



EXAMINATIONS COUNCIL OF ESWATINI

Eswatini General Certificate of Secondary Education

Accounting (6896) **Examination Report for 2024**

Table of Contents

Subject Code: **Name of Component:** **Page No:**

6896 Accounting P1 3 - 10

6896 Accounting P2 11 - 21

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

The paper consisted of five questions, the first question was ten multiple choice questions, and the other four questions were structured. Candidates were required to answer all the questions.

The structure of the paper was the same with that of the previous years where candidates were required to display knowledge and understanding of the subject, application, evaluation and decision-making skills.

The overall performance of the candidates was better than that of the previous year. However, some centres did not perform very well.

Candidates lost marks on basic accounting skills such as:

- Failing to record correctly the details columns in the petty cash book.
- Failing to record the total column in the petty cash book.
- Writing one word when they are supposed to write a phrase or whole sentence.
- Poor writing of dates.
- Failing to differentiate between sources of information in a control account and source documents for subsidiary books.

Teachers are encouraged to give practice to learners under timed conditions as candidates are still struggling to finish the examination on the time allocated.

Comment on specific questions**Question 1**

This question was generally well answered by most candidates. However, candidates displayed little knowledge in (j) when calculating the value of inventory. Mostly, they overlooked the rule of using the net realisable value when calculating inventory. They opted for B when the correct answer was option A.

The correct options for question 1 were as follows:

(a) D
(d) C
(g) C
(j) A

(b) A
(e) B
(h) D

(c) A
(f) C
(i) B

Question 2

- (a) This question was generally well attempted by most centres. The candidates were able to state the advantages of keeping a petty cash book. There are candidates who stated reasons of keeping a petty cash book instead of the advantages therefore, lost marks. An example of a reason for keeping the petty cash book is that a petty cash book records small amounts of money in the business. This is not an advantage of keeping a petty cash book.

Advantages of keeping a petty cash book include:

- ***Reducing the number of entries in the cash book***
- ***Reducing the number of entries in the ledger***
- ***Providing training to junior staff members***

- (b) This question was poorly done. Most candidates failed to state the correct meaning of petty cash voucher. Most of them were saying 'a petty cash voucher is voucher number, a shopping voucher or a document issued or received' which are all incorrect phrases.

A petty cash voucher is a document presented to the petty cashier by a person who obtains petty cash showing the amount required and purpose and signature of the person receiving cash.

- (c) In this question candidates were required to explain 'imprest system'. This was also poorly done. Most candidates missed the important aspect of the meaning of imprest system such as the terms "fixed" or "initial", amount spent or used, restoration of the amount spent. Mostly these aspects were missing from their explanations therefore, lost marks.

The petty cashier starts each period with a fixed amount over a period of time. At the end of the period the amount used is restored by the chief cashier.

- (d) (i) In this question candidates were required to prepare a petty cash book, and it was fairly done. However, most candidates failed to restore the imprest at the beginning of August 2024. The amount to restore the imprest was E340. Most candidates narrated the E340 incorrectly by writing words like imprest amount, cash float or balance b/d instead of writing cash. In the details column of the petty cash book, some candidates wrote the whole transaction e.g. August 2, they were writing 'bought stapler instead of writing stapler'. Some candidates failed to balance the petty cash book.
- (ii) Some candidates failed to post the totals of the analysis columns to the ledger. Most failed to write the date properly. The correct date should be the last day of the month. The correct narration of the amounts is petty cash not petty cash book.

Question 3

- (a) Candidates were required to state four advantages of reconciling the balance of the bank column in the cash book with the balance of the bank statement. This was generally not well done by most candidates. Most candidates explained the reasons for reconciling instead of the advantages. They explained that a reconciliation statement is done to make an agreement between the cash book and the bank statement. This is incorrect.

The advantages of reconciling included:

- ***Ensuring correct bank balance***
- ***Helping to identify fraud and embezzlement***
- ***Helping to identify cash book and bank statement errors***
- ***Identifying uncredited cheques***
- ***Identifying unpresented cheques***
- ***Identifying stale cheques***

- (b) In this question candidates were required to make entries to complete the cash book, balance it up at the end of the month and bring down balances on 1 October 2024. This was fairly done by candidates.

