the income and expenditure account was sometimes shown as a balance

This is how the candidates were expected to present the subscriptions account.

Subscriptions Account							
2022			E	2022			E
Aug	31	inc and exp	18 800	Aug	31	bank	18 400
Aug	31	balance c/d	<u>1 200</u>	Aug	31	balance c/d	<u>1 600</u>
			<u>20 000</u>				<u>20 000</u>
Sept	1	balance b/d	1 600	Sept	1	balance b/d	1 200
2023				2023			
Aug	31	inc and exp	20 000	Aug	31	bank	16 800
				Aug	31	irrecoverable debt	800
				Aug	31	balance c/d	<u>2 800</u>
			<u>21 600</u>				<u>21 600</u>
Sept	1	balance b/d	2 800				

(b) Prepare Asishukume fitness club income and expenditure account extract for each of the years ended 31 August 2022 and 31 August 2023, showing how subscriptions would be recorded.

Candidates mostly recalculated the amount of subscription instead of transferring the amount from the subscription account.

Candidates also failed to write the sub-heading 'income' in their extracts to show that subscription is an income item.

The recalculations that were made did not have details. It was just figures and they lost marks.

Expected response was:

Asishukume Fitness Club
Income and expenditure extract for the years ended 31 August 2022 and 31 August 2023

31 August 2022		
Income		E
Subscriptions		18 800
31 August 2023		
Income		
Subscriptions		20 000

(c) Prepare Asishukume Fitness Club statement of financial position extract at 31 August 2022 showing how subscriptions would be recorded.

Some candidates prepared an income and expenditure account. They also recorded the prepaid subscriptions under current asset and subscriptions accrued under current liabilities. This question was poorly done by most centres.

Expected response was:

Asishukume Fitness Club Statement of Financial Position extract at 31 August 2022

Current assets	E
Subscriptions accrued	1600
Current liabilities	
Subscriptions prepaid	1200

Question 5

(a) (i) Define the term limited liability company.

In this question candidates defined limited liability instead of limited liability company. They were more onto the business entity concept than the separate legal entity.

The candidates were expected to explain that a company is a legal entity which is a separate entity from its shareholders, whose liability for the company's debts is limited to the amount they agree to pay for their shares.

(ii) State three differences between a private limited company and a public limited company.

It was noted that the candidates could not separate public company from public enterprise.

Expected response was:

	Private limited company	Public limited company
1	Name ends with '(Pty) Ltd'	Name ends with 'plc' or 'Limited'
2	Shares can only be sold privately to family and friends	Shares can be sold to the general public through the stock exchange
3	Company not compelled by law to publish financial statements	Publishing of financial statements is compulsory
4	Shares cannot be freely transferred without the consent of other shareholders	Shares are bought and sold without the consent of other shareholders

(b) Calculate total issued share capital, called up share capital and paid-up share capital

In the calculation of share capital some candidates were writing definitions of issued capital, paid up capital and called up share capital instead of making the calculations. Only a few candidates were able to make the correct calculations.

Centres are urged to encourage candidates to narrate figures when making calculation e.g.

Issued capital

Ordinary shares	25 000 x E5	=	E125 000
Preference shares	15 000 x E5	=	<u>E75 000</u>
Total		=	E200 000

This is not acceptable:

(25000 x 5) + (15000 x 5)	=	125 000 + 75 000
	=	E200 000

Called up share capital

Ordinary shares	=	25 000(E5) (40%)	=	E50 000
Preference shares	=	15 000(E5)	=	<u>E75 000</u>
				E125 000

Paid up share capital

Ordinary shares	=	23 000(E5) (40%)	=	E46 000
Preference shares	=	15 000(E5)	=	<u>E75 000</u>
				E121 000

(b) (i) Define working capital.

Some candidates were giving the formula of finding working capital. Working capital is the amount of money available for the day to day running of a business.

(ii) Calculate the working capital of the company.

There are candidates who calculated the current ratio.

Working capital		
Current assets	E	E
Trade receivables		38 000
Other receivables		14 000
Inventory		<u>20 000</u>
		72 000
Less current liabilities		
Trade payables	42 000	
Bank overdraft	<u>18 000</u>	
		<u>60 000</u>
		<u>12 000</u>

EGCSE ACCOUNTING

Paper 6896/02

General comments:

Most candidates were able to score marks in almost all the questions. Questions 1 and 2 proved to be accessible to most candidates, while questions 4 and 5 seemed difficult for a majority. Candidates lost marks on basic accounting skills such as:

- Poor writing of dates in ledger accounts
- Incorrect display of income statement formats
- Failing to explain basic accounting concepts.

