ACCOUNTING

Paper 9706/11	
Multiple Choice	

Question Number	Key	Question Number	Key
1	**D**	16	**C**
2	**A**	17	**C**
3	**D**	18	**C**
4	**C**	19	**B**
5	**B**	20	**B**
6	**A**	21	**D**
7	**B**	22	**A**
8	**B**	23	**C**
9	**D**	24	**C**
10	**D**	25	**D**
11	**B**	26	**D**
12	**C**	27	**B**
13	**D**	28	**A**
14	**B**	29	**B**
15	**A**	30	**A**

Key messages

As a general comment, candidates must always read the question. Whilst it is appreciated that time is very tight, there is evidence from the results and from what will be said later that this was not the case.
The sequence of posting from the books of prime entry to the nominal ledger.
The use of the phrase 'reserves are to be kept in their most flexible form' when attempting questions relating to the issue of bonus shares.
The impact on reported profit when valuing inventory using marginal and/or absorption costing.

General comments

The median mark was 10, with the mean slightly higher. Whilst probably not statistically significant, the low numbers achieving marks of 15 or more is worrying. Of all 30 questions there were only two where more than 50 per cent of candidates identified the correct key.

Comments on specific questions

Question 1

Questions designed to examine accounting concepts can often be open to interpretation. However, this one should not have been so. The question dealt with the recording of a specific transaction, in this case a sales order, and asked for identification of which accounting concept is **not** being applied. Most candidates opted for one of the three concepts given which were being applied rather than **D**, which was the key.

Question 3

The question required an identification of which cost from the three given was an example of revenue expenditure. The data suggests an element of guessing on the part of candidates. Three quarters again went for the two costs which were not examples of revenue expenditure. The use of the word 'repairs' at the start of the third item should have been the trigger to link it to revenue expenditure.

Question 9

The balance on the sales ledger control account of $15 000 must have been after the cash discount and amount paid (albeit wrongly) had been included. Most candidates assumed that either or both of the two items had to be adjusted against the balance of $15 000 and opted for **A** or **B**. The correct key was **D**, where the double counting of the items had to be added back to the balance of $15 000.

Question 13

Candidates did not realise that the profit figure for the year of $60 000 would have been after the irrecoverable debt had been deducted as an expenses. As it was to be ignored then it needed to be added back to make the total profit for the year to split between the partners of $72 000 and not the $60 000 adjusted, which most candidates opted for.

Question 17

This is the example of candidates not appearing to be aware of the term 'flexible form'. It means that any bonus issue is taken first from the least flexible reserves (share premium/revaluation reserve). Again, from the data it appears many candidates guessed at the answer.

Question 24

This was a tricky question. The key was **C**, both statements 2 and 3 are correct. If inventory decreases then it is likely to result in higher profits if marginal costing is used as its basis for valuation.

ACCOUNTING

> **Paper 9706/12**
> **Multiple Choice**

Question Number	Key	Question Number	Key
1	**B**	16	**A**
2	**C**	17	**A**
3	**B**	18	**A**
4	**B**	19	**C**
5	**B**	20	**B**
6	**A**	21	**B**
7	**C**	22	**C**
8	**B**	23	**A**
9	**D**	24	**A**
10	**C**	25	**A**
11	**C**	26	**B**
12	**B**	27	**A**
13	**C**	28	**D**
14	**B**	29	**D**
15	**D**	30	**A**

Key messages

The allocation of expenditure on a time basis, specifically to calculate depreciation and accruals/prepayments.
Identification of items which would appear in a cash account.
Sources for the issue of bonus shares.

General comments

The median mark for the paper was 17, with a mean of 17.05. Given these excellent results, it isn't surprising that a number of questions appeared relatively easy from the data: **3**, **15**, **16**, **19**, **20**, **21**, **22**, **23** and **30**, where more than 70 per cent of candidates identified the correct option. There were, however some questions which seemed to cause difficulty and these will be discussed below.

It is pleasing to note that there was a significant improvement in the responses to the management accounting questions.

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Comments on specific questions

Question 4

This question also required the splitting of a cost over a time period to arrive at an accrual figure. Again, the incorrect time period was selected by most candidates. Both **Questions 2** and **4** link back to the first key message above.

Question 12

The question identified that the owner only traded on a cash basis. Thus the only item **not** required to calculate the owner's drawings was the non-cash item of opening capital.