Although some candidates:

- Failed to write dates correctly
- Failed to write the correct detail
- Entered some of the items on the wrong sides of the cash book
- Recorded the bank error in the cash book instead of bank reconciliation statement

- (c) The bank reconciliation statement was poorly presented in this part of question 3. Some candidates failed to identify and record correctly unpresented cheques and uncredited cheques. Some of the learners presented the balance as per bank statement as an overdraft.

The correct response was:

Mdlalo

Bank reconciliation statement at 30 September 2024

	<i>E</i>
<i>Balance as per bank statement</i>	<i>4833</i>
<i>Add uncredited cheques</i>	<i>770</i>
<i>Bank error</i>	<i><u>21</u></i>
	<i><u>791</u></i>
	<i>5624</i>
<i>Less unpresented cheques</i>	<i><u>600</u></i>
<i>Balance as per cash book</i>	<i><u>5024</u></i>

The other method of preparing the bank reconciliation statement (starting with the balance as per cash book) was also acceptable.

- (d) This question was generally well done by most centres. The learners were able to identify **current assets** as the section of the statement of financial position where the balance from the cash book would be recorded.

- (e) (i) Most learners were able to state the meaning of dishonoured cheques.

Dishonoured cheques are normally described as cheques which the bank refuses to pay.

- (ii) This question was also fairly done by most candidates. They were able to state the reasons why cheques may be dishonoured. However, some candidates wrote one-word answers like expired, outdated, stale instead of writing phrases. One-word answers are discouraged since candidates lose marks.
- (iii) This question was poorly done as most candidates failed to explain the meaning of credit transfer and direct debit. When trying to explain the meaning of credit transfer most of the learners would miss the key elements of the explanation that money is transferred from one account to another. Some candidates were explaining these terms as money instead of a facility or instruction.

Examples:

Credit transfer is money that is.....

Direct debit is money that is

This is incorrect.

Credit transfer is a facility whereby an account holder instructs the bank to transfer an amount of money to the bank account of a named person.

Direct debit is a facility whereby an account holder notifies the bank that permission has been given to a named person to collect an amount directly from their bank account. These are usually recurring payments where the dates and amounts vary.

Question 4

- (a) In this question, candidates were required to state advantages of preparing monthly control accounts. This was generally well answered by most candidates. There is, however, a misconception that a control account can be used to correct errors. This is incorrect. A control account can be used to locate errors.

There is another misconception that a control account can be used to prevent fraud. This is also incorrect. A control account can be used to identify fraud. The candidates lost marks because of these two misconceptions.

The advantages of preparing control accounts included:

- **Assist in locating errors when the trial balance fails to balance**
- **They help reduce fraud**
- **Provide instant balance for trade receivables and trade payables**
- **Draft financial statements can be prepared quickly**
- **They provide a summary of the transactions affecting the trade receivables and trade payables in a financial period**

- (b) Candidates were required to state the sources of information for preparing a sales ledger control account. This question was well answered by most candidates although some candidates mentioned source documents like receipt, invoice and credit note. Some learners were mentioning the different types of ledgers.

Here are sources of information for the entries in the sales ledger control account:

Sales	-	sales journal
Returns inwards	-	returns inwards journal
Bank transfers	-	cash book
Cash funds	-	cash book
Interest charged	-	general journal
Irrecoverable debts	-	general journal

- (c) In this part of the question, candidates were required to prepare a sales ledger control account for the month of July 2024, balance the sales ledger control account and bring down the balance on 1 August 2024.

This question was poorly done by most centres. It was more of guess work on the placement of the entries in the sales ledger control account. They even included the entries which were supposed to be recorded in the purchases ledger control account. Some candidates did not even write the dates when preparing the sales ledger control account, which is incorrect.

Sales ledger control account

2024			2024		
		E			E
Jul 1	balance b/d	10 860	Jul 31	balance b/d	200
	31 sales	31 295		31 returns inwards	1 035
	31 cash (refund)	69		31 bank	27 300
	31 interest charged	50		31 cash	700
				31 irrecoverable debts	119
				31 balance c/d	12 920
		<u>42 274</u>			<u>42 274</u>
Aug 1	balance b/d	12 920			

- (d) Candidates were required to prepare an extract from a statement of financial position to show the entry for trade receivables. Most candidates were unable to show the entry for trade receivables in the statement of financial position. This was mainly caused by the incorrect sales ledger control account balances. The few candidates that attempted this question used the amounts for sales, opening balance and irrecoverable debts in calculating the net trade receivables in the statement of financial position.

