EXAMINATIONS COUNCIL OF ESWATINI

EGCSE

EXAMINATION REPORT

FOR

ACCOUNTING (6896)

YEAR

2022

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EGCSE ACCOUNTING

Paper 6896/01

General comments

The paper comprised of five questions, of which question one was ten multiple choice questions and the other four questions were structured questions.

The candidates were required to answer all questions.

The general set up of the paper was drawn up from the whole syllabus and candidates were required to display knowledge and understanding, application, evaluation and decision-making skills.

The overall performance of the candidates was almost the same as the performance of the learners in the previous year. Most centres did not perform very well.

Candidates lost marks on basic accounting skills such as

- Poor writing of dates
- Failing to explain certain basic accounting concepts, instead writing one-word answers
- Failing the display financial statements properly (departmental income statement)

Most candidates did not attempt some of the questions, especially question 5 (irrecoverable debts, trade receivable account and provision for doubtful debts account). They displayed little knowledge of this topic.

Teachers are encouraged to give practice to candidates under timed conditions as it seems like candidates are struggling to finish the examination on the allocated time.

Comments on Specific Questions

Question 1

In this question most learners performed fairly well. There were few cases where this question was not attempted by the candidates. In those cases, it was observed that the candidates did not manage the time properly.

However, in **(a), (c), (e)** and **(j)** the candidates did not perform very well. In **(f)** the candidates opted for option **(a)** meaning that in the calculation of non-current liabilities, the learners did not include the bank loan repayable September 2023.

Question Number	Key	Question Number	Key
(a)	B	**(f)**	B
(b)	B	**(g)**	A
(c)	C	**(h)**	C
(d)	D	**(i)**	B
(e)	A	**(j)**	D

Question 2

This question was fairly done, though some candidates struggled to record the missing item in the cash book and balance it. Some centres did not even attempt the question on balancing the cash book.

(a)   This question was poorly done by most candidates as they presented the uses of the cash book instead of giving the advantages of maintaining the cash book. They lost marks for giving the uses instead of the advantages of maintaining the cash book.
A candidate would write "a cash book is used to calculate the cash and bank balances". The correct response would be "cash and bank balances can easily be obtained".

(b)   This question was poorly done by most candidates. The candidates could not record the deposit of E750 that was made on 30 August. Most candidates did not even attempt this question. Those who tried made a deposit of E100 which was supposed to be the balance at the end of the month.

(c)   Most candidates failed to demonstrate understanding of the cash book. They failed to explain the entries in the cash book especially August 1, August 12 and August 17.

August 1   Sonto had E800 cash in hand and E2000 in the bank from the previous month.
August 8   Withdrew E250 from the bank for office use.
August 17   Cheque of E410 previously received from Sipho refused payment by the bank.
This is how they were supposed to present their responses to the question.

(d)   This question was fairly done by most candidates. They were able to state the section of the statement of financial position where each of the balances would be recorded cash balance - current assets and bank balance - current liabilities.

(e)   This question was fairly done by most candidates. They were able to state the possible reasons why a cheque may be dishonoured by the bank. Some candidates wrote one-word answers which is not acceptable e.g. writing "stale" instead of writing; it might have been stale.

The expected responses were:

- insufficient amounts in the customer's bank account
- no signature on the cheque
- signature on cheque differs from specimen signature
- no date or wrong date on the cheque
- amount in figures and amount in words differ
- a post-dated cheque whose date has not yet elapsed
- it might had been stale/ older than six months

Question 3

(a)   This question was fairly done by most candidates. The candidates were able to identify the documents that were required in the question and correctly stated the account to be debited and the account to be credited.

The expected response was;

Date	Document Issued	Entries in Mdlovu's books	
		account debited	account credited
Sept 10	Invoice	Celimphi	sales
Sept 18	credit note	returns inwards	Duduzani
Sept 23	receipt/bank paying-in slip	bank discount allowed	Duduzani

(b) Most candidates were able to prepare the sales journal and the returns inwards journals as required in the question. Some candidates presented these two subsidiary books using the old style of using two columns. Some of them made mistakes and lost all the marks. Some candidates did not write the correct date of the total at the end of the month and lost marks. Some did not narrate the totals correctly.

