

# ACCOUNTING

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<b>Paper 9706/01</b>
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<b>Multiple Choice (Core)</b>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>B</b>	16	<b>C</b>
2	<b>A</b>	17	<b>D</b>
3	<b>C</b>	18	<b>C</b>
4	<b>A</b>	19	<b>A</b>
5	<b>C</b>	20	<b>B</b>
6	<b>A</b>	21	<b>D</b>
7	<b>C</b>	22	<b>A</b>
8	<b>C</b>	23	<b>C</b>
9	<b>D</b>	24	<b>C</b>
10	<b>B</b>	25	<b>A</b>
11	<b>D</b>	26	<b>D</b>
12	<b>A</b>	27	<b>A</b>
13	<b>A</b>	28	<b>C</b>
14	<b>D</b>	29	<b>A</b>
15	<b>C</b>	30	<b>C</b>

## General comments

Almost 6000 candidates took this Paper. The mean and median marks were around 18 (out of 30 marks) and the standard deviation was just over six marks. This paper proved a good discriminator, with roughly a third of candidates attaining marks of 13 or less, another third getting marks in the range 14-21, with the final third of candidates achieving over 21 marks. This fairly even split between candidates and marks may indicate perhaps, that more candidates are being entered at an early stage for AS Level and may not go on to complete the A Level papers. They consider the AS Level a valid qualification by itself.

Generally the first 15 questions were better answered than the last 15 questions. Questions that attracted a 75% or more correct response rate were numbers 3, 6, 20, 23 and 27. All these questions tested 'main-line' topics in the syllabus and have been set before in various forms. A sound knowledge of basic accounting theory and practice is needed to secure a good mark on this paper.

## Comments on specific questions

**Question 12** – the historic cost of item 1 is still less than the selling price after offsetting repair costs, and would be used in valuing stock.

**Question 16** – many candidates were willing to show stock in the balance sheet at a cost plus price, instead of deducting the unrealized profit.

**Questions 24 and 26** – had the common feature that some candidates did not appear to understand the accounting logic underlying these questions, and instead guessed at the answers.

**Question 28** – candidates did not apply the principle of first finding the contribution, and then dividing it into the fixed costs.

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**Paper 9706/02**  
**Structured Questions**

## General comments

The paper was generally well done. Candidates appeared to be better-prepared than in previous sessions, although the paper may also have been more straight-forward than in the past.

## Comments on specific questions

### *Section A*

#### **Question 1**

Good answers were provided by the majority of candidates.

- (a) Manufacturing accounts have in the past been poorly attempted but on this occasion many candidates scored well. The small minority who began the account with the Sales figure tended to be the weaker candidates who lost track of what should happen next regarding addition/deduction of later components – e.g. correct calculation of Prime Cost gained no marks if added to Sales. And even those who began the account correctly sometimes deducted overheads instead of adding them to the other costs.
- (b) The trading account was generally well attempted though a few candidates included manufacturing account items, usually purchases returns and carriage.

#### **Question 2**

Well answered by most candidates – stock costing seems to have been well taught since the last time a question was asked on this topic.

- (a) (b) Correct answers from most candidates.
- (c) This section was occasionally omitted or answered wrongly, but only by a minority of candidates.
- (d) The application of the own figure rule helped many candidates to gain full marks here, though a small number invented an opening stock figure or mis-calculated sales or purchases.
- (e) As ratios have appeared in many question papers, at AS and A Level, it is not surprising that this was an easy mark-earner for most candidates. A few omitted the ratio indicator, e.g. stated “3.34” instead of “3.34:1”, thereby losing a mark for each ratio, some referred to them as percentages rather than as ratios, and some mixed them up, giving the current ratios as the liquid ratios etc., but these were very much in the minority. Candidates should be encouraged to clearly state what the figure represents.
- (f) The commonest fault here was stating that ratios had gone up or down, rather than stating that they were better or worse, and giving reasons. The fact that a ratio has gone up is meaningless in itself and must be qualified.

**Question 3**

- (a)** Many excellent answers here, helped by the application of the own figure rule. This section of the syllabus had obviously been well taught. A small number gave answers in total contribution rather than unit contribution, but could still gain marks in **(a)(ii)**.
- (b)** This followed on from **(a)** and as a corollary most of those who scored well in **(a)** also scored well in **(b)**. The weaker candidates who scored badly in **(a)** tended also to lose marks in **(b)** by not using their answers from **(a)** to work out **(b)**.
- (c)** There were many good answers here, though a large minority seemed not to understand the reason for calculating contribution and gave some very odd reasons for continuing to manufacture all three items.

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<p><b>Paper 9706/03</b></p>
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<p><b>Multiple Choice (Supplement)</b></p>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>C</b>	16	<b>D</b>
2	<b>C</b>	17	<b>A</b>
3	<b>A</b>	18	<b>C</b>
4	<b>A</b>	19	<b>C</b>
5	<b>D</b>	20	<b>B</b>
6	<b>C</b>	21	<b>C</b>
7	<b>B</b>	22	<b>C</b>
8	<b>A</b>	23	<b>C</b>
9	<b>D</b>	24	<b>B</b>
10	<b>D</b>	25	<b>C</b>
11	<b>D</b>	26	<b>D</b>
12	<b>C</b>	27	<b>B</b>
13	<b>C</b>	28	<b>A</b>
14	<b>B</b>	29	<b>D</b>
15	<b>B</b>	30	<b>B</b>

## General comments

4000 Candidates sat this Paper and the distribution curve shows that most of them found it straightforward and candidates performed well. The mean and median marks were around 20 (out of 30 marks) and the standard deviation was five marks.

