PRINCIPAL EXAMINER'S REPORT

BOTSWANA
EXAMINATIONS
COUNCIL

BGCSE ACCOUNTING

2023

PAPER 1: Written

Key messages

Question 1 - Question1 consisted of 10 multiple choice questions covering various sections of the syllabus including questions on tasks carried out by the bookkeeper, identification of assets, why traders offer cash discount to credit customers, naming of errors revealed by a trial balance, calculation of the accumulated fund and reasons why inventory is valued at lower of cost and net realisable value.

Question 2- Candidates were required to answer short – answer questions relating to the knowledge of accounting, they were asked to state the meaning of liabilities and capital, to state the difference between a cash transaction and a credit transaction. From given information, to complete a table stating the double entry needed to record each of the transactions provided.

Question 3– For this question, candidates were required to, state two reasons why a trader maintains a petty cash book, explain what is meant by the imprest system in relation to petty cash books. To suggest ways in which the risk of bad debts can be reduced

Question 4- This question required candidates to state the difference between time rate and piece rate. Clock card and time sheet. To complete a payslip and prepare journal entries to record transactions in relation to Kgosi's pay. Candidates were also asked to state one example of statutory deduction and one example of voluntary deduction.

Question 5–The question concentrated on depreciation, factors that cause noncurrent assets to depreciate, candidates were asked to state two types of non-current assets which are suitable for depreciation using the revaluation method. To prepare a provision for depreciation of motor vehicles account, a disposal of motor vehicles account and an income statement (extract).

Question 6 -The question required candidates to explain direct and indirect costs. To prepare manufacturing account. Unit cost and cost of sales.

Section 1: General comments

With anticipation that candidates will be able to answer, all the questions on this examination paper were compulsory. The questions covered various topics on the syllabus.

The paper has six questions testing for most part, knowledge and understanding and then application as well as evaluation skills. The total marks were120.

Generally, the performance of candidates in 2023 was somewhat better compared to 2022, though questions were of the same level of standard and skills. Most candidates showed some level of understanding in preparing ledger accounts and the payslip. Though, others displayed lack of understanding in the preparation of the provision for depreciation, disposal accounts and abilities in knowledge and understanding of facts of accounting.

It has become necessary that candidates work on their analytical and evaluation skills, (especially on application of concepts), as questions that required candidates' analytical and evaluative skills still pose much challenge to them. Then again, most candidates still found theory questions difficult to deal with. Most

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candidates showed little or no knowledge on certain parts of the syllabus including the preparation of the income statement. It is also regrettable that, though tested before and reported on, most candidates could still not calculate correct figures of the provision for depreciation and loss on disposal of motor vehicle, which were to be transferred to the income statement (extract).

Candidates are again reminded that a question can be set on any section of the syllabus and a thorough knowledge of all sections of the syllabus is necessary to achieve a good grade in the examination.

It is important to work through questions on past exam papers and appropriate exercises in appropriate textbooks.

Candidates are advised to read through a question and think very carefully before attempting to answer as marks are awarded as per instruction.

Section 2: Comments on Individual Questions

1 This question consisted of 10 multiple choice questions from across the syllabus. There was a wide range of marks scored with many candidates scoring 5 or more.

(a) Candidates were to identify the task carried out by a bookkeeper most candidates got the answer right. The correct answer was **D.**

(b) Candidates were to state which accounting concept states that accounts of a business should be prepared on the basis that the business will continue to operate for the foreseeable future. Most candidates got the answer right. The correct answer was **B.**

(c) Candidates were to identify assets of a business. A few lacked understanding and failed to give the correct response. The correct answer was **A.**

(d) Candidates were to explain why a trader offers cash discount to her credit customers. A sizable number of candidates got the answer correct. **.** The answer was **A**

(e) Candidates were to explain authorised capital. Most candidates got the answer right. Few candidates however were not sure of the correct response, The correct answer was **C**

(f) Candidates were to indicate the error revealed by a trial balance. A sizeable number of candidates managed to get the correct answer. The correct answer was **D.**

(g) Candidates were to calculate how much was entered for insurance in the income statement... A sizeable number of candidates failed to get the correct answer. Some thought the answer was D. But the correct answer was **C.**