Question 17

All three of the items listed can be used to issue bonus shares. There was no indication in the question that reserves had to be kept in their most flexible form, which immediately eliminated **D** as an option.

Question 25

This should have been a straightforward question. Candidates need to multiply the number of nights by the number of guests per night and divide their answer into the budgeted overheads, giving the key **A**. The most common error was the inclusion of the direct costs in the calculation.

ACCOUNTING

Paper 9706/13
Multiple Choice

Question Number	Key	Question Number	Key
1	B	16	D
2	D	17	C
3	C	18	A
4	B	19	C
5	B	20	D
6	B	21	B
7	C	22	C
8	B	23	A
9	C	24	D
10	B	25	B
11	D	26	C
12	C	27	B
13	A	28	A
14	C	29	A
15	C	30	C

Key messages

Identification of errors which affect the suspense account.
Be prepared to consider rounding issues in respect of some answers, particularly ratio and overhead absorption rate calculations.

General comments

The median mark on this paper was high at 18, with the mean mark at 19. For **Questions 1, 2, 4, 10, 14, 16, 24**, and **28** more than 70 per cent of candidates identified the correct option.

The key messages above are aimed at identifying areas where the percentage of candidates achieving the correct response was slightly lower than the general trend of the paper. There is also some other aspects worth considering below.

Comments on specific questions

Question 9

This question required candidates to identify which error would result in the creation of a suspense account. This is a topic which always seems to cause issues. There are essentially only three errors which would require correction through a suspense account:

> one sided (i.e. a debit with no credit or vice versa)
> both entries entered on the same side (i.e. two debits, no credits or vice versa)
> an incorrect amount entered as a double entry, for example a debit of $480 and a credit of $840

Candidates needed to see which of those errors given matched one of the categories above. The key was **C**, a debit in the bank account of the bank interest received and a debit in the bank interest paid account.

Question 23

This was a straightforward question if candidates ignored the irrelevant data. Candidates needed to work out the total direct labour hours worked, which for P was 7500 and Q 2000, a total of 9500. This should then have been divided into the fixed overheads figure of $6500 to arrive at **A**. Try as we do with these types of question it is not always possible to arrive at an answer of exactly two decimal places. Candidates therefore need to be prepared to consider roundings in the answer.

Question 29

The fixed overheads were under absorbed by production. Thus the absorbed overheads were $(518 400 – 32 400) = $486 000. This figure needed to be divided by 21.6 ($5.40 · 4 hours) to arrive at the key of **A**.

ACCOUNTING

Key messages

It is important for candidates to show workings for computational questions. Candidates do not get credit for partially correct answers if workings are not shown and final answer is in
In written questions, candidates should make sure that they provide sufficient development to their answers. One or two word answers will seldom suffice.
Candidates must develop greater analytical skills and learn to extract information from scenarios to make their answers relevant.

General comments

Overall, the performance of candidates on this paper was not very good. Many candidates made no attempt at some of the questions thus limiting their chances of success.

In particular, candidates were clearly not well-prepared to answer the management accounts question, many demonstrating a lack of understanding of both marginal costing and absorption costing techniques.
It was apparent that candidates were not well prepared to answer the non-current assets double entry question and very few candidates were familiar with the accounting entries required to record changes in non-current assets or depreciation.

Once again many candidates did not present their answers to computational questions satisfactorily. Good structured workings can only help the candidate answer the question and this is a skill that must be developed.

Comments on specific questions

Question 1

(a)   The question required candidates to prepare the income statement commencing with the given gross profit. Adjustments were required for prepayments, accruals and depreciation. A well prepared candidate should have gained all five available marks.

(b)   The partnership appropriation account was well answered by most candidates. Well prepared candidates generally were awarded full marks though it should be remembered that when making adjustments to the profit, the relevant partner should always be noted against the adjustment.

(c)   Well prepared candidates were awarded good marks for the preparation of the partners' current accounts. The most common errors were failure to include the loan interest in the account and often the omission of drawings.

(d)   This task required candidates to prepare a statement calculating the settlement due to a retiring partner. Although the question asked for a statement, a significant number of candidates attempted to prepare the partner's capital account and frequently including extraneous items and lot marks.

(e)   The question required candidates to state two advantages of the partnership converting to a limited company produced mixed results. Many candidates offered the advantage of limited liability but little else so were able to gain only one mark.

(f)   The question required candidates to offer advice on whether a sole trader should maintain a full set of accounting records and few candidates were able to gain more than two or three marks. Candidates should remember that when offering advice, both the positive and negative aspects of the situation should be discussed.