Question numbers 1, 2, 7, 14, 16, 17, 23, 24, 25, 28 and 30 all received correct response rates of 75% or more, indicating perhaps, that the paper was accessible to a wide range of candidates.

The common feature of these well answered questions is that many have been set before in similar format and that they cover 'main-line' areas of the syllabus. A pleasing trend was that the management accounting questions produced a high level of correct responses. Thus, one may conclude, revision practice with past papers pays off.

## Comments on specific questions

**Question 4** – many candidates did not charge the 20% premium on redemption against the share premium account, even though it is clear that the ordinary shares were originally issued at a premium of 25%.

**Question 10** – the paid up share capital may be lower than the called up share capital if some shareholders still have to pay the call due from them.

**Question 13** – if an asset is written down, its book value is decreased. Capital is also decreased and the net effect is to increase any gearing.

**Question 20** – candidates did not adhere to the principles of incremental or marginal costing.

**Question 26** – If poor quality materials are used, there may be a price saving but material usage and labour efficiency may be affected adversely.

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<p><b>Paper 9706/04</b> <b>Problem Solving (Supplement)</b></p>
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## General comments

There was a great deal of variation in the performance of candidates and the scripts submitted.

There was little evidence to suggest that candidates had run out of time.

It was generally agreed by assistant Examiners that the paper was of the same degree of difficulty as those sat in previous years.

The main problem perceived by the Principal Examiner was that many candidates did not read the questions carefully. It seemed that many candidates scanned the questions and misunderstood what was required.

This was evident in all three questions. In **Question 1** candidates were required to show "closing entries", in **Question 2** the rate of stock turnover was 20 days not 20 times, and in **Question 3** the receipts and payments were treated incorrectly.

It is pleasing to see that more candidates each year are showing detailed workings. However, it is essential that these workings are labelled in some way, so that they can be related to a particular part of a particular question.

Layouts varied enormously. Some candidates produced good clear answers that would not have been out of place in a text book but many candidates' layouts lacked clarity and focus.

Some candidate's scripts were written in an indecipherable way and this resulted in Examiners having to spend much time working out exactly what the candidate had done. There was evidence that untidiness cost examinees marks because they could not read their own writing and so made computational errors.

## **Question 1**

(a) Almost all candidates used a realisation account and these were in the main well-presented. Many candidates used a revaluation account and a realisation account and this approach led to confusion and errors in calculations. Many candidates included extraneous items in their realisation account and this precluded them from scoring own figure marks for the profit on realisation.

Many candidates confused debit and credit entries and this frequently resulted in the shares being credited to the partners. Also many vehicles were credited to the partners.

There were some very pleasing attempts at part (a) although few candidates scored maximum marks. The most common error concerned the closing entries. Many candidates carried a closing balance down rather than using a cash or bank entry to close the capital accounts.

Many candidates included goodwill as an entry in the capital accounts.

(b) Answers were varied and only about half of candidates scored the available marks.

(c) This part of the question proved to be a very good discriminator and only a few candidates scored the three marks. Many candidates did not attempt this part of the question at all and some used the number of shares rather than the cash to be paid or received by the partners.

- (d) This part of the question was well answered in the main, although only the better candidates included goodwill in their answer. Many candidates gave a value for ordinary shares that included the amount for share premium.
- (e) This was in the main well done although no marks were awarded for vague answers such as “they wanted a bigger business” or “they can raise extra finance”. Such comments required development if marks were to be awarded.

### Question 2

Parts (a) and (b) were in the main well done. Only the better candidates scored maximum marks. This was because, generally, candidates used 20 times instead of 20 days for the rate of stock turnover calculation. Provided this was applied correctly through the rest of the question the penalty was only 1 mark. The majority of candidates scored in excess of 14 marks for parts (a) and (b).

A large number of candidates failed to show the detail of the cost of sales calculation.

A significant number of candidates started with \$73 424 as a net profit figure and worked the other figures out from this starting point.

Many candidates included the dividends paid as a current liability.

Many of the formats provided were very strange – some candidates had dividends preceding expenses in the profit and loss account.

- (c) This was answered patchily. The most common error was to describe the formulae rather than to explain what each ratio meant. However, pleasingly, there were some extremely good, sound explanations that scored maximum marks.
- (d) There were many good answers using the candidate’s own figures from (a) and (b). Despite the instruction in the question, a significant number of candidates did not show the formula that they had used in their calculation. Some candidates used the figures given in the question for similar businesses. The main problem is that many candidates do not develop the points that they have identified in their answer. This always precludes them from scoring maximum marks.

Some commentaries were vague and did not enhance the candidate’s answer.

Many candidates did not use the information given to draw meaningful comparisons.

### Question 3

The question was generally well answered. The exception to this was part (a). Only a handful of candidates scored any marks in part (a). The marginal nature of the information was rarely used. This proved to be a good discriminator. Nearly all candidates simply took the total receipts and payments rather than the receipts and payments for the two supermarkets.

Using their own figures many candidates scored well in the remainder of the question.

- (b) The accounting rate of return was usually calculated accurately although many candidates added the depreciation and did not use the additional working capital in their calculation. Many candidates ignored the cash spend on improvements, or in some cases added it to the receipts.

Using the larger figures many candidates were unable to calculate accurately the return. Answers of 8.32% were given when the (arithmetically) correct answer was an unlikely 832%.

- (c) The net present value was calculated accurately in the main although, as usual, some candidates used a cost of capital of 8% for supermarket A and a cost of capital of 14% for supermarket B.
- (d) Answers were generally good – although strangely some candidates thought that a lower NPV or ARR should determine the supermarket to be leased.
- (e) The internal rate of return was calculated accurately and candidates generally scored in excess of three marks.