ACCOUNTING

8244
Paper 2

1 GENERAL COMMENTS

2021 was the first year that AS examinations were written. Teachers and learners were both not sure what to expect and what the difficulty of the AS papers would be.

Several factors influenced the time available to teachers to finish the syllabus. Some centres did not finish some parts of the syllabus. The difficulty level of the paper was about the same as the previous higher level, except that calculations now count less and the time is only 2 hours.

Although instructions were followed, time was a big factor, so many learners did not manage to finish in two hours.

Learners struggled with the question about managerial accounting.

Most learners presented neat work but some papers were difficult to read.

2. COMMENTS ON INDIVIDUAL QUESTIONS

1 **(a)** Very well answered. Learners did well in this question.

Answer
- Interest on capital
- Interest on drawings
- Partner's salary
- Interest on loan from partner
- Amount of capital invested by each partner
- Maximum amount of drawings allowed to be taken by partners
- Rules for admission of a new partner
- Procedure on death or retirement of a partner
- Ratio in which profits will be shared

Any **two** [2]

(b) Fairly well answered.

Answer
Fixed capital accounts
Capital account shows only capital contribution and funds invested in the business **(1)**
A separate current account is used for the partners' share of profits or losses and drawings **(1)**
Fluctuating capital accounts
No current accounts are used **(1)**
All the partners' transactions are made in the capital account **(1)** [4]

(c) Very well answered.

Answer
- Partners can no longer agree with one another
- Partner retires or becomes ill
- One partner may want to start or set-up his or her own business
- Partnership is not profitable any more
- Old age of partners
- Conversion into a limited company
- They lose a big customer

Any other valid reason

Any **two** [2]

(d) Fairly well answered. Not much attention has been paid to dates because everything happened on 1 September 2021.
Learners lost marks because they did not always give the contra account, e.g.,
Bank - Land and Buildings
- Equipment
- Vehicles
- Debtors
Trade receivables
Capital: Tangi – Vehicles
Bank – Dissolution expenses
Some learners entered loan and trade payables also in the realisation account.
Current accounts were also not closed off to the capital accounts.

Answers
(i)

Realisation Account

		N$			N$
2021 Sept 1	Land and buildings	420 000	2021 Sept 1	Bank (Land and buildings)	460 000
	Equipment	12 000		Bank (Equipment)	15 000
	Vehicles	80 000 **(1)**		Bank (Vehicles)	25 000 **(1)**
	Inventory	50 200		Bank (Inventory)	46 000
	Trade receivables	42 000		Bank (Trade receivables)	40 000
	Bank: Dissolution expenses	6 700 **(1)**		Trade payables: Discount received*	1 200 **(1)**
	Capital: Tangi	15 780 **(1)**		Capital: Tangi (Vehicles)	50 000 **(1)**
	Capital: Dina	10 520 **(1)O/F**			
		637 200			637 200

(ii)

Capital Account

		N$	N$			N$	N$
2021 Sept 1	Current Account		50 000 **(1)**	2021 Sept 1	Balance b/d	300 000	200 000
	Realisation: Vehicles	50 000 **(1)**			Current Account	2 000 **(1)**	
	Bank*	267 780 **(1)O/F**	205 520 **(1)O/F**		Realisation	15 780	10 520 **(1)O/F**
		637 200	210 520			317 780	210 520

Bank* if these amounts are brought down as a balance → only **(1) O/F** [6]

(iii)

Bank Account

		N$			N$
2021 Sept 1	Realisation: Land and buildings	460 000	2021 Sept 1	Balance b/d	10 000 **(1)**
	Realisation: Equipment	15 000		Loan: Shaba Bank	63 000 **(1)**
	Realisation: Vehicles	25 000 **(1)**		Realisation: Dissolution Expenses	6 700 **(1)**
	Realisation: Inventory	46 000		Trade Payables	33 000 **(1)**
	Realisation: Trade receivables	40 000		Capital: Tangi	267 780
				Capital: Dina	205 520 **(1)O/F**
		586 000			586 000

[6]

2 **(a)** Poorly answered. Learners did not explain the difference but wrote about how it is calculated.

Answer
Margin is gross profit expressed as a percentage of sales **(1)**
Mark up is gross profit expressed as a percentage of cost of sales. **(1)** [2]

(b) Poorly answered. Most of the learners could not use the information about trade receivables to calculate credit sales. Most of them used the receipts from trade receivables as credit sales.