(h) The question asked candidates to state the amount of the contra entry. Most candidates managed to get the answer right, the correct answer was **B.**

(i) Candidates were asked to calculate the accumulated fund. Most candidates failed to get the correct answer. They could not identify those subscriptions in advance was a liability The correct answer was **A.**

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(j) The question required candidates to explain why inventory is valued at the lower of cost and net realisable value. Candidates failed to get the answer correct. The expected answer was **C.**

2 **(a)** Candidates were asked to state the meaning of liabilities and capital. The question was extremely well answered with many candidates correctly mentioning that a liability is an amount owed by the business to third parties and capital refers to resources invested in a business by the owner.

(b) Candidates were asked to identify documents exchanged between the seller and a credit customer. The question was generally well answered, few candidates however could not differentiate a debit note from a credit note.

(c) Candidates were asked to state the difference between a cash transaction and a credit transaction. The question was generally well answered, with most candidates scoring the allocated two marks. Majority of candidates were able to mention that a cash transaction is where payment is made immediately, and a credit transaction is where date of transaction is different from date of payment or where payment is postponed...

(d) Candidates were to complete a table from given information stating the double entry needed to record transactions. The question was well answered with most candidates scoring a minimum of six marks.

3 **(a)** The question required candidates to state two reasons why a trader maintains a petty cash book. Most learners managed to answer the question well. Some gave correct responses like - To remove small cash payments from the main cash book, to reduce the number of entries in the main cash book and the expenses in the ledger and to allow the chief cashier to delegate some of the work.

(b) Candidates were asked to explain the imprest system in relation to petty cash books. This stood out as the most well answered question. Candidates however lost a mark for failing to explain that the petty cashier starts each period with the same amount of money, most concentrated on the reimbursement part stating that at the end of the period the chief cashier will make up the cash remaining so that it is equal to the imprest amount.

(c) The question required candidates to show how much the petty cashier received to restore the imprest. Most failed to arrive at the correct figure of P487. The amount of P4 received on the 25th September was supposed to be deducted from the total amount paid of P491.The double entry was well answered by a majority of candidates.

(d) Candidates were to state entries that will be made to complete the double entry for transactions recorded in the petty cash book. Travelling expenses account, stationery expenses account and ledger accounts. Quite a number of students were challenged by this question as they lacked content. Some presented answers in the form of accounts but failed to place items on the correct side and to show correct details. A few wrote details only and left out amounts. While others

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provided details which were the same as the name of the account. Once again, centres are urged to emphasise correct recording of dates, names, details and amounts when preparing accounts.

(e) Candidates were to state whether reducing the payment period for credit supplies, reducing drawings from bank for personal use and delaying writing off bad debts will help reduce the bank overdraft or not and to give reasons. Most candidates managed to score a maximum of four marks as they failed to give reasons.

(f) This question required candidates to suggest three ways in which Boitumelo, a trader can reduce the risk of bad debts. A respectable number managed to score full marks while a few managed to score two marks. Expected responses were selling on cash basis, reducing selling on credit, offering cash discount for prompt payment, and obtaining references from new credit customers and fixing a credit limit for each customer.

4 **(a)** Candidates were required to differentiate between time rate and piece rate. The question was generally well answered with most candidates obtaining an average of 3 marks or more.

(b) The question required candidates to differentiate between clock card and time sheet. A majority failed to explain well the difference between clock card and time sheet. Though they both record pay details of employees, the clock card records hours worked, and it is inserted into a machine when an employee arrives or leaves work whilst a time sheet is a document completed by the employee to record hours worked each day when working away from the business premises.

(c) From giving information, candidates were asked to calculate Kgosi's pay and show workings. A number of candidates lost marks as they provided answers without supporting calculations. Some however, failed to calculate overtime pay amount 0f P90 correctly which was time paid and a half. They also failed to calculate the income tax figure of 75 as they did not deduct the amount of p130 but instead used the whole amount of P630.

(d) From their calculations in (c), candidates were asked to prepare journal entries. The question was poorly answered with only about less than1% scoring respectable marks. The wages account was debited with the amount paid to the employee (Total gross pay) and the following accounts credited: Kgosi, income tax, medical contribution, pension fund and trade union subscription.