The expected response was;

<div align="center">

Sales journal

</div>

2022		E
Sept 6 Duduzani		2 400
Sept 10	Celimphi	3 825
Sept 30	Transfer to sales account	6 225

<div align="center">

Returns inwards journal

</div>

2022		E
Sept 18	Duduzani	600
29	Celimphi	765
30	Transfer to returns inwards account	1365

(c) This question was well done by most candidates. They were able to clearly state the reasons why goods may be returned to the seller such as;

- they might have been faulty/damaged
- Mthobisi had asked all customers to return a specific item
- goods may not be as ordered, wrong size, wrong colour, wrong quality, etc

(d) In this question, the candidates failed to prepare the journal entries to correct the errors. Some learners tried to prepare the journal entries but did not follow the correct procedure of preparing journal entries. They started with the account to be credited which is incorrect. Some candidates did not indent the account to be credited which is also incorrect.

	E	E
Ziningi		3600
Purchases	3600	

_____

Or

Purchases	3600	
Ziningi		3600

_____

These two journal entries are incorrect because the basic principle of preparing a journal entry is not followed.

Question 4

This question was fairly done by most candidates. The candidates were required to display understanding of the departmental accounts.

(a) The candidates were able to give the reasons why it is useful for a business owner to know the results of each department in a departmental business such as
- Identifies the profit/loss of each department
- Enables trading results to be analysed
- Poor performance of a department can be identified and investigated

(b) In this part of question 4, most candidates were able to give ways of apportioning expenses between departments. Mostly, they mentioned points like:

- Equally
- Using the floor space occupied by each department
- Number of employees
- Volume of goods bought (purchases)

(c) Most candidates were able to prepare a departmental income statement. However, some candidates prepared the departmental income statement separately which is not acceptable. In some cases, the presentation of the income statement was very poor, as candidates did not follow the proper way of preparing an income statement. As a result, they lost a lot of marks. The expected response was;

<div align="center">

Lizzy
Departmental Income Statement for the year ended 30 September 2022

</div>

	Department A		Department B	
	E	E	E	E
Sales		50 200		75 000
Returns inwards		200		-
Net sales		50 000		75 000
Less Cost of Sales				
Opening inventory	5 200		1 720	
Purchases	33 440		64 040	
Carriage inwards	360		-	
	39 000		65 760	
Closing inventory	6 000		2 000	
Cost of sales		33 000		63 760
Gross profit		17 000		11 240
Less expenses				
Wages	10 520		13 820	
Rent	2 160		3 240	
Electricity	700		1 050	
General expenses	404		606	
Total expenses		13 784		18 716
Profit (loss) for the year		3 216		(7 476)

(d) The candidates displayed very poor knowledge of calculating the rate of inventory turnover. Some candidates calculated the rate of inventory turnover in percentages. Some failed to observe the one decimal point instruction and lost marks.

The second part of the question was also poorly done by a majority of candidates. It looked like they did not understand what was required from the question.

The candidates were expected to mention points like:

- Department A might be selling expensive or luxury goods while department B might be selling basic or low value goods.
- There might be a fall in demand for goods sold by department A whereas the demand for goods from department B might be increasing.
- Department A might have been over purchasing inventory.

Question 5

This question was poorly done by most candidates and a majority of them did not even attempt this question.

(a) (i) This question was fairly done by most candidates although some candidates did not phrase their responses correctly. They lost marks because of the poor phrases.
They would say an irrecoverable debt is someone who fails to pay. This is incorrect since an irrecoverable debt is not a person but a loss to the business.
An irrecoverable debt is an amount owing to the business which will not be paid by the credit customer.