Answer

Bank		150 925
Add Discount allowed		2 100
Bad debts		600 **(1)**
Balance	c/d	21 800
		175 425
Less Balance	b/d	43 500
Credit sales		131 925 **(1)O/F**
Add Cash sales		45 000 **(1)**
Total sales		176 925 **(1)O/F**

OR

Sales Ledger Control Account

			N$			N$
2020 July 1	Balance	b/d	43 500	2021 Jun 30	Bank	150 925
2021 Jun 30	Sales		131 925 **(1)O/F**		Discount allowed	2 100 **(1)**
					Bad debts	600
					Balance c/d	21 800
			175 425			175 425

Total sales = N$131 925 **(O/F)**+ N$45 000 **(1)** = N$176 925 **(1) O/F** [4]

(c) Learners could do this although their sales were wrong, but for their own figures they obtained a lot of marks.

Answer

Nicky
Income Statement (extract) for the year ended 30 June 2021

	N$	N$
Sales		176 925 **(1)O/F**
Less Cost of sales		141 540
Opening inventory	39 000	
Add Purchases	168 640 **(1)**	
	207 640	
Less Closing stock (inventory)	66 100 **(1)O/F**	
Gross profit		35 385 **(1)O/F**

[4]

(d) Fairly well answered, although again with learner's own figures. Most of them knew the formula and could calculate the stock turn.

Answer

Rate of inventory turnover = $\frac{\text{Cost of Sales}}{\text{Average inventory}}$

= $\frac{141\,540\ \textbf{(O/F)}}{(39\,000 + 66\,100\ \textbf{O/F}) \div 2}$

= $\frac{141\,540}{52\,550}$ **(1) O/F**

= 2,69 times **(1) O/F** [2]

(e) Very poorly answered. The question asked for reasons for the change, but learners suggested ways to improve it.

Answer

Comments must relate to answer in (d)
Increase in prices from suppliers
Reduction in demand because of higher prices/poor quality
Higher levels of closing inventory
Any other suitable answer Any **two** [2]

(f) This question clearly asked learners to round up to the nearest day and several rounded it down. Comments on the answer of the ratios were average, especially for (ii) where the figures to use in the formula were given to them.

Answers

(i) Trade receivables collection period = $\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365\text{ days}}{1}$

= $\frac{21\,800}{131\,925\ \textbf{(O/F)}} \times \frac{365\text{ days}}{1}$ **(1) O/F**

= 60,31 days

= 61 days **(1) O/F** [2]

Comments must relate to answer above
The collection period of 61 days is worse/ longer than the norm of 30 days
This may lead to cash flow problems – unable to pay suppliers
Trade receivables can become bad debts – decrease in profits
Cash discount will not be allowed – increase in profits
Will be able to charge interest on overdue accounts Any **two** [2]

(ii) Trade payables payment period = $\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365\text{ days}}{1}$

= $\frac{32\,000}{152\,640} \times \frac{365\text{ days}}{1}$ **(1)**

= 76,52 days

= 77 days **(1)** [2]

Comments must relate to answer above
The payment period of 77 days is worse/longer than the norm of 60 days
Will not earn cash discount
May be charged interest on overdue accounts
Supplier may restrict purchases or reduce the credit limit
Supplier may refuse to supply on credit Any **two** [2]

3 (a) Very poorly answered. Instead of providing ways in which budgets are used for **control purposes**, learners gave the advantages of budgets.

Answer
- Continuous comparisons of actual and budgeted results
- Take corrective action when actual and budgeted results differ
- Investigate any unaccounted deviations from budget
- Control income and expenditure
- Used to calculate deviations (variances) which can be used to investigate causes
- Assist in decision-making
- Clear statement of manager's responsibilities Any **three** [3]

(b) Poorly answered. Most learners did not know the purpose of the sales budget.

Answer
To be able to calculate expected sales figures. **(1)**
It is used as a basis for all other budgets. **(1)** [2]

(c) Fairly well answered. Many learners struggled to calculate the receipts from trade receivables proceeds as sale of equipment was left out.
Several learners still entered depreciation as a payment.
Encourage learners to close off the budget.

Answer

Jacko Traders
Cash Budget for the 3 months ending 31 May 2022

	March	April	May
	N$	N$	N$
Receipts			
Sales	45 000	63 000	54 000 **(1)**
Trade receivables	69 160 **(1)**	86 100 **(1)**	118 860 **(1)**
Disposal of equipment	-	12 000 **(1)**	-
	114 160	161 100	172 860
Payments			
Purchases	33 750	30 000	22 500 **(1)**
Trade payables	60 000 **(1)**	101 250 **(1)**	90 000 **(1)**
General expenses	12 000	15 000	9 000 **(1)**
Salaries	30 000	30 000 **(1)****	30 960 **(1)**
Vehicles	-	84 000 **(1)**	56 000 **(1)**
	135 750	260 250	208 460
Net receipts/payments	(21 590)	(99 150)	(35 600) **(1)O/F**
Balance b/d	98 400	76 810	(22 340)
Balance c/d	76 810 **(1)O/F**	(22 340) **(1)O/F**	(57 940) **(1)O/F**

**Mark for entries for April and May

Workings **March** **April** **May**

Trade receivables

March- 1 month 30 800 – 5 % = 29 260
2 month = 39 900
69 160

April 1 month 42 000 – 5 % = 39 900
2 month = 46 200
86 100

May 1 month 58 800 – 5 % = 55 860
2 month = 63 000
118 860 [18]

(d) Poorly answered. Due to the fact that learners did not close off the budgets, their answers could not be accepted.