A correct presentation of the trade receivables in the statement of financial position would be:

Statement of financial position extract at 31 July 2024

	E
Current assets	
Trade receivables	12 920
Less provision for doubtful debts (12920 x 5%)	<u>646</u>
	12 274

Question 5

- (a) Candidates were asked to prepare an income statement of a sole trader with a few adjustments. Most candidates were able to prepare the income statement. This is one of the questions that was fairly attempted by the candidates. Some candidates, however, are still failing to present the income statement properly. They particularly failed to show the net purchases figure and lost marks. Some candidates failed to calculate the provision for depreciation and stationery amounts.
- (b) (i) Most candidates were able to state the two types of ratios. However, some candidates were giving the types of liquidity ratio like current ratio and acid test ratio instead of the types of ratios; liquidity ratios and profitability ratios.
- (ii) In this question, candidates were required to calculate the gross margin and profit margin for the year. This was well done. There are candidates who were not showing the percentage sign and some did not observe the presentation of the percentage in two decimal places. Teachers are encouraged to emphasise on presentation of percentages to two decimal places. Some candidates were presenting the percentage in Emalangen (E).
- (c) This question was poorly done. Most candidates stated the reasons not based on their calculations. This resulted in them losing a lot of marks.

This is what was expected:

Increase in gross profit margin

- **Increase in selling prices/reduction in trade discount allowed**
- **Purchase of cheaper quality goods/increase in trade discount received**
- **Changes in proportions of different types of goods sold**

Decrease in gross profit margin

- ***Decrease in selling prices/increase in trade discount allowed***
- ***Purchase of more expensive quality goods/decrease in trade discount received***
- ***Changes in proportions of different types of goods sold***
- ***Increased cost of purchasing not passed on to customers***

Increase of profit margin

- ***Increase in gross profit***
- ***Reduction in expenses/better control of expenses***
- ***Changes in the types of expenses***

Decrease in the profit margin

- ***Decrease in gross profit***
- ***Increase in expenses/lack of control of expenses***
- ***Changes in the types of expenses***
- ***Decrease in other income***

- (d) (i) In this question candidates were required to explain the importance of calculating the current ratio. This question was poorly done. A good number of the candidates explained the importance of calculating the quick ratio. Some of the learners were giving incomplete explanation. When trying to explain, instead of writing current liabilities they only wrote the term 'liabilities'. This is incorrect because it is not specific enough.

The current ratio measures the ability to pay its short-term debts (current liabilities) from its immediate current assets.

- (ii) This question was well done as candidates were able to state correctly the formula of calculating the current ratio.
- (e) In this question candidates were required to state ways in which the current ratio can be improved in a business. Most learners were able to give the ways of improving the current ratio. Some of the responses were not specific and the candidates lost marks. One example of a response which is not specific enough is that selling assets increases the current ratio. This is incorrect. It is the selling of non-current assets which increases the current ratio. Another common misconception was that of obtaining a loan from financial institutions which increases the current ratio. This is also incorrect. It is obtaining long term loans which increases the current ratio.

Possible responses could be:

- *Introduction of further capital*
- *Obtaining long-term loans*
- *Selling surplus non-current assets*
- *Delaying purchasing non-current assets*
- *Reducing drawings*
- *Increasing profits*

EGCSE ACCOUNTING

Paper 6896/02

General comments:

This paper consisted of five compulsory structured questions. The general performance of the 2024 cohort was average. Most candidates were able to score marks in almost all the questions.

Questions 1 and 3 proved to be more accessible to most candidates, however, questions 4 and 5 seemed difficult for the majority. Candidates lost marks on basic accounting skills such as

- Poor writing of dates in ledger accounts
- Abbreviation of terms, such as “bal c/d” for balance c/d
- Incorrect display of the statement of financial position format

Candidates did not attempt some of the questions such as question 4 part (d) which required a current account and question 5 (statement of corrected profit for the year and the corrected statement of financial position)

Comments on specific questions**Question 1**

Generally, most candidates answered this question well, as most were able to score marks.