Candidates were to prepare journal entries for deductions in the payslip after payment of wages owing to Kgosi to appropriate organisations. Most failed to calculate the cash balance of P457 and bank balance of P173. This topic has always proved to challenge candidates when it comes to preparation of journal entries and ledger accounts

5 **(a)** The question required candidates to state factors that cause Bame's non- current assets to depreciate. The question was well answered by most candidates. Expected responses were Physical deterioration because of wear and tear, Economic reasons such as obsolescence or inadequacy, passage of time, Deletion of assets

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(b) Candidates were to state one reason why Bame depreciates her non–current asset, most managed to obtain the one mark, though some wrote the opposite of what was expected and gave answers like - assets are depreciated to ensure that assets and liabilities are not understated. However, the majority mentioned that it is to ensure that the profit and the non–current assets are not overstated or to apply the prudence concept.

(c) Candidates were required to, state two differences between the reducing balance method of depreciation and the straight-line method of depreciation. Majority of candidates failed to answer the question, a few gave one – sided responses and so, were able to score a maximum of two. Some did not even attempt to answer the question. Expected responses for the reducing balance method were - it uses a fixed percentage calculated on the netbook value, the amount of depreciation decreases each year, and the depreciation must be calculated each year. The net book value will never fall to zero and it's suitable for assets which lose more value in the first few years. The straight-line method involves using a fixed rate calculated on the cost of an asset, the depreciation charge is the same each year and depreciation must be calculated once. The net book value can be zero and it's suitable for assets which provide equal benefit.

(d) The question required candidates to state two assets that would be depreciated using the revaluation method. Most candidates were able to mention loose tools, packing cases or crates, small items of equipment. Some were giving examples of non-current assets like motor vehicles and equipment which shows lack of understanding and knowledge of the topic.

(e) From given information; candidates were to prepare a provision for depreciation account and a disposal of the asset account. Provision for depreciation account and the disposal of asset account was poorly attempted. Most candidates showed no knowledge on certain parts of the syllabus including the Preparation for provision of depreciation account as it continues to be challenging for candidates. Though tested before and reported on, most candidates could still not calculate correct figures to be transferred to the income statement when preparing the provision for depreciation account. Candidates used incorrect details such as motor vehicles, cheque instead of bank and gave figures without any details. Much attention should be given to the topic in that respect. Candidates must note that marks are awarded for correct dates and correct details. Over 80% of candidates showed lack of understanding when asked to balance the provision for depreciation.

(f) Candidates were required to prepare the Income Statement (extract) showing entries for provision for depreciation of motor vehicles and profit or loss on disposal. Quite a number of candidates failed to get the two marks.

(g) From given information relating to payment for insurance, candidates were required to calculate the amount to be transferred to income statement as an expense in respect of insurance. While a respectable number of candidates managed to score the full marks with a few obtaining an average I mark, a sizable number failed to calculate the amount to be transferred to income statement.

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6 **(a)** The question required candidates to state the meaning of direct costs and Indirect costs as well as giving examples in each case. Majority could not come up with correct examples of indirect costs like factory power and heating, factory insurance and factory rent.

(b) Candidates were to prepare a manufacturing account. Quite a number managed to get a minimum of nine marks. A few can still not differentiate between the opening inventory of raw materials from closing inventory of raw materials. Some candidates deducted factory overheads instead of adding and this made them loose marks. Questions on manufacturing accounts have been asked before, and candidates either ignored workings or failed to do proper calculations and adjustments.

(c) Candidates were asked to calculate the cost of producing one table. The question was well answered and most got one mark.

(d) Candidates were to calculate cost of sales. A majority failed to add the cost of production figure of P198 650, to the opening stock of finished goods which made them loose marks.

(e) The question required candidates to indicate the effect on prime cost, cost of production and gross profit after adjusting for goods taken for own use. The question was generally well answered with most candidates scoring the allocated one mark.

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Paper 2: Written

Key messages
Question 1. Candidates were given short-answer questions requiring the knowledge of the cashbooks and application of accounting concepts.

Question 2 For this question candidates were expected to have a thorough knowledge on the books of prime entry, the ledger and trial balance.

Question 3 required the preparation of rent receivable account and provision for discount account. Short theory questions were also included.

