

# ACCOUNTING

6143  
Paper 1

According to the syllabus page 3: Learners will not be penalised for using different terminology from that indicated in the syllabus.

## 1. GENERAL COMMENTS

Most learners managed to answer all questions.  
Learners struggle with layouts and should learn all their layouts.  
Most learners struggled with theory questions.  
Dates are still left out, although clearly given on the question paper.

## 2. COMMENTS ON INDIVIDUAL QUESTIONS

- 1 (a) Well answered. Some learners changed the subject of the formula and forgot to change the sign.

**Answer**

Assets = Owner's Equity + Liabilities

Owner's Equity = Assets - Liabilities

Liabilities = Assets - Owner's Equity

[1]

- (b) Fairly answered. Although some learners used the term paid instead of received and left out for the next financial period.

**Answer**

Income received in the current financial year for the next financial period/ accounting period.

Income not yet earned but already received for the next financial period/Income which has already been received in the current financial period.

[1]

- (c) Well answered. Some learners confused customers paying on time with credit customers.

**Answer**

Trade discount is given by one trader to another trader in the same trade or for buying in bulk. Reduction on price of goods that suppliers give when buying goods from them. (1)

Cash discount is discount given/received for prompt payments/within a time limit stated by the seller.

Discount given to credit customers when customers pay account before specific time. (1)

[2]

- (d) Fairly well answered. Learners write the ledger name, e.g. Debtors ledger and Creditors ledger instead of account name.

**Answer**

	Book of first entry	General ledger account	Debited or credited
(i)	Debtors Journal	Sales (1)	Credited (1)
(ii)	Creditors Journal	Purchases (1)	Debited (1)

[4]

- (e) Poorly answered. Most learners find it difficult to explain the concept "net realisable value".

**Answer**

The estimated receipts from the sale of inventory (1) less any costs of completing or costs of selling goods (1).

The amount that can be obtained by selling (1) any goods (inventory) after deducting expenses incurred to get it in a saleable condition (1).

The amount that the business can earn by selling an asset (1) after deducting the expenses that are incurred to prepare asset for selling (1).

[2]

- (f) Poorly answered. Learners find it difficult to differentiate between fixed and fluctuating capital accounts. They write about balances which remain the same or change instead of explaining why the balances remain fixed or changed.

**Answer**

**Fixed capital account**

A separate capital and current account maintained. (1)

**Fluctuating capital account**

No current accounts or combined capital and current accounts. (1)

[2]

- (g) Well answered.

**Answer**

Consistency principle

[1]

- (h) Fairly well answered. Learners explain the two sections of the trial balance but they mention classes of account recorded in trial balance, instead of explaining what a trial balance is.

**Answer**

It is a list of the balances from the general ledger, cash and bank balances from the cash book (1), petty cash balance from the petty cash book and totals of the list of debtors and creditors. (1)

[2]

- (i) Fairly well answered. Learners explain what a general journal is, instead of the uses of the general journal.

**Answer**

Opening entries

Adjustment entries

Closing transfers

Bad debts

Drawing of inventory/stock

Donation goods or consumable stores

Interest charged on overdue accounts

Purchases of non-current assets on credit/fixed assets

Purchases of consumables on credit

Correction of errors

Any two

[2]

- (j) Fairly well answered. Most learners calculate the outstanding interest and not the amount due/outstanding.

**Answer**

$16\,000 \times 9/100 = \text{N\$}1\,440$

$\text{N\$}1\,440 \times 3/12 = \text{N\$}360$  (1)

$16\,000 + 360 = \text{N\$}16\,360$  (1)

[2]

- (k) Well answered.

**Answer**

Equipment, land and building, vehicles, goodwill

Other suitable examples

Any one

[1]

- (l) Well answered. Most learners explain why, without giving the principle and then explain. Some learners explain the business entity principle instead of money measurement.