- (a) The question required candidates to state the effects of transactions on assets, liabilities, and capital. A number of candidates were able to score some marks in this part question, however, only a few were able to score the full marks. The most challenging transaction was number 4 since the correct answer was “no effect” on the three aspects. Most candidates failed to show the effect on assets in transaction number 4. Some candidates were unable to follow instructions, they wrote signs, for instance “- E1500” or specific items like “trade payables +E5600” instead of the expected response which is increased by E5600. Some showed the effect without the amount for instance writing “decreased” only instead of writing “decreased by E1500” leading to a loss of marks. Some candidates wrote “effect” to show that the transaction affects assets, liabilities or capital, instead of stating what kind of effect the transaction has.

The expected response was

	Assets	Liabilities	Capital
2	No effect	Increased by E5600	Decreased by E5600
3	Decreased by E1500	No effect	Decreased by E1500
4	No effect	No effect	No effect

(b) (i) Candidates were able to state the meaning of capital expenditure, with only a few defining capital expenditure as revenue expenditure. The most common response was that capital expenditure is the money spent when buying a non-current asset and capital receipt is the money received from a sale of a non-current asset, which were acceptable responses. Those who lost marks failed to write a word that differentiated both terms, for instance, they stated capital expenditure as a cost of buying an asset and not being specific that it is the cost of buying a “non-current asset”. Some candidates gave incomplete responses, for example, they would explain capital expenditure as money used on non-current assets or money used for maintaining non-current assets, without mentioning the purchase of a non-current asset which was key to earn a mark.

Some candidates only gave the name of a non-current asset without mentioning whether it was bought or sold when giving an example of capital expenditure or capital receipt respectively, which was unacceptable, for example, they would just mention 'machinery' instead of 'machinery bought or machinery sold'. They were required to state the buying or selling of a specific non-current asset to earn a mark. Some candidates explained the capital receipt as a source document that shows that the business has paid for capital goods which was incorrect.

(ii) Most candidates performed well in this part question. However, some candidates failed to give the meaning of the term revenue expenditure as they would state it as a cost of buying goods for resale or the cost of purchases only and not generalising revenue expenditure as money spent on the daily running of a business. Some candidates lost marks when defining revenue receipt as money used to buy current assets and gave examples of current assets such as inventory. Other candidates lost marks when defining or giving an example of a revenue receipt as a source document that showed proof of payment.

(c) Only a few candidates were able to name and explain historical cost as the correct principle violated when non-current assets are recorded at a realistic value. Some candidates would name the correct principle but incorrectly explain, for example, that non-current assets should be recorded at net book value or actual value which was unacceptable. Some candidates could not name the principle in full, for example, they would write “historic or historical” omitting the word “cost”, or they would just state the word “cost” omitting the word “historical”.

Some candidates wrote any principle that came to mind like realisation principle. Some would name the principle that is observed instead of the one that is violated which is the prudence and assumed continuity principles, this led to loss of marks. Some mentioned a method of calculating depreciation like the revaluation method. Others stated the objectives of selecting accounting policies like reliability, relevance, etc, which were all incorrect.

Question 2

A majority of candidates could not see that this was a manufacturing account question which had been broken down into sections. It also transpired that candidates could not differentiate between an income statement and a manufacturing account of a manufacturing business.

It is advised that emphasis should be made on the purpose of the income statement which is for calculating gross profit /loss and profit/loss for the year, whereas the manufacturing account is for calculating the cost

of production. Emphasis should also be made that the income statement and the manufacturing account are two different accounts which never share items except for the cost of production figure.

- (a) (i) Candidates who were not able to attain maximum marks in this part question are those who included items that are not required when calculating the cost of raw materials consumed. A majority of candidates failed to identify items used to calculate the cost of raw materials consumed. Some candidates could not select the correct inventory to be used which was the opening inventory and closing inventory of raw materials. They selected inventories of work in progress and inventories of finished goods which were incorrect. Most candidates were able to score at least one mark in this part question as they were able to show the purchases of raw materials and would lose the other mark as they would include other items such as sales in their calculation, which was unacceptable. Other candidates calculated the prime cost which was required in part (a)(ii).