Question 4 The question required candidates to prepare an updated cashbook and bank reconciliation statement then answer related theory questions. The calculation and interpretation of the quick ratio was also required.

Question 5 It was based on the topic of single entry and incomplete records. The candidates had to prepare the statement of affairs and capital account. The calculation of the sales for the year was also required.

Question 6 concentrated on the topics of limited liability companies and accounting ratios. Candidates had to answer theory questions on limited liability companies, to calculate and interpret accounting ratios.

Section 1: General Comments
The overall performance of candidates this year (2023) was good as compared to 2022. The candidates demonstrated their abilities well in knowledge and understanding of accounting facts, terms, principles, and techniques but performed poorly in application and evaluation questions.

In terms of presentation, many candidates structured their answers well and used correct format when preparing accounting records. Generally, candidates were well prepared to tackle questions on the trial balance, cashbook, books of prime entry etc. Areas of weakness included preparation of the rent receivable account, provision for discount allowed account, updating the cashbook, and preparing bank reconciliation statement and calculation of the return on capital employed. The Centres are reminded on the following:

- Candidates should have a thorough knowledge of all topics on the syllabus as questions can be set on any section of the syllabus.

- Candidates to pay attention to details where a question asks for the preparation of ledger accounts some candidates used incorrect details when preparing ledger accounts.

- It is important for candidates to date the entries when preparing ledger accounts as some candidates lost marks for dates.

- It is crucial for candidates to allocate their time effectively to cover all the required tasks.

- Candidates should note that if they provide workings some of the available marks maybe awarded even if the final figure is incorrect.

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- Use of abbreviations such as I&S for 'income statement,' and P&L 'profit and loss account' are not allowed to avoid loss of marks.

Section 2: Comments on Individual Questions

1 (a) Candidates were required to state the two types of accounts a trader may maintain at the bank. Many candidates provided excellent answers and scored maximum marks. The most popular answers were current account, savings account, and fixed deposit account. Other candidates ignored the instruction and instead stated the names of ledger accounts as they gave answers like purchase account, sales account.

(b) (i) This task was done well by most candidates as they were able to correctly insert the missing words or figures when completing a cheese. Common errors included:

- Incorrect date on the cheese

- Incorrect payee name

- Incorrect details when writing amount in words or a wrong figure used instead of P7800.00

- Failure to write the monetary unit (Pula) for the sum in words and figures

(ii) Most candidates were able to earn the one mark for this question as they correctly named the type of discount the trader was given by supplier. The most common incorrect answer was trade discount for candidates who lost marks on this question.

(iii) This question required candidates to calculate the rate of discount a trader was given by supplier. Although better prepared candidates scored all the marks a sizeable number of candidates scored one mark out of two. Common errors included:

- Providing the workings of discount amount without showing rate of discount.

- Giving the rate of discount without supporting workings

- Failure to express the answer in percentage.

(c) Many candidates attempted this question very well which required them to suggest three reasons why a cheese was returned unpaid. Strong responses included Tupelo not having enough money in his bank account, amount in words different from amount in figures and cheque might been stale or postdated.

(d) It was well answered by a lot of candidates as they provided correct accounting concept in each of the four situations stated. The common mistake was misspelling of the realisation concept which was written by some candidates as realistic or realisable.

2 (a) (i) Candidates were required to state the two types of ledgers a trader may maintain. Majority of candidates provided correct responses to this task. However, few candidates lost marks because of giving subsidiary books instead of types of ledgers.

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(ii) The task required candidates to name the ledger in which a trader would maintain the purchases account and Lebo, a credit customer account.

Most candidates incorrectly indicated purchases account to be maintained in the Purchases ledger instead of the General ledger (nominal ledger).

Many candidates correctly identified Lebo, a credit customer account to be maintained in sales ledger or trade receivable ledger.

(b) (i) Most candidates attempted this question very well as they were able to place a tick under the correct heading to indicate how the total of the returns inwards journal and the total of the returns outwards journal should be posted to the ledger, indicating whether it was a debit or credit.

(ii) Most candidates scored highly on this question showing a good understanding of books of prime entry. Candidates had to name three books of prime entry, apart from returns inwards journal and returns outwards journal, which a trader may maintain. For each book of prime entry give one example of a transaction which may be recorded in that book. Common errors included:

- Naming types of ledgers instead of subsidiary books e.g., sales ledger instead of sales journal.