Candidates did not attempt some of the questions such as question 4 (depreciation and disposal of non-current assets) and question 5 (income statement of a service business and capital account).

Comments on specific questions

Question 1

Generally, this question was better performed by many candidates as they scored high marks on the whole question.

(a) State two functions of a cheque.

Candidates were able to attempt this question well as the answers given were among the possible answers on the mark scheme. However, some used the contents of a cheque instead of the functions required, some took a cheque as a document used when there is no cash available, when travelling or used to withdraw money which was not acceptable. Some repeated the same points in a different way which did not yield maximum marks, e.g. to pay debts, to pay suppliers, it is a means of payment, etc these were repeated responses yielding one mark.

The correct response included the following

- To provide a safe means of payment
- To provide an easy and convenient way of remitting money
- To remove the burden of carrying cash
- Serves as a proof of payment (after the cheque is cleared)

(b) State four contents of a cheque.

This part question was correctly answered by a majority of candidates. However, some were not able to obtain maximum marks as they repeated some responses, such as the name of the payee and the name of the person receiving the cheque. Some responses indicated that candidates were not familiar with the parties of the cheque; drawee, drawer, and payee, they substituted these with unacceptable words like withdrawer instead of payee. Others used contents of an invoice such as the name and address of the supplier, details and quantities of goods supplied which were not acceptable.

(c) (i) Name a section of a cheque that remains in the cheque book after tearing the cheque.

This part question was a challenge to a majority of candidates as they failed to give the correct response. Incorrect responses given by candidates included duplicate, cheque copy, folio, counterfeit, subsidiary book, etc. Some candidates did not attempt this part question at all.

The expected response was a cheque counterfoil or a cheque stub.

(ii) State two purposes of the section of the cheque named in c(i).

Candidates had difficulty scoring full marks in this part as some used contents of a cheque which was not correct. Some repeated responses like used as a reference and proof of payment which gave them one mark instead of two marks.

The expected response included the following

- used to record cheque payments in the cash book
- used to show details of each cheque used
- used for reference purposes in the future

- (d) (i) Calculate a discount given to a customer when making payments. Candidates were required to show their workings.**

A majority of candidates failed to calculate the discount. They did not notice that the E2145 was the amount after the cash discount was calculated. Candidates calculated the discount on the discounted amount instead of calculating the invoice amount first before calculating the discount. This resulted in candidates scoring no marks in this part question.

The correct response was

$$E2145 \times 100/97.5 = E2200 - E2145 = E55$$

- (ii) Name the type of discount given by a supplier to the customer when making payment. Candidates were required to give a reason for this discount.**

This part question was well attempted by most candidates except for a few who confused cash discount with trade discount. Some used the type of cash discount like discount received and discount allowed which was not correct.

The second part of this question required candidates to state the reason for this discount. It was fairly done by most candidates as they were able to mention prompt payment as the acceptable reason however those who did not obtain the mark gave a reason for a trade discount (for bulk buying) which was not required by the question.

- (iii) State the subsidiary book used by the supplier to record the discount given to the customer after making a payment.**

A majority of the candidates were able to mention the cash book as the subsidiary book which was the acceptable response. However, some used the other subsidiary books like purchases journal, general journal, etc. which were incorrect responses. Some other candidates stated that this discount was not recorded in the accounting books as they had trade discount as their response in d(ii).

Question 2

Generally, this question proved fairly attempted by a majority of candidates as they scored high marks on the whole question.

- (a) (i) Identify the receiver of the statement of account.**

A majority of candidates were able to identify Sbakho as the receiver of the statement of account except for a few candidates who stated Njalo as the incorrect receiver.

(ii) State one reason why a statement of account was issued.

Most candidates were able to give correct reasons such as to act as a reminder to the customer of outstanding amount or to summarise the transactions that took place during the month. Few candidates gave the contents of a statement of account. Some focused their responses only on goods bought on credit which was not acceptable.

(b) Explain entries on the statement of account about the opening balance, cheque, discount, invoice and credit note.

A majority of candidates were able to interpret the entries in the statement of account correctly. However, explaining the entries was quite challenging for some candidates as they would give incomplete responses like only stating who was sending the document and forgetting to state the receiver. On the balance entry, they failed to show that the given customer is owing not the amount the business has at the beginning. On the cheque entry, most candidates took the cheque as for buying goods not paying for the amount owed as expected in the answer.

Some failed to state the correct direction of the document, they could not identify the sender or the receiver of the document in invoice and credit note entries, since they were only sent by the seller, not the buyer. Most candidates failed to state the purpose of the invoice and the credit note.