The correct response was

	E
Raw materials on 1 September 2023	4 500
Add purchases of raw materials	<u>88 000</u>
	92 500
Less raw materials on 31 August 2024	<u>3 900</u>
Cost of raw materials consumed	<u>88 600</u>

- (ii) A majority of candidates were able to calculate the prime cost. However, those who were not able to obtain maximum marks allocated for this part question included items such as indirect factory wages in their calculation. Some candidates could not bring down the cost of raw materials consumed figure calculated in part (a)(i) and add the direct expenses to it. Most candidates scored at least one mark as they were able to show the direct factory wages of E37000. Other candidates deducted the direct factory wages from the cost of raw materials consumed instead of adding them.

The expected response was

	E
Cost of raw materials consumed	88 600
Add direct factory wages	<u>37 000</u>
Prime cost	<u>125 600</u>

- (iii) A few candidates were able to score all the marks in this question. Some candidates did not start calculating production cost with the prime cost taken from part(a)(ii). Other candidates did not include all the factory overheads in their calculations. They omitted one or more factory overheads that were part of the question, leading to a loss of marks. Some candidates were able to include all the factory overheads, but they were not able to adjust correctly the factory fuel and power. Another item that was not accurately calculated is the depreciation of factory machinery; some candidates recorded the accumulated depreciation after the current financial year instead of the depreciation of the current year. Some candidates included the machinery in place of the machinery depreciation, thus losing marks.

Other candidates omitted the opening and closing work in progress in their calculation while others subtracted the opening work in progress and added the closing work in progress which is incorrect. A few candidates included the inventories of finished goods or raw materials and sales in their calculation with others deducting the overheads from the prime cost leading to a loss of marks.

The expected response was

	E
Prime cost	125 600
Factory fuel and power (8200+300-400)	8 100
Indirect factory wages	24 000
Factory general expenses	10 500
Factory machinery depreciation	<u>5 000</u>
	173 200
Add work in progress on 1 September 2023	<u>3 150</u>
	176 350
Less work in progress on 31 August 2024	<u>2 700</u>
Production cost of finished goods	<u>173 650</u>

- (b) Candidates who did not perform well in the preparation of the income statement (trading account section) for Toy Nee Ltd. They included items that should be included in a manufacturing account. One of the items included purchases of raw materials instead of using the cost of production. Some candidates used incorrect opening and closing inventories, a majority of candidates were using the inventories of raw materials.

The expected response was

	E	E
Sales		195 000
Finished goods on 1 September 2023	6 200	
Add production cost	<u>173 650</u>	
	179 850	
Less finished goods on 31 August 2024	<u>5 900</u>	
Cost of sales		<u>173 950</u>
Gross profit		<u>21 050</u>

- (c) A majority of candidates were not able to calculate the unit cost of production. From their different calculations, it was observed that others used the sales figure, cost of sales, or gross profit to calculate the unit cost, thus losing marks. Some stated the final answer in units instead of amount (E), whilst others calculated to one decimal place or rounded up to the nearest Lilangeni (E) instead of indicating the cents. Some candidates multiplied with the 1000 units produced instead of dividing with it. Candidates were expected to use the cost of production in the calculation of the unit cost of production.

The expected response was

$$E173\,650/1000 = E173.65$$

- (d) The question required candidates to state three reasons why a manufacturer may sometimes purchase finished goods from another manufacturer. Most candidates did well in this part question. Candidates who did not obtain the full marks repeated the same point. For example, they would state that it is cheap to buy finished goods and then on another point state that it is expensive to produce finished goods. Some candidates gave reasons why a business cannot be able to manufacture a product which was not required by the question. They cited different points such as to reduce the cost of production, not having enough raw materials, to compare the competitor's product with Toy Nee Ltd products, lack of skills, and lack of machinery required to produce the product, etc.

Question 3

Generally, this question was more accessible to a majority of candidates.

- (a) Preparing the two ledger accounts was quite challenging for some candidates as a result they would not attempt this part question at all. Some candidates who attempted the question would make some errors such as reversing the entries, writing prepaid b/d or accrued b/d instead of balance b/d. Some would enter the names Dolly, Similo, and rent as a detail in the rent account, which is unacceptable. Others would record credit transfer or cheque instead of bank as a detail. Other candidates would duplicate entries, that is record the same entry on both the debit and the credit side which is not acceptable because it is like the candidate is giving the examiner a choice.