(ii) In this question candidates were required to state ways in which a business could reduce the possibility of irrecoverable debts. A majority of candidates were able to give one or two ways, but some did not even attempt the question.
The candidates were expected to mention points like:
- Obtaining a credit reference before allowing credit to a new customer
- Setting a credit limit which each customer can owe at anytime
- Issuing invoices and monthly statements promptly
- Carefully monitoring the sales ledger to investigate and contact customers with overdue accounts
- No further goods should be supplied until the amount due is paid
- Taking legal action against the customer

(b) (i) This question was poorly done by most candidates. They displayed a very poor knowledge of preparing a trade receivable account. Some candidates tried to prepare the account but lost marks because they did not write dates.

The correct response was;

Khwesha account

2020		E	2020		E
Jul 1	Balance b/d	2750	Sept 29	Bank	2000
			2021		
			Jun 30	Irrecoverable debts	750
		2750			2750

(ii) Candidates were unable to prepare the irrecoverable debt account. Even those who tried to prepare the irrecoverable debts account lost marks because they did not write dates properly.

The expected response was;

Irrecoverable debts account

2021		E	2021		E
Jun 30	Khwesha	750	Jul 31	Income statement	750
2022			2022		
Jul 31	Debtors written off	850	Jul 31	Income statement	850

(c) In this question, the candidates were required to identify and explain the accounting principle observed when writing off irrecoverable debts. Some candidates were able to identity and explain the prudence concept. However, a majority of the candidates presented a general explanation of the prudence concept when this question was specific.

The prudence concept touches on two aspects: profits and current assets. Candidates were mentioning one aspect of the concept and lost marks.

- The profit for the year is not overstated as irrecoverable debts are treated as an expense
- The current assets are not overstated as the trade receivables are shown at a more realistic amount.

(d) (i) A majority of candidates did not attempt this question. Only a few did but some of them   did not write dates correctly and lost marks.

Provision for doubtful debts account

2021		E	2021			E
Jul 31	Balance c/d	900	Jul 31	Income statement		900
			Aug 1	Balance	b/d	900
2022			2022			
Jul 31	Balance c/d	1050	Jul 31	Income statement		150
		1050				1050
			Aug 1	Balance b/d		1050

(ii) The second part of the question was also not attempted by some candidates. Some presented the extract of the statement of financial position wrongly. They would record it as if they were presenting a non-current asset by having three columns:

	Cost	depreciation	net book value
Trade receivable	……………	……………	…………………

Mjo
Statement of Financial Position (extracts) at 31 July

2021
Current assets

Trade receivables	30 000	
Less provision for irrecoverable debts	900	29 100

2022
Current assets

Trade receivables	35 000	
Less provision for irrecoverable debts	1 050	33 950

(e) This question was also not attempted by a majority of candidates. Even those who did try to answer the question presented irrelevant points. The candidates were expected to mention points like

- Look at trade receivables' accounts and decide which ones will not be paid
- Make use of an ageing schedule

EGCSE ACCOUNTING

Paper 6896/02

General comments:

The paper consisted of five (5) compulsory structured questions. The general performance of the 2022 cohort was average. The highest score was 82% yet last year it was 93%, the lowest score was 1%, last year lowest score was 0. Most candidates were able to earn some marks in almost all the questions. question 1 proved to be easy for most of the candidates, while questions 3 and 5 seemed difficult for a majority. It was noted that some centres still have the problem of not writing correct dates in ledger accounts. This needs to be improved as a ledger entry with a wrong date is awarded a "0" mark. Also, some candidates failed to pay attention to rubrics of the different questions, hence lost marks, for example in question 2, candidates were asked to show how assets, liabilities and capital of a business would be after each transaction. A vast majority of candidates wrote how each transaction affected the accounting equation, yet an example was given as a guide.

Comments on Specific Questions

Question 1

This question required candidates to prepare the rent payable and rent receivable accounts, state the meaning of given opening balances, state the subsidiary book used when making payment, give the type of ledger used to record the rent receivable account, state the section of the income statement where both accounts appear, give closing balances of both accounts and the sections of the statement of financial position they are entered.