The expected response included

1 August balance
amount owed by Sbakho to Njalo

5 August
Sbakho paid Njalo by cheque
OR Njalo received a cheque from Sbakho

Sbakho received a cash discount from Njalo
OR Njalo allowed a cash discount to Sbakho

8 August invoice
Njalo issued invoice for sold goods on credit to Sbakho
OR Sbakho received invoice for goods bought on credit from Njalo

15 August credit note
Njalo sent a credit note to Sbakho to reduce the amount owed
OR Sbakho received a credit note from Njalo to reduce the amount owed

(c) Prepare a customer's account in the books of a supplier.

Most candidates failed to prepare the customer's account from the statement of account as some wrote; cheque, invoice number, and credit note as narrations which was wrong. Some failed to identify the type of account as a trade receivable, instead, they wrote it as a trade payable. This resulted in the entries being reversed, for example, debiting returns and crediting purchases. Others mixed or confused the entries like taking discount received as discount allowed which was not the correct response. Some omitted dates altogether or wrote incorrect dates like omitting the year, month, or day thus losing marks.

The correct response was

		Sbakho account	
2023	E	2023	E
Aug 1 Balance b/d	1750	Aug 5 Bank	1715
8 Sales	2800	5 Discount allowed	35
		15 Returns inwards	100
		31 Balance c/d	<u>2700</u>
	<u>4550</u>		<u>4550</u>
Sept 1 Balance b/d	2700		

Question 3

Generally, this question proved to be challenging for candidates, with some failing to prepare the ledger accounts correctly and others failing to write the correct dates.

(a) Identify one advantage of keeping full accounting records.

Most candidates failed to give correct responses to this part question. They gave incomplete responses like calculating profit instead of emphasising on accurate profit. Some candidates gave responses such as identifying fraud instead of reducing fraud which was the expected answer. Some gave unacceptable responses like measuring performance, to obtain loans, etc. Centres are advised to emphasise the importance of the choice of words used by candidates in their responses, as some words used by candidates change the meaning of the accounting facts.

Possible responses included

- full details are available about the assets, liabilities, revenues and expenses of the business
- preparation of financial statements is easier
- more informed decision-making is possible
- reduces possibility of fraud
- information required by users is readily available
- enables comparison with results of previous years and with other businesses

- enables an accurate calculation of profit for the year

(b) Prepare a bank account.

Most candidates were unable to prepare the bank account. Some included items that do not affect the bank account at all because they are adjustments, such as drawings of goods, rates accrued, irrecoverable debts, etc. Most omitted dates or wrote incorrect dates like using the first day of October instead of the last day of September. Some candidates wrote wrong narrations such as writing sales instead of trade receivables, and purchases for trade payables. Most candidates lost marks due to reversing entries e.g. recording payments on the debit side and the receipts on the credit side of the bank account.

The expected response was

		Mhawu			
		Bank account			
2022	E	2023	E		
Oct 1 Capital	40 000	Sept 30 Trade payables	66 500		
2023		Rates	1 600		
Sept 30 Trade receivables	85 200	General expenses	700		
		Insurance	1 200		
		Drawings	8 200		
		Balance c/d	<u>47 000</u>		
	<u>125 200</u>		<u>125 200</u>		
2023					
Oct 1 Balance b/d	47 000				

(c) Prepare a total trade payables account to calculate purchases.

A majority of candidates failed to prepare the total trade payables account as they included items that should not be entered in it like trade receivables, discount allowed, etc. Others could not select the relevant figures from the given data that would enable them to prepare the total trade payables account thus using all the items given in the question. Some candidates attempted to calculate the purchases using a statement yet the question required the preparation of a total trade payables account. Some candidates wrote the wrong dates whilst others did not write the dates at all. Others omitted the balance carried down thus losing marks. Some prepared journal entries which was unacceptable.

The correct response was

Mhawu			
Total trade payables account			
	E		E
2023		2023	
Sept 30 Returns outwards	500	Sept 30 Purchases	96 100
Bank	66 500		
Discount received	1 800		
Balance c/d	<u>27 300</u>		
	<u>96 100</u>		<u>96 100</u>
		Oct 1 Balance b/d	27 300

- (d) Prepare an income statement to calculate gross profit and sales figures using incomplete records.**

Most candidates failed to get maximum marks in this part question as they failed to differentiate between items of the trading section and items of the profit and loss section of the income statement as they mixed them. Most candidates failed to calculate the sales figure and gross profit using mark-up even though they could get the cost of sales. Others used incorrect formats and some mixed up the format as they added returns outwards and drawings of goods when they were supposed to deduct them. Others included items of the statement of financial position like trade receivables, trade payables, cash drawings etc while others mistook trade payables for purchases and trade receivables for sales.