Candidates lost marks for dates as they would write an incorrect date or an incomplete date omitting the year. Some candidates did not write the dates in both accounts at all. Candidates mixed the items for the two accounts; they could not differentiate as to which transactions should be recorded in the rent payable account or in the rent receivable account. Some candidates could not record the amount to be transferred to the income statement.

The correct response was

Rent Payable account						
2023			E	2024		E
Oct 1	Balance	b/d	1200	Sept 30	Income statement	7200
Dec 1	Bank		5400			
2024						
Sept 30	Balance	c/d	<u>600</u>			
			<u>7200</u>			<u>7200</u>
				Oct 1	Balance	b/d 600

Rent Receivable account						
2023			E	2023		E
Oct 1	Balance	b/d	200	Oct 5	Bank	2800
2024						
Sept 30	Income statement		2400			
30	Balance	c/d	<u>200</u>			
			<u>2800</u>			<u>2800</u>
				2024		
				Oct 1	Balance	b/d 200

- (b) (i)** A majority of candidates were able to name the ledger in which the rent receivable account should be maintained as general ledger/ nominal ledger. A few candidates gave incorrect responses like “sales ledger” or “purchases ledger”.
- (ii)** Some candidates were able to score some marks in this part question when stating advantages of dividing the ledger into sections. Some candidates stated that dividing the ledger into sections makes the ledger to be neat and then on another point stated that it makes the ledger to be organised; this is the same point. Common incorrect responses included points such as; it is useful in identifying fraud, assists in getting a figure for trade payables and trade receivables, helps to prepare final accounts, helps in locating errors, and helps in preparing control accounts. Candidates should note that dividing the ledger into sections helps to minimise fraud but not to identify it. Also dividing the ledger into sections does not help in preparing control accounts as control accounts are not prepared from the ledger but from subsidiary books. However, dividing the ledger into sections makes it easier to introduce checking procedures in the form of control accounts. Candidates should be careful about the choice of words they use in their responses as it normally changes the meaning.
- (iii)** Most candidates were able to identify the cash book as the correct subsidiary book to record the credit transfer on 5 October 2023. Some associated credit transfer with the bank reconciliation statement thus stating the bank statement or bank reconciliation statement itself as the subsidiary book.
- (c)** Only a few candidates could name and explain the principle Dolly is applying when calculating the amount of rent receivable to be transferred to the income statement. The most common responses were the prudence principle, duality principle, or consistency principle instead of the matching principle, which was the correct one. Some who were able to name the matching principle could not explain it correctly. Others left the crucial part of the answer like “same financial year” or “same period”.
- (d)** A majority of candidates failed to give a complete answer for the effect on profit for the year. They only stated that the profit would be overstated and did not mention the extent of the effect to get the other mark. Very few candidates mentioned the amount as profit being overstated by E600 (rent payable owing at the end of the period) which was incorrect. No candidate was able to state that profit would be overstated by E1800.

Question 4

Generally, this question proved to be challenging for a majority of candidates, with some failing to prepare the current account correctly, and some failing to write the correct dates.

- (a)** This was a well attempted part question as candidates were able to state disadvantages to Zethu of being a member of a partnership agreement. However, some candidates included sharing of losses as a disadvantage of a partnership business resulting to the loss of marks. Some candidates did not read the question carefully. They stated advantages of a partnership business such as sharing skills and ideas or sharing risks and responsibilities instead of disadvantages. Some candidates stated that a partnership business has limited liability which is not correct.

- (b) Most candidates were able to score at least one mark in this question as they were able to state that a partnership agreement is used in times of a disagreement. This was an incomplete answer as they did not qualify why the agreement becomes useful to solve such a disagreement. Some candidates though did not score any mark in this question as they gave contents of a partnership agreement rather than explaining the importance of a partnership agreement. It should be noted that contents of a partnership agreement were not a requirement for this question.

The expected response was

A partnership agreement helps to avoid misunderstandings and arguments as it lays down rules under which the partners operate/ for future reference.

- (c) A majority of candidates gave the correct format of the appropriation account. However, some prepared it as if it were a current account prepared within a statement of financial position. Some candidates included items like capital, current account, drawings, and interest on loan in the appropriation account which is incorrect. Candidates should note that interest on loan is recorded in the income statement, not in the appropriation account. Candidates were supposed to adjust the profit for the year first before using it in the appropriation account.