Generally, the question proved to be easy for the cohort; it was well performed. A majority of candidates scored high marks on the whole question.

(a)   **This part required candidates to prepare the rent payable and rent receivable accounts calculating the amount entered in the income statement. Candidates were instructed to balance the accounts and to bring down the balance on a specific date.**

Candidates did well in this part question. However, there were those who wrote incorrect dates, incorrect narratives, some failed to balance the accounts properly. However, a majority of

candidates failed to show the amounts for the rent payable and rent receivable transferred to the income statement. Some recorded the payments for the rent payable on the credit side and on the debit side recorded the receipts for the rent receivable. Some candidates prepared the accounts as if the entries were for more than one accounting period and would close the accounts two to three times. Other candidates seemed not to have a clue of what was required as they presented their work using cash book formats including bank and cash columns, yet these were ledger accounts.

The correct answer was:

Rent Payable account

2021		E	2022		E
Oct 1	Balance b/d	1 500	Sept 30	Income statement	24 000
5	Cash	4 500			
2022					
Jan 5	Bank	7 000			
Apr 6	Bank	8 000			
Sept 30	Balance c/d	3 000			
		24 000			24 000
			2022		
			Oct 1	Balance b/d	3 000

Rent Receivable account

2021		E	2022		E
2021					
Oct 1	Balance b/d	250	Jan 1	Cash	600
2022					
Sept 30	Income statement	3 000	Apr 1	Cash	750
			Jul 1	Cash	900
			Sept 30	Balance c/d	1 000
		3 250			3 250
2022					
Oct 1	Balance b/d	1 000			

(b) **In this question, candidates were required to give the meaning of the opening debit balances on both accounts (E1500 on rent payable account and E250 on the rent receivable account).**

Some candidates failed to identify who is owing the rent and to who i.e. could not make a clear distinction between what has been prepaid or accrued. The E1500 rent payable was prepaid and the E250 rent receivable was accrued.

(c) (i) This question required candidates to state the subsidiary book used by the tenant to record amounts paid for rent.

Most candidates were able to give correct responses, the cash book though some wrote the wrong subsidiary books.

(ii) Candidates were required to state the type of ledger used to record the rent receivable account

A majority of candidates were able to give correct responses, the general/nominal ledger although some gave other divisions of the ledger such as the purchases ledger.

(d) **Candidates were required to state the section of the income statement where the rent payable and rent receivable accounts appear.**

Most candidates answered this part question well, although some gave incorrect responses such as current liabilities and current assets, debit and credit sides and others wrote profit and loss account without specifying other income for rent receivable and expenses for the rent payable.

(e) **The question required candidates to give closing balances of both accounts and the sections of the statement of financial position they are entered.**

A majority of the candidates failed to transfer the correct closing balances. Some used the opening balances and that did not earn them any mark for both parts of the question. Some of those who used the correct closing balances failed to interpret them whether they were a current asset or current liability. Some incorrectly interpreted the balances as income or expense or just asset or liability without proper classification.

Question 2

The question required candidates to update an accounting equation after every transaction and to explain the different types of assets giving one example of each.

(a) **This part question required candidates to complete a table to show assets, liabilities and capital after each transaction.**

The question proved difficult for most candidates. Candidates showed the effect of each transaction on assets, liabilities and capital instead of showing the values of assets, liabilities and capital after each transaction. They used wrong narratives (e.g. in the capital items they included motor van, an asset) instead of increasing the value of capital.