- Naming correct books of prime entry but failed to give correct example of a transactions to be recorded e.g., for sales journal and purchases journal, they wrote cash sales and cash purchases respectively.

(c) A significant number of candidates gave a correct reason why a trader prepares a trial balance, but some candidates gave incomplete statements or answers were vague to earn a mark.

(d) The question required the preparation of the trial balance and many candidates scored good marks. Better-prepared candidates were scoring maximum marks while majority and scored between 5 and 6 marks. The most frequent errors in the preparation of the trial balance included:

- Writing the closing inventory figure P14 950 in the trial balance instead of the opening inventory P21 650 by many candidates.

- Incorrect placement of figures of provision for depreciation of fixtures and fittings P5000, Bad debts recovered P4 200 and provision for doubtful debts P545 on the debit column of the trial balance.

- Incorrect calculation or omission of the capital amount.

3 (a) Using information provided candidates were required to prepare a rent receivable account for the year ended 31 August 2023. Many candidates performed poorly on this task. It clearly distinguished between the stronger responses, which often gained full marks, as and weaker responses that received no marks at all. Common errors included:

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- Omitting to bring down the outstanding amount of P3000 on the debit side of rent receivable account.

- Dates missing or incorrect as many candidates did not date the entries in the account.

- Using incorrect details

- Incorrect calculation or omission of the amount of rent receivable for the year that would be transferred to the income statement.

- Reversal of the entries in the account.

- Omission of a balance to be brought down to the debit P6000.

(b) This was a challenging question as only few candidates could state how the accrual/matching concept has been applied in the preparation of the rent receivable account most candidates instead explained the meaning of the accrual/matching concept.

(c) The preparation of the provision for discount account for the year ended 31 August 2023 proved to be difficult to many candidates. Common mistakes included:

- Omission of the opening credit balance P600 on the account

- Reversing entries in the account

- Wrong dates used.

- Incorrect details.

- Use of abbreviations such as I&S and P&L.

(d) Most of the candidates were able to correctly state how the provision for discount allowed would appear in the statement of financial position.

4 **(a)** Generally well answered question by majority of candidates as they managed to correctly state reasons why a trader compared his cashbook records with the bank statement records.

(b) **(i)** Using the information provided candidates were required to update a trader's cashbook. This task proved to be challenging to candidates especially updating a cashbook with an overdraft. Common errors included:

- Reversal of entries when preparing the updated cashbook especially the Opening credit balance P1460, bank charges P580 and PB Ltd dishonoured cheque P1580 were debited in the account instead of being credited.

- Completely omitting the error in the cashbook P1700.

- Wrong treatment of overdraft amount by candidates

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(ii) The candidates had to prepare a bank reconciliation statement. Though some candidates produced good answers, but many candidates lost marks especially bank reconciliation with an overdraft. The frequent errors included:

- Incorrect treatment of the overdraft balance on the updated cashbook P1920 and bank statement P2890

- Not distinguishing between amounts not yet credited and unpresented cheese as many candidates swapped the amounts.

- Incorrect labelling of the balance on the cashbook or balance on the bank statement,

(c) Most candidates managed to state the correct bank balance which would be included in the statement of financial position however some gave a wrong answer as they used the bank statement balance.

(d) The calculation for the quick ratio was correctly done well by majority of candidates. However, some candidates lost marks as they failed to write the answer correctly to two decimal places or failing to express the ratio correctly as 0.94:1.

(e) Candidates were required to complete a table by placing a tick under the correct heading to show how each transaction would affect a trader's quick ratio. Most candidates did well in this question except for those who placed two or three ticks to select more than one option, hence loosing marks.

5 **(a)** Candidates had to prepare Statement of affairs on 30 September 2023 showing the total capital at that date. Majority of the candidates scored good marks on this question and used the correct format of presentation of the statement of affairs and only a few candidates used the horizontal format. Common errors included:

- Using Incorrect figures of fixtures and fittings and Motor vehicle as some candidates were omitting depreciation of both fixtures and fittings and motor vehicles.