Answer
Comments must relate to cash budget in(c)
Results in bank overdraft in April and May
May result in bank charges
Reduces funds available for other purposes
Could try to arrange more favourable terms of repayment/consider obtaining a loan
Could consider hiring/leasing instead of purchasing
Could postpone purchases until in a more favourable financial position Any **four**

Recommendation **(1)** [5]

4 **(a)** Learners struggled to answer this question. Learners gave the calculation instead of what was asked.

Answer
It is the amount each unit of sales revenue provides towards covering the fixed cost. [1]

(b) Most learners calculated the profits and losses in (i), but their advice in (ii) was very bad.
Almost all of them said we must close down fertiliser. Learners did not know that it is not about the profit or loss made, but about the contribution to cover the fixed costs.

Answers
(i)

	Fertiliser	**Compost**	**Insecticide**
Selling price	N$150	N$120	N$130
Variable cost	N$130	N$90	N$100
Contribution	N$20	N$30	N$30
x units	2 500	2 500	3 000
Total contribution	N$50 000	N$75 000	N$90 000
- Fixed cost	N$(60 000)	N$(40 000)	N$(50 000)
Profit or Loss	N$(10 000) **(1)**	N$35 000 **(1)**	N$40 000 **(1)**

OR

	Fertiliser N$	**Compost N$**	**Insecticide N$**
Sales	375 000	300 000	390 000
Less Variable cost	325 000	225 000	300 000
Contribution	50 000	75 000	90 000
Fixed cost	60 000	40 000	50 000
Profit or Loss	(10 000) **(1)**	35 000 **(1)**	40 000 **(1)**
Contribution per unit	20	30	30 **(1)**

[4]

(ii) Comments to relate to calculations in (b)(i)
Do not cease production of fertiliser
Fertiliser has the lowest contribution per unit
Fertiliser should consider price increase
Fertiliser makes positive contribution towards fixed cost
Compost and insecticide have the highest contribution per unit
The business should maximise sales of compost and insecticide
Continue with all three
Sales of all three products complement one another Any **six** [6]

(c) Very poorly answered. Learners did not know how to calculate the contribution and then make a decision based on their answers.

Answers

(i) Working: variable cost for both orders

Product	**Units**	**Cost/unit**	**Original cost**
Fertiliser	50	130	6 500
Compost	50	90	4 500
Insecticide	50	100	5 000
			16 000

Total contribution
Order 1
Offered price – Original cost
N$14 000 – N$16 000 **(1)** = (N$2 000) **(1)**

Working: Order 2

Product	**Units**	**Price/unit**	**Price offered**
Fertiliser	50	145	7 250
Compost	50	100	5 000
Insecticide	50	120	6 000
			18 250

Offered price – Original cost
N$18 250 **(1)** – N$16 000 = N$2 250 **(1)**

Alternative calculation – Order 2

	Fertiliser	**Compost**	**Insecticide**
	N$	N$	N$
Selling price per unit	145	100	120
Less Variable cost per unit	130	90	100
Contribution per unit	15	10	20 **(1)**
Number of units	50	50	50
Total contribution	750	500	1 000

Overall contribution N$2 250 **(1)** [4]

(ii) If calculations are blank in **(i)**, no marks in **(ii)**.

Order 1
- Reject order
- Offered price does not cover marginal cost
- Negative contribution Any **two**

Order 2
- Accept order
- Offered price covers marginal cost
- Positive contribution towards fixed costs Any **two** [4]

(d) Ways were answered well, but the explanations were bad.

Answer
Make or buy a product **(1)**
A manufacturing business can either make or buy a product depending on which would yield a higher contribution **(1)**
Pricing a product **(1)**
Price of product must cover all costs and should yield an adequate profit margin **(1)**
Break-even analysis **(1)**
Show the point where no profit or loss is made or
Managers need to know production units where no profit or loss is made **(1)**
Continue or discontinue production **(1)**
A product should be providing a contribution to fixed cost otherwise consideration should be given to discontinuing that product **(1)** Any **two** x 2 [4]

3. POSITIVE SUGGESTIONS TO TEACHERS

Although the education time (face-to-face) was not enough, the teachers did their best to prepare the learners well.

The notes from the workshops are more than enough to prepare learners.

Old higher grade papers can also be used/adapted to prepare learners.

As much as possible, questions must be worked out by learners about each topic of the syllabus to prepare them.

This AS examination has been a first for teachers as well as learners and we can only go from strength to strength.