The correct response was:

Date	Assets	E	Liabilities	E	Capital	E
Aug 5	Bank Inventory Motor vehicle	20 000 5 000 50 000	Trade payables 5 000		Capital	70 000
Aug 10	Bank Inventory Motor vehicle	19 000 5 000 50 000	Trade payables 5 000		Capital	69 000
Aug 12	Bank Inventory Motor vehicle	29 000 5 000 50 000	Loan – bank 10 000 Trade payables 5 000		Capital	69 000
Aug 14	Bank Inventory Motor vehicle Trade receivables 3 000	20 000 2 000 50 000	Loan – bank 10 000 Trade payables 5 000		Capital	69 600

(b) **Candidates were required to explain the different types of assets giving one example of each.**

A vast majority of candidates were able the explain the two types of assets and gave relevant examples although some would identify and give an example without explaining while others would explain without identifying what they were explaining. Some could not state the type of assets but just explain. This was confusing especially if an example was not given, hence lost marks. Some used unacceptable terms like intangible and tangible assets, instead of non-current assets and current assets. Some candidates gave explanations that applied to both types of assets as some only mentioned that the type of asset was meant for use in the business without explaining that some are for short term while the other is for long term use. Others would give a non-current asset as an example of a current asset and vice versa.

Question 3

The question required candidates to calculate quick ratio to two decimal places for two businesses and comment on the ratios. It further required candidates to suggest three ways in which a comparison of results with the previous years could be useful to the owner of the business and lastly state four conditions that must be met for the information in financial statements to be regarded as reliable.

(a) **The question required candidates to calculate quick ratio to two decimal places for two businesses**

A majority of candidates calculated the current ratio instead of quick ratio. Others would deduct the closing inventory even if it has not been added in the calculation of current assets. Some candidates would give answers as a percentage, in figures and others would swap ratio and present it as 1: 1.82 instead of 1.82 :1. Others ignored the rubric and did not present their answers correct to two decimal places.

Centres are advised to train their candidates that if a list of items are given, it is not necessary to add inventory with the other current assets eliminating the need to deduct it again.

The correct responses were:

Sizwe's quick ratio	Simvile's quick ratio
(4300 + 250) : 1900 + 600)	(5600 + 500 + 450) : 6550
= 4500: 2500	= 6500 : 6500
= 1.82 : 1	= 1 : 1

(b) **This part question required candidates to comment on the ratios.**

A vast majority of candidates failed to give proper comments as they failed to make a differentiation in the previous part question. Therefore, comments on the current ratio or working capital earned no mark. Other candidates compared Simvile and Sizwe's businesses instead of making a comment on each ratio. Some candidates did not use the benchmark/ acceptable range to base the interpretation of the ratios, some used wrong

terms when analyzing what the ratios imply such as current assets for liquid assets, debts instead of short-term debts, liabilities instead of short term liabilities. Other comments were in terms of profitability, yet these were liquidity ratios.

The correct response was:

Sizwe - unsatisfactory

- Above the benchmark/acceptable range of 0.7:1 and 1:1
- Although he would be able to meet his short-term obligations as the fall due, this shows poor management of liquid assets

Simvile - satisfactory

- falls within the benchmark/acceptable range of 0.7:1 and 1:1
- she can pay her short-term liabilities as they fall due

(c) This part required candidates to suggest three ways in which a comparison of results with the previous years could be useful to the owner of the business.

This part of the question was poorly done as candidates were giving reasons for preparing financial statements while others gave problems of interfirm comparisons. Some interpreted items of income statements or statement of financial position. Some explained the advantages of financial results relating to one year instead of explaining advantages of comparing different years results.

The correct response included the following.
- To improve liquidity
- To improve profitability
- To analyse results, identify problem areas and work on corrective measures
- To assist in planning for the future
- To monitor growth/progress

(d) **Candidates were to state four conditions that must be met for the information in financial statements to be regarded as reliable.**

A majority of candidates answered on components of the financial statements or gave all the accounting objectives in selecting accounting information without carefully reading the question.

The correct response included the following:
- prepared with suitable caution being applied to any judgement and estimates
- capable of being independently verified
- free from bias
- free from significant errors

- must be capable of dependent on as being true statements of the transactions and events which are being recorded

Question 4

Candidates were required to explain "cost and net realisable value" in connection with inventory valuation; explain one advantage of valuing inventory at the lower of cost and net realisable value; complete a table to indicate the effect of overvaluing inventory; calculate the cost of goods available for sale and explain three methods used to value inventory.