The expected response was

Mhawu			
Income statement (trading account only) for the year ended 30 September 2023			
	E	E	
Sales			109 425 (cost of sales + gross profit)
Less cost of sales			
Purchases	96 100		
Less returns outwards	<u>500</u>		
Cost of goods available for sale	95 600		
Less goods for own use	<u>1 500</u>		
	94 100		
Less closing inventory	<u>6 560</u>		
Cost of sales		<u>87 540</u>	
Gross profit		<u>21 885</u> (25% x cost of sales)	

(e) Explain how the business entity principle should be applied when recording the value taken by the owner from the business.

Most candidates failed in this part or obtained a single mark instead of two. Those who earned a mark mentioned only one aspect, that is, managed to determine that the value taken should be treated separately from the business as it is not a business transaction. A majority of candidates failed to determine that the value taken by the owner in a business is drawings and that these should be deducted or reduce the amount owed by the business to the owner. Others explained using other accounting principles like realisation, matching, prudence etc.

Question 4

Generally, candidates did not perform well in this question.

(a)(i) Prepare a furniture account for two years.

A majority of candidates failed to answer this part correctly. Most candidates used wrong narrations like income statement yet a non-current asset account has nothing to do with income statement. Others used wrong dates like writing the incorrect year. Some candidates used the end of the year date instead of the date of sale when the non-current was sold. Most candidates assumed that the furniture was bought by cash or bank yet it was on credit. Most candidates used the disposal value instead of the cost price when the non-current asset was sold.

		Furniture account						
2020		E			2021		E	
Oct 1	Bee Dee		<u>20 000</u>		Sept 30	Balance	c/d	<u>20 000</u>
2021					2022			
Oct 1	Balance	b/d	20 000	Apr 1	Disposal of furniture		10 000	2022
Sept 30	Balance	c/d	28 000					
Apr 1	Bank		<u>18 000</u>					
			<u>38 000</u>					
Oct 1	Balance	b/d	28 000					
			<u>38 000</u>					

(ii) Prepare a provision for depreciation of furniture account for three years.

Most candidates failed to get maximum marks in this part of the question as they used incorrect dates like not using the date of sale when recording the total depreciation of the disposed furniture, wrong years, months, etc. There was evident failure to write proper dates for each entry. Some candidates used incorrect narrations like bank, depreciation, provision for depreciation, etc in the provision for depreciation account. A majority of candidates were able to correctly calculate the depreciation for the first year only,

the second and third-year depreciation calculations were incorrect. Some failed to correctly calculate the accumulated depreciation for the disposed furniture.

		Provision for Depreciation of Furniture account			
2021		E	2021		E
Sept 30 Balance	c/d	5 000	Sept 30 Income statement	A 2 500	
				B <u>2 500</u>	<u>5 000</u>
		<u>5 000</u>			<u>5 000</u>
2022			Oct 1 Balance	b/d	5 000
Apr 1 Disposal A (2500 + 1250)		3 750	2022		
Sept 30 Balance	c/d	7 250	Sept 30 Income statement	A 1 250	
				B 2 500	
				C <u>2 250</u>	<u>6 000</u>
		<u>11 000</u>			<u>11 000</u>
2023			Oct 1 Balance	b/d	7 250
Sept 30 Balance	c/d	14 250	2023		
			Sept 30 Income statement	B 2 500	
				C <u>4 500</u>	<u>7 000</u>
		<u>14 250</u>			<u>14 250</u>
			Oct 1 Balance	b/d	14 250

(b) Explain two reasons why the method of calculating depreciation should not be changed from the straight-line to the reducing balance method.

Most candidates partly attempted the question as they could identify that the principles of consistency, matching, and prudence would be violated if a change in the use of a depreciation method is made, which were all correct answers but failed to explain how the violation of these principles would occur. Others explained the advantages of using a straight-line method, e.g. it is easy to calculate or the disadvantages of using the reducing balance method which were not the requirements of the question.

(c) Explain entries in the disposal of motor vehicle account; motor vehicle, provision for depreciation, bank and income statement. Candidates were required to state where the double entry of each entry would be found.

Most candidates could not explain the entries in the disposal account. Responses given were incomplete like only stating the cost price or accumulated depreciation leaving out the aspect of being sold which was key to obtaining full marks. Most candidates failed to state the correct double entry for the given entries. Those who attempted gave the names of the accounts without the key explanation showing whether it was on the debit or credit side.