**Answer**

Money measurement principle (1) states that only items/transactions which can be expressed in money terms can be recorded in the accounting records. (1)

[1]

- (m) Well answered. Many learners get N\$2 400 or N\$2 240 as an answer.

**Answer**

Cash book balance	2 320	<b>OR</b>	2 320
<b>Add</b> EFT and debit cards	<u>1 020</u> (1)		Less <u>1 020</u> (1)
	3 340		1 300
<b>Less</b> outstanding deposits	<u>940</u> (1)		Add <u>940</u> (1)
Bank statement balance	2 400 (1)		2 240 (1)

Note: Due to statement that EFT and debit cards payments as well as deposits are shown only in the bank statement, so they have to accept N\$2 240 as a bank statement balance. [3]

- (n) Fairly well answered. Learners did not know what was expected of them. They struggled to define the concept but most gave the first part or confused it with direct factory cost.

**Answer**

Costs associated with the manufacturing process (1) but not directly linked to the cost of the finished product. (1)

Cost associated with the manufacturing process (1) but not identifiable as part of the cost of the finished product (1).

Manufacturing cost (1) which cannot be clearly identified as direct material cost or direct labour cost (1). [2]

- 2 (a) Well answered. Some learners did not specify the period. e.g., eight hours per day, forty hours per week etc.

**Answer**

Normal time: The number of hours a worker should work over a given period of time, e.g., forty hours a week/the number of hours which an employee should work every day or every week in a business. (1)

Overtime: Extra time (more than the normal time) worked in a given period, e.g., more than forty hours per week/extra hours in addition to the normal hours that employees work. (1) [2]

- (b) Well answered. The question was well answered as most learners scored above average. However, a few mistakes were made with regard to calculations. Few learners could not work out the double rate of overtime which led to wrong calculations of gross wages and various deductions which was based on gross wages.

The total of columns was left out as required in the question paper.

Most learners did not add up the two employers' contributions for social security and pension fund to transfer them to the gross wages in order to obtain the final total correctly.

(b) Answer

**Maxine Traders  
Wages Journal for the week ended 27 August 2021**

Employees	Normal Time		Overtime		Gross wage	Deductions				Total deductions	Net wages
	Hours	Rate	Hours	Rate		Pension fund	PAYE	Medical Aid	Social Security		
		N\$		N\$	N\$			N\$		N\$	N\$
C. Van Zyl	40	110	10	220	6 600	462 (1)	1 650 (1)	120	60	2 292	4 308 (1)O/F
L. Dausas	40	120	5	240	6 000	420 (1)	1 500 (1)	240	60	2 220	3 780 (1)O/F
					12 600 (1)	882	3 150	360 (1)	120 (1)	4 512	8 088
Employer's contribution					1 602	882 (1)		720 (1)			
					14 202 (1) O/F	1 764	3 150	1 080	120	4 512	8 088

No employee name NO marks for individual employee except for totals.

[16].

- 3 (a) Well answered. Only a few learners did not know the differences between capital and revenue expenditure.

**Answers**

		Capital expenditure	Revenue expenditure
(i)	Purchase of truck	✓ (1)	
(ii)	Yearly insurance on truck		✓ (1)
(iii)	Yearly licence renewal fee		✓ (1)
(iv)	Buying and installation of iron rails	✓ (1)	
(v)	Fuel for truck		✓ (1)
(vi)	Servicing of truck		✓ (1)

[6]

- (b) Fairly answered. A few learners did not add the installation cost to the cost price, others added revenue expenditure. N\$1 200 for insurance and N\$850 for licence renewal.

**Answer**

$$180\ 000 + 10\ 000 = \text{N}\$190\ 000$$

[1]

- (c) (i) Fairly well answered. Learners calculated the depreciation on N\$180 000 instead of N\$190 000. Learner's answer was based on the answer in (b).

**Answer**

$$190\ 000 \times 20/100 = \text{N}\$38\ 000$$

[1]

- (ii) Poorly answer. The learners did not consider the years when calculating depreciation; they use the wrong cost price.