(a) (i) Candidates were required to explain "cost and net realisable value" in connection with inventory valuation.

Candidates failed to differentiate between cost and net realizable value. Others stated the first part of explanations for both cost and net realisable. Explanation for the term, 'cost' omitted the part of "plus additional costs incurred to put the goods in its present position or condition. Others when defining cost, gave answers on production while others did not distinguish between selling and buying. With the net realisable value, candidates gave responses that showed limited understanding of the expected key words. For example, they wrote that it referred to the selling price less cost of sales yet cost of sales is different from cost of selling the goods.

Correct answer was:

Cost – the purchase price of inventory plus any additional costs of bringing it to its current position and state in the business.

Net realisable value – the estimated receipts from the sale of inventory less any costs of completing or selling the goods.

(ii) This part question required candidates to explain one advantage of valuing inventory at the lower of cost and net realisable value.

Most candidates answered this part question well although some mentioned only the prudence concept without relating the concept to the question. Others seemed to have no idea of what the question required as their answers included reasons for valuing inventory or increasing profits.

The correct response included the following:
- the gross profit and profit for the year will be overstated OR
- current assets will be overstated

(b)   **Candidates were asked to complete a table to indicate the effect of overvaluing inventory of 120 units recorded as E6600 instead of E6000 on: cost of goods available for sale, cost of sales, profit for the year, capital and assets.**

Most candidates failed to answer this part question as they stated no effect as if inventory valuation has no effect on cost of goods available for sale, cost of sales, profit, capital and assets. Some candidates placed a tick in more than one box for each item. This is duplication, hence, led to loss of marks. Some placed a tick on one column for all the items, for example placing a tick on the overstated column for all the items showing no clear evaluation on the effect.

The correct response was:

	overstated	understated	no effect
Cost of goods available for sale			✓
Cost of sales		✓	
Profit for the year	✓		
Capital	✓		
Assets	✓		

(c)   **Candidates were required to calculate the cost of goods available for sale given that 289 units purchased at E42 per unit, 5 units were damaged and returned to suppliers; the total cost of carriage was E240. This question built up on part (b).**

Most candidates were able to calculate the cost of goods available although some did not include the opening inventory. Others could not correctly calculate the value of the units. While some subtracted the carriage inwards instead of adding it or left out some items in the calculation leading to a loss of marks.

The correct response included:

	E	E
Inventory at 1 September 2022		6 000
Purchases (289 x 42)	12 138	
Less: returns outward (5 x 42)	210	
	11 928	
Add: carriage inwards	240	12 168
Cost of goods available for sale at 2 September 2022		18 168

(d)   Candidates were asked to explain three methods used to value inventory.

Most candidates attempted this part question well. They were able identify and explain FIFO and LIFO methods but failed to explain the AVCO method instead gave the formula for its calculation. Other candidates gave methods of calculating depreciation, or basis for inventory valuation and ratios. A few only identified the methods without giving their explanations.

Average cost method answer was – assumes that the cost of inventory is based
on the average cost of goods available for sale during the period.

Question 5

Candidates were required to explain the meaning of "8% and 2016/2025" in connection with the debentures; explain the meaning of "10% and non-redeemable" in connection with preference shares; calculate the general reserve and retained earnings; prepare QJS(Pty) Ltd statement of financial position; calculable QJS(Pty) Ltd's return on capital employed (ROCE) to two decimal places; state the meaning of return on capital employed and state the difference between capital owned and capital employed.

**(a) (i) Candidates were required to explain the meaning of 8% and 2016/2025 in connection
    with the debentures.**

Most candidates gave incomplete explanations in this part question like omitting the key word "interest", 'rate' and not amount. Others failed to explain that the interest was to be paid not received and that it is fixed. Some explained it incorrectly as profit and shares. Most candidates explained the loan repayment period as that of paying the interest only. Some would state only the period and did not give the reason for what it was for.