Some candidates stated a sign to use for adjusting but then did the opposite. For example, they would say profit for the year add interest on drawings, but then they would deduct the interest on drawings. Emphasis should be made to candidates about the purpose of an appropriation account that it is used for the sharing of profits or losses, thus items that are not part of a share of profit should not be included.

The correct response was

Zethu and Thandi				
Appropriation Account for the year ended 30 September 2024				
		E	E	E
Profit for the year (21900 – 1050)			20 850	
Add interest on drawings:	Zethu	100		
	Thandi	<u>50</u>	<u>150</u>	21 000
Less interest on capital:	Zethu	2 000		
	Thandi	<u>1 000</u>	3 000	
salary:	Zethu		<u>12 000</u>	<u>15 000</u>
				<u>6 000</u>
Share of profit: Zethu (6000 x 2/3)			4 000	
Thandi (6000 x 1/3)			<u>2 000</u>	<u>6 000</u>

- (d) The question was on the preparation of Zethu's current account for the year ended 30 September 2024. A majority of candidates failed to get maximum marks in this question. Others were writing the wrong dates, incomplete dates, or no dates at all. Candidates would forget to write the year 2024. A mark was awarded for a complete entry with a full date, detail, and amount. Some candidates with correct dates omitted some entries like the opening balance of E1800 in the current account and the interest on loan. Other candidates reversed the entries in the current account thus losing marks.

The purpose of a current account should be emphasised that it is to show changes to the amount owed to a partner by the business. Items that are not part of what the partner is entitled to and what the partner owes to the business, should not be included in a current account such as loan and capital.

The correct response was

		Zethu				
		Current account				
2024		E	2023			E
Sept 30	Drawings	2 000	Oct 1	Balance	b/d	1 800
	Interest on drawings	100	2024			
	Balance c/d	18 750	Sept 30	Interest on loan		1 050
				Salary		12 000
				Interest on capital		2 000
				Share of profits		<u>4 000</u>
		<u>20 850</u>				<u>20 850</u>
			Oct 1	Balance	b/d	18 750

- (e) (i) Some candidates scored full marks on this question for stating advantages of Zethu and Thandi of forming a limited company. There were some candidates though who assumed that a limited company has unlimited liability thus losing marks. Some candidates' responses were too general such as risks are shared and economies of scale. Some stated that the business would make more profit. This is not true because there is no guarantee that converting from a partnership business to a limited company would result in more profit as companies sometimes incur losses.

The expected responses were

More capital
Continuity
Separate legal entity
Limited liability
Loans can be obtained easily

- (ii) Very few candidates were able to give the correct disadvantages of limited companies. Some candidates gave disadvantages that were correct for one type of limited company, yet the question was open for both limited companies. The responses to this part question were supposed to be true for both a private limited and a public limited company. Some candidates assumed that the question required disadvantages of the public sector, giving responses such as, full government control which was not correct.

The expected responses were

No secrecy
Expensive to set up
Loss of ownership
Difficult to start/ many legal requirements
Difficult to manage
Directors can make decisions that can negatively affect shareholders

Question 5

Generally, a majority of candidates did not attempt this question.

- (a) Preparation of Nelile's statement of corrected profit for the year ended 30 September 2024 seemed to be a challenge. A majority of candidates did not attempt to answer this question. Candidates who responded to this question failed to get the correct profit for the year. They deducted the drawings of goods that were supposed to be added back to the profit for the year. Some candidates included items like capital and bank overdraft, which are foreign to this question. Other candidates were treating this part question as if it was from incomplete records, trying to calculate the profit from the owners' equity structure. Most candidates were simply listing the items from the adjustment section without adjusting them from the given profit. Some candidates did not follow any acceptable structure for the statement of corrected profit.

The correct response was

	E	E	E
Profit from draft income statement			28 000
Add: Drawings			<u>400</u>
			28 400
Less: Depreciation of machinery		12 000	
Irrecoverable debt		200	
Provision for doubtful debts		<u>1 376</u>	<u>13 576</u>
Corrected profit for the year			<u><u>14 824</u></u>

OR

	E	E	E
Profit from draft income statement			28 000
	Increase	Decrease	
Depreciation		12 000	
Drawings	400		
Irrecoverable debts		200	
Provision for doubtful debts		<u>1 376</u>	<u>13 176</u>
Corrected profit for the year			<u><u>14 824</u></u>

- (b) Some candidates gave an incorrect presentation, yet the question clearly stated that an acceptable form of presentation should be used to prepare a statement of financial position which includes the showing of proper sections. Some candidates used the presentation from the question, which is unacceptable. Some candidates who used an acceptable presentation in preparing a statement of financial position were mixing up the sub-sections in the statement of financial position, for example, others were assuming non-current liabilities to be current liabilities.