**Answer**

$$\begin{aligned} &= 190\ 000 - 38\ 000 \\ &= 152\ 000 (1) \times 20/100 \\ &= \text{N}\$30\ 400 (1) \end{aligned}$$

[2]

- (d) Poorly answered. Learners only use the depreciation of one year to do the calculation of book value.

Learners do not know that depreciation accumulated is used in the calculation of book value.

Learners use the wrong cost price, the book value on 31 August 2021, instead of the original cost price of N\$190 000.

**Answer**

$$190\ 000 - 68\ 400 (1) \text{ O/F} = \text{N}\$121\ 600 (1) \text{ O/F}$$

[2]

- 4 (a) Fairly well answered. Learners use incorrect dates or no dates at all. Most learners did not adjust purchases for goods taken by the owner for own use.

Learners use incorrect contra accounts e.g., opening inventory, closing inventory instead of inventory. Learners use gross profit instead of profit and loss, which is the correct contra account.

**Answer**

General Ledger of Kango Supplier  
Final Account Section

Trading Account

		N\$			N\$
2021 May 31	Inventory/Stock (01/06/2020)	9 000 (1)	2021 May 31	Sales (170 000 – 6 300 (1))	163 700 (1)
	Purchases (102 625 – 1200 (1))	101 425 (1)		Inventory/Stock (31/05/2021)	7 500 (1)
	Carriage inwards	2 600 (1)			
	Profit and Loss (Gross profit)	58 175 (1) O/F			
		171 200			171 200

[8]

(b) Fairly well answered. Learners use incorrect date or no date at all. Calculation of adjusted figures was a problem.

Learners use incorrect contra accounts. (E.g., net profit instead of capital, decrease in provision for doubtful debts instead of provision for doubtful debts.)

Aliens was a challenge in both accounts.

**Answer**

Profit and Loss Account					
		N\$			N\$
2021 May 31	Electricity (8325–2 775 (1))	5 550 (1)	2021 May 31	Trading account (Gross profit)	58 175
	Salaries (25 000 + 5 000 (1))	30 000 (1)		Rent income (14 000 – 3 500 (1))	10 500 (1)
	Interest on loan (2 000 +400 (1))	2 400 (1)		Provision for doubtful debts	180 (2)
	Insurance	2 400			
	General expense	1 600			
	Depreciation (5 400 (1) + 11 200 (1))	16 600			
	Capital (Net profit)	10 305 (1)O/F			
		68 855			68 855

[13]

**Both accounts**

- If date wrong on dr./cr. side deduct one mark from first correct entry or calculation.
- Account name and figure correct for one mark except for calculations meaning if account name is incorrect candidate loses one mark of the total amount mark. Thus, mark is only given for calculation.
- Any wrong format/layout, one mark only given for calculation.
- O/F given no aliens in account.

[21]

5 (a) Poorly answered. Most learners gave formulas instead of differences between the two terms, so only a few got it right. The others could not give correct explanations.

**Answers**

- (i) Margin – when the gross profit is expressed as a percentage of the selling price.(1)  
Shows the revenue a business makes after paying the cost of goods sold. (1) [1]
- (ii) Mark-up–when the gross profit is expressed as a percentage of the cost price. (1)  
Shows how much more the selling price is than the cost price of the item. (1) [1]

(b) (i) Fairly well answered. Most learners managed to find the answers for the debtors collection period and creditors payment period. The majority failed to calculate the correct percentage of gross margin and net profit margin. Learners still struggle to do calculations correctly to two decimal places.