The expected response was

April 1 Motor vehicle

Explanation - This is the original cost of the motor vehicle sold

Double entry - credit motor vehicle account

April 1 Provision for depreciation

Explanation - This is the total depreciation of the motor vehicle sold

Double entry - debit provision for depreciation account

April 1 Bank

Explanation - A cheque received for the motor vehicle sold

Double entry - debit bank account/ cash book

September 30 Income statement

Explanation - Profit made on the sale of the motor vehicle sold on 1 April

Double entry - credit income statement

Question 5

Generally, this question seemed difficult for a majority of candidates.

(a) (i) State whether a computer repairs business is a trading or service business.

This part question was well attempted by a majority of candidates. They were able to identify the computer repairs business as a service business with only a few stating it as a trading business which was an incorrect answer.

(ii) State two differences between a trading business and a service business.

A majority of candidates were able to score at least one mark as they were able to state that a trading business is involved in the selling of goods but failed to come up with a different point. They made repeated responses like a trading business is involved in intangible goods when they have already mentioned selling of goods. Some applied to the named entity in the question which was an incorrect response. Others failed to make complete comparisons between the two businesses like writing statements that are true for one aspect and not mentioning anything about the other.

(b) Prepare a corrected income statement for a service business.

Most candidates did not attempt to answer this question. Those who did, performed below the expected level. Some used the wrong format in preparing the corrected income statement, that is, using the incorrect format appearing in the question. Others prepared a statement of financial position or trial balance instead of a corrected income statement. Some mixed items of the statement of financial position with those of the

income statement. Some failed to make adjustments that were necessary for the different expenses such as the depreciation of motor vehicle and motor expenses. Others used the wrong term “sales” instead of the required receipts from clients forgetting that a service business does not have sales.

The expected response was

Xoli		
Corrected income statement for the year ended 30 September 2023		
	E	E
Receipts from clients		78 500
Salaries	42 000	
Electricity	2 900	
Stationery (600- 60)	540	
Water (2300+200)	2 500	
Insurance (3000- 600)	2 400	
Motor expenses (1200+300)	1 500	
Depreciation- furniture	1 200	
Depreciation- motor vehicle	<u>8 192</u>	<u>61 232</u>
Corrected profit for the year		<u>17 268</u>

(c) Prepare a capital account of a service business.

A majority of candidates failed to answer this part as most omitted dates, wrote incorrect dates, or incomplete dates. Some wrote incorrect narrations like expenses, receipts, etc or irrelevant items like motor vehicles, furniture which were not required in this part. Some failed to transfer the profit obtained in the corrected income statement in question 5(b) to this part question or to enter the drawings which were necessary to earn marks. Others reversed the entries in the capital account.

The expected response was

Xoli				
Capital account				
2023		2022		E
Sept 30 Drawings	4 500	Oct 1 Balance b/d		70 000
Balance c/d	82 768	2023		
		Sept 30 Profit for the year		<u>17 268</u>
	<u>87 268</u>			<u>87 268</u>
		Oct 1 Balance b/d		82 768

- (d) State how the statement of financial position would be affected if the error of entering a revenue expenditure item as capital expenditure was not corrected.**

Most candidates were able to only get the effect on non-current assets with the amount earning a maximum of one mark. Others would only use general items within the statement of financial position without focusing on what the question required. Others would only identify the effect on the items leaving out the figures or writing incorrect figures.

The correct response was

The cost of non-current assets would be overstated by E300

The provision for depreciation would be overstated by E60

The net book value of non-current assets would be overstated by E240

The capital would be overstated by E240

- (e) (i) Name one accounting principle applied when recording depreciation of non-current assets.**

Most candidates were able to state either prudence or matching as principles applied when recording depreciation of non-current assets. However, some candidates stated incorrect principles like consistency and duality.

- (ii) Explain how depreciation is an application of the accounting principle named in (e)(i).**

Most candidates failed to explain the named principle or explained the general meaning of a correct principle without applying it to the given question. Most candidates could not obtain any mark as they named the wrong principle in **(e)(i)**.

Recommendations

1. It is recommended that students be taught all formats of arriving at incomplete values in incomplete records. For example, the use of a total trade payables account and the use of a statement to calculate purchases.
2. When comparing things, students should be taught to bring out both sides of the things to score a mark.
3. Students must be trained in question analysis so that they understand how to present their answers.
4. Centres must continue to encourage students to write complete dates for the preparation of any ledger account and journal entries.
5. Centres are advised to emphasise the importance of the choice of words used by candidates in their responses, as some words used by candidates change the meaning of the accounting facts, for example, identifying fraud is not the same as reducing fraud.