Some candidates could not show the adjustments for non-current assets, whilst others could not show the adjustments for irrecoverable debts and provision for doubtful debts on trade receivables. Most candidates were writing varying amounts of the bank overdraft, for example, others stated it as E900, E3480, or E1290 which were all incorrect amounts. Some candidates recorded the bank overdraft under current assets with the assumption it was a positive bank balance. Some

candidates failed to use the adjusted profit for the year which was calculated from part(a) but instead used the unadjusted profit from the question paper of E12800 which was incorrect.

Some candidates recorded the long-term loan as part of the owners' equity which was incorrect, they were not indicating the heading for non-current liabilities. Other candidates deducted the loan from the assets section. Most candidates were not able to adjust the drawings, by adding the drawings of inventory (E400) to the cash drawings.

The expected response was

Nelile			
Corrected Statement of Financial Position at 30 September 2024			
	Cost	Accumulated Depreciation	Net Book Value
	E	E	E
Non-current Assets			
Premises	108 200	-	108 200
Machinery	80 000	12 000	68 000
Fixtures and fittings	<u>15 000</u>	<u>1 500</u>	<u>13 500</u>
	<u>203 200</u>	<u>13 500</u>	189 700
Current Assets			
Inventory		17 860	
Trade receivables (69 000- 200)	68 800		
Less provision for doubtful debts	<u>1 376</u>	67 424	
Cash		<u>1 000</u>	<u>86 284</u>
			<u>275 984</u>
Capital and Liabilities			
Capital			125 300
Add profit for the year			<u>14 824</u>
			140 124
Less drawings (12 400 + 400)			<u>12 800</u>
			127 324
Non-current Liabilities			
Loan- Asakhe Bank			110 000
Current Liabilities			
Trade payables		36 470	
Bank overdraft		<u>2 190</u>	<u>38 660</u>
			<u>275 984</u>

- (c) (i) A majority of candidates could not state the formula for calculating the ROCE. Incorrect common responses included the formula for the profit margin, gross margin, and the rate of inventory turnover. Some candidates included the % sign in the formula which resulted in the response being incorrect. A few candidates included the profit after tax in the formula which is incorrect because the profit before interest and tax should be used to calculate the return on capital employed.

The expected response was

$$\frac{\text{Profit for the year before interest}}{\text{Capital employed}} \times 100$$

- (ii) A majority of candidates did not attempt this question. Most candidates could not state ways of improving the return on capital employed. The most common responses included; reducing drawings, increasing capital, obtaining a loan, and selling an old non-current asset which were all incorrect responses.

The expected responses were

Increase the gross margin/increase selling prices/ obtain cheaper supplies/ change different proportions of goods sold

Control expenses/ reduce costs

Increase other income

Reduce liabilities/ reduce loans

Reduce capital (owners' equity)/ reduce capital employed

- (d) A majority of candidates did not answer this part question. Candidates could not state how the quality of financial statements can be measured. Some candidates just wrote any word that ends with 'ability' such as divisibility while others wrote the characteristics of money. Other common incorrect responses included inventory valuation methods and depreciation methods.

The correct responses were

Understandability

Relevance

Comparability

Recommendations

1. Educators must continue to encourage students to write complete dates for the preparation of any ledger account, subsidiary books, and journal entries.
2. Candidates are advised to read questions with understanding before answering them and not have an assumption of the question. For example, a question requiring the disadvantages of a partnership business should not be assumed as one looking for advantages. Also, a question requiring the purpose of a partnership agreement should not be mistaken for a question requiring the contents of a partnership agreement.
3. Educators 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 eliminating fraud.
4. Educators are advised to encourage learners to know basic accounting information like terms, principles, objectives, and theoretical aspects of financial statements.

Candidates are encouraged to distinctly present accounting information in acceptable formats as required by question