**Answer**

Gross margin  

$$\frac{43\,800}{110\,000} \times \frac{100}{1} = 39,82\% \text{ (1)}$$

Net profit margin  

$$\frac{20\,000}{110\,000} \times \frac{100}{1} = 18,18\% \text{ (1)}$$

Debtors collection period  

$$\frac{8\,800}{66\,000} \times \frac{365}{1} = 49 \text{ days (1)}$$
 (48,67 days)

Creditors payment period  

$$\frac{6\,200}{52\,000} \times \frac{365}{1} = 44 \text{ days (1)}$$
 (43,52 days)

or

Ratio	Year ended 31 July 2020	Year ended 31 July 2021
Gross margin	25%	39,82% (2)
Net profit margin	10%	18,18% (2)
Debtors collection period	28 days	49 days (2)
Creditors payment period	35 days	44 days (2)

[8]

- (ii) Poorly answered. Most learners did not understand the question, so gave a recommendation on how to improve the ratios, instead of reasons why the ratios increase.

**Answer**

**All responses to be based on own figure calculations in (i).**

Gross margin

Purchasing goods more cheaply  
 Reducing trade discounts to customers  
 Increasing selling prices

Net profit margin

Increase in gross profit percentage  
 Reduction in expenses/increase in income  
 Differences in types of expenses (fixed/variable)

Debtors' collection period

Less efficient credit control  
 Allowing longer credit to maintain sales  
 Not allowing cash discounts to debtors  
 Selling to customers that are not credit worthy

Creditors payment period

Shortage of liquid funds  
 Knock-on effect of debtors taking longer to pay  
 Suppliers not allowing cash discounts

In each case other suitable points are acceptable - (1) each

**Reasons if learners' response show a decrease**

Gross margin

Purchasing goods more expensive  
 Increase trade discount to customers  
 Decreasing selling price

Net profit margin

Decrease in gross profit percentage  
 More expenses/expenses increase  
 Reduction in income generating activities

Debtors collection period

Better control over credit  
 Debtors/customer pays within time  
 Cash discount given for prompt payments

Creditors payment period

Enough cash low/liquid funds  
 Creditors paid within time limit  
 Cash discount given by suppliers

[4]

- (c) Poorly answered. Most learners could not compare the sole trader with the partners based on the case study given. They gave features of the partnership or advantages/disadvantages of partnerships or sole trader. Those who provided statements could not support them (explain).

**Answer**

- Bartlett Traders has been trading for two years and the partnership for six years (1), Bartlett Traders, therefore, does not have the same customer base, nor network of suppliers, etc. (1)
- Bartlett Traders are trading with consumables and the partnership with clothes (1). Consumables are a necessity, bought daily, whereas, clothes are only bought when needed/seasonally (1)
- Bartlett Traders are trading on a cash and credit basis, whereas, the partnership is trading mostly on cash terms (1);  
The partnership's working capital (cash situation) might be much healthier than Bartlett Traders (1).
- Bartlett Traders' financial period ends on 31 July whereas the partnership's financial period ends on 31 January. (1)  
The financial period end date will have an impact on ratios. (1)
- Bartlett Traders is trading as a sole trading business and as previously stated the other business is a partnership (1);  
More capital could have been introduced and responsibilities shared in partnership (1).
- Tommy Bartlett is running his own business, whereas, the partnership appointed a manager (1);  
this could lead to more expenses for the partnership.

Any four comparisons – (1) for basic statement  
(1) for development

[8]

**3. POSITIVE SUGGESTIONS TO TEACHERS**

- Teachers should teach according to the syllabus and not the textbook.
- They should make use of previous papers and memoranda, as well as refer to the reports on those questions.
- Teachers should explain to learners the different actions to take when answering questions. e.g., STATE, DIFFERENTIATE, EXPLAIN, CALCULATE, SHOW CALCULATIONS, DEFINE, DRAW UP, STATE AND EXPLAIN refer to the syllabus assessment objectives.
- Teachers should stress the correct use of correct dates and contra accounts.
- Teachers should test learners more on ratios for them to become used to how to answer those questions.
- Asses learners more on application and analysis competency.
- To assist learners with theory, teachers can compile their own theory questions with answers using the syllabus, external papers and memoranda.
- Teachers should asses learners on all assessment objectives.