The correct response was:

8% - a fixed rate of 8% interest will be paid on the loan stock whether or not profit has been made.

2016/2025 – time period within which the loan stock could be paid back.

**(ii) This part question required candidates to explain the meaning of "10% and non-redeemable"
    in connection with preference shares**

This part question was poorly attempted, as most candidates interpreted the percentage as interest instead of the rate of dividend. Those who identified it as it relates to dividends failed to state that it is "fixed".

Most candidates explained non-redeemable shares as ordinary shares or merely explained generally preference shares. Some answers linked it with money given to preference shareholders while others failed to refer to "company" as they explained the shares instead referred it as a "business".

Correct responses were:

10% preference shares – 10% is a fixed rate per annum at which preference share dividends will be paid subject to availability of distributable profits non-redeemable in connection with preference shares – the shares cannot be bought back by the company.

(b)   Candidates were asked to calculate the general reserve and retained earnings.

Most candidates were able to answer this part question. Only a few subtracted the transfer instead of adding it. Most candidates were able to identify the inclusion of profit but failed to deduct the transfer to general reserve or add the opening balance. Some included unwanted items like trade payables or trade receivables in the calculation.

Correct responses were:

General reserve – E 120 000 + E7 000 = E127 000

Retained earnings – E 136 204 + 187 080 – 7 000 = E 316 284

(c)   The question required candidates to prepare QJS(Pty) Ltd statement of financial position.

This part question proved challenging to candidates, most failed to give proper formats. They mixed assets and liabilities. Some prepared a statement of changes in equity while others prepared an extract of the statement of financial position showing only the assets section or the capital and reserves section. Others provided only a list of assets and liabilities.

QJS (Pty) Ltd
Statement of Financial Position at 31 August 2022

	E	E
<u>Non-current assets</u>		
Premises at valuation		660 000
Plant and equipment at valuation		<u>176 000</u>
Total non-current assets		836 000
<u>Current assets</u>		
Inventory	317 426	
Trade receivables	301 219	
Bank	<u>28 100</u>	<u>646 745</u>
		<u>1 482 745</u>
<u>Capital and reserves</u>		
Share capital: Authorised and issued- Ordinary	500 000	
Preference	<u>300 000</u>	
	800 000	
Reserves:		
General	127 000	
Retained earnings	<u>316 284</u>	443 284
		1 243 284
<u>Non-current liabilities</u>		
8% Debentures, 2016/2025		<u>100 000</u>
<u>Current liabilities</u>		
Trade payables		<u>139 461</u>
		1 <u>482 745</u>

(d) (i) This part question asked candidates to calculate QJS(Pty) Ltd's return on capital employed (ROCE) to two decimal places.

Most candidates recorded profit after interest instead of before. Some did not include the non-current liabilities in the calculation. Also, there were those who brought incorrect items in the calculation. Others failed to transfer the capital employed calculated in the previously required statement of financial position in (c). While a few provided their answers in percentages but there were those who gave figures only.

The correct answer was:

$$\frac{(187\ 080 + 8\ 000)}{(1\ 243\ 284 + 100\ 000)} \quad \times \quad 100 \quad = \quad 14.52\%$$

(ii) Candidates were required to state the meaning of return on capital employed.

Candidates gave improper definitions like is the return on the capital used by the business or that it is money received from the daily running of the business. Others included the formula instead of the definition.

The correct response was:

It measures the profit earned for every E100 used in the business.

(e)   The question required candidates to state the difference between capital owned and capital employed.

A majority of candidates were able to define capital owned correctly and then gave the formula for calculating the capital employed. The formula did not attract any mark. Other candidates defined capital owned as money used to start the business or money owned by a business and that capital employed is money used to pay labour or it is the labour resource of the business. Those who attempted to correctly define capital employed, failed to include 'total' in the definition and only referred to as funds.

The correct responses were:

Capital owned is the owed by the business to the owners of the business.

Capital employed is the total funds which is used by the business.