- Incorrect treatment of items in the preparation of statement of affairs -subtracting total current assets figure from total current liabilities or total non- current assets, others subtracting working capital figure from total non-current assets. Adding total current liabilities to total assets.

- Including bank overdraft P1360 in the current assets

- Adding capital introduced during the year P52 000 and subtracting drawings P14 200 when determining the capital on 30 September 2023.

- Preparation of the trial balance instead of the statement of affairs Centres are encouraged to help candidates on this part of syllabus.

(b) Using data provided candidates were required to prepare the capital account for the year ended 30 September 2023 to show the profit and loss for the year. Most candidates performed poorly on this task. Common errors included:

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- Using wrong details used e.g., the transaction where capital was introduced P52 000, many candidates wrote the details as 'capital introduced' instead of 'Bank/Cash'   in the capital account.

- Accounts entries fully reversed- Other candidates were recording transactions on the wrong side of the capital account.

- Failure to show the profit/loss for the year figure in the capital account.

- Failure to bring the capital amount calculated in **part 5(a)** from the statement of affairs to the capital account to determine the profit or loss for the year.

- Omission of the question by some candidates

(c)   The task required candidates to calculate the sales for the year ended 30 September 2023. Majority of candidates performed well on this task and scored good marks however common mistakes was incorrect treatment of figures when calculating the total sales and not adding the cash sales P7400.

6   (a)   The question required candidates to complete the table by placing a tick in the correct column to indicate the financial statement in which each of the listed items would appear. Many candidates scored highly on this question except for those who placed ticks in all the boxes without selecting correct options hence lost marks.

(b)   Most Candidates attempted the question well which required them to complete the table by placing a tick in the correct column to indicate the type of long-term funds to which each statement refers. Candidates who were well prepared scored all the marks in this question while weaker candidates lost the marks.

(c)   (i)   Many candidates were able to use the correct formula to calculate gross profit as a percentage of sales ratio. A high number of candidates scored maximum marks while weaker candidates lost because of the following:

- Incorrect calculation of the gross profit figure

- Failing to show the whole formula sometimes they omitted "x 100" when calculating the gross profit for the year to sales.

- Failing to show the answer correct to two decimal places as instructed. Some candidates wrote 36.7% instead of 36.67%.

- Omitting the workings

- Omission of the percentage sign in the final answer.

(ii)   The candidates had to calculate profit for the year as percentage of sales. Candidates performed fairly on this task. Stronger candidates scored maximum marks however other candidates lost marks because of the following.

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- Incorrect calculation of the profit for the year

- Failure to give the answer correct to two decimal places as instructed on the question paper. Some candidates wrote 18.7% instead of 18.69%

- Failing to show the full formula sometimes they omitted "x 100" when calculating the profit for the year as a percentage of sales.

- omitting the workings

- Use of wrong symbol instead of expressing their answer in percentages

(d) (i) The calculation of return on capital employed of a limited company proved to be incredibly challenging to candidates as they did not do well on this part. Common errors included:

- Failing to add profit for the year P33000 with the interest P9000.

- Incorrect calculation of the capital employed leaving out debentures P150 000 or incorrectly calculating the shareholders' fund.

- Failure to give the answer correct to two decimal places as instructed on the question paper.

- Failing to show the whole formula sometimes they omitted "x 100" when calculating the return on capital employed.

- omitting the workings

- A sizeable number of candidates left the question not attempted.

(ii) Candidates had to complete a table by placing a tick to indicate the effect of each item on the capital employed. Most candidates performed well on this task except for those who placed two or three ticks to select more than one option, hence loosing marks.

(e) (i) The task required candidates to calculate the collection period for trade receivables. This question was poorly attempted. Common errors included:

- Failing to calculate the credit sales by subtracting cash sales P12 080 from total sales P176 580 in the calculation of collection period for trade receivables.

- Failing to round the answer to the next whole day as instructed. Other candidates wrote 38 days instead of 39 days.

- Using an incorrect formula when calculating the collection period of trade receivables.

- Use of wrong symbol instead of expressing their answer in days

(ii) Candidates correctly stated whether the company would be satisfied/unsatisfied with the collection period of trade receivables based on the calculation they made in **part e (i)** and provide the correct reason for their answer.

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