(g)   Most candidates were able to offer one reason as 'it reduces the possibility of fraud', but many stated the second reason as 'identifies errors'. This was not rewarded as the control account only identifies arithmetical errors.

Question 2

(a)   Candidates were clearly not well-prepared to answer a double-entry question on the cost and provision for depreciation of non-current assets. Many errors were made in completion of both accounts and the presence of extraneous items was very common. There were only very few correct calculations of the depreciation charge for the year and many candidates were unable to correctly prepare the disposal account.

(b)   Analysing the effect of changing the method of depreciation was not well attempted. Many candidates chose to offer no response at all and those who did seldom gained more than one of the available five marks. Most seemed unaware of where to start their calculations.

(c)   Most candidates were able to gain at least two of the available four marks for explaining a concept relating to depreciation.

Question 3

(a)   The three parts required candidates to calculate current ratio, liquid (acid test) ratio and rate of inventory turnover. Well prepared candidates were able to gain all seven available marks, but too many candidates seemed totally unaware of how to calculate any of the three ratios.

(b)   The second task required candidates to advise which customer should be chosen based on the same three ratios. As is often the case with discursive answers, the response was generally poor. Few candidates were able to offer sufficiently developed reasons to be rewarded.

(c)   Stating three limitations to a business of using ratio analysis was again very poorly answered with only the well prepared candidates able to offer more than one limitation.

Question 4

(a)   Calculation of the budgeted variable cost of production was a straightforward introduction to the tests that followed although some candidates did not read the question carefully and answered with the total budgeted variable cost.

(b)   Calculation of the total budgeted contribution was answered to a high standard by the well prepared candidates, though too many candidates did not appreciate the format of marginal costing.

(c)   This lack of knowledge of marginal cost principles manifested itself further in the third task with a significant number of candidates making no attempt to answer.

(d)   Part **(d)** moved on to absorption costing requiring candidates to state two limitations of the method. Very few candidates were able to gain more than one mark for a single limitation.

(e)   Just as the earlier question highlighted a difficulty with marginal costing formats, this question showed similar difficulties with absorption costing. Most candidates seemed unfamiliar with the structure and operation of either system and did not secure more than three of the available seven marks.

(f)   An explanation of the reasons for the difference in profits calculated under the two systems produced satisfactory responses.

(g) Faced with the challenge of calculating the effect that three changes to the circumstances of excess inventory due to a cancelled order, only a very small number of candidates attempted the question and of those few scored any marks.

(h) The final part of the question required candidates to offer advice as to whether a marketing campaign should be undertaken and once again, the majority of candidates made no attempt to answer. The well prepared candidates who did answer were able to gain at least three of the available five marks by discussing both financial and non-financial issues.

ACCOUNTING

Key messages

It is important for candidates to show workings for computational questions. Candidates do not get credit for partially correct answers if workings are not shown and final answer is in
In written questions, candidates should make sure that they provide sufficient development to their answers. One or two word answers will seldom suffice.
Candidates must develop greater analytical skills and learn to extract information from scenarios to make their answers relevant.

General comments

Well-prepared candidates performed well on this paper and there were some clear responses on both computational and discursive questions. However, less well prepared candidates struggled in particular with the discursive questions.

It was apparent that candidates were not well prepared to answer the non-current assets double entry question. Very few candidates were familiar with the accounting entries required to record changes in non-current assets or depreciation.

Once again many candidates did not present their answers to computational questions satisfactorily. Good structured workings can only help the candidate answer the question and this is a skill that must be developed.

Comments on specific questions

Question 1

(a)   The question required candidates to explain three disadvantages of operating as a partnership rather than as a sole trader. Some candidates clearly did not read this question carefully and offered three advantages of a partnership rather than disadvantages. Of the majority who answered the question as intended, there were many very good responses, though some did not gain full marks by simply stating disadvantages and offering no development to explain them.

(b)   The partnership income statement was well prepared by many candidates though the majority lost one mark by not adjusting the overvaluation of inventory until after the gross profit.

(c)   The partnership appropriation account was well answered by most candidates. Well prepared candidates generally were awarded full marks though it should be remembered that when making adjustments to the profit, the relevant partner should always be noted against the adjustment.

(d)   Well prepared candidates were awarded good marks for the preparation of the partners' current accounts. The most common error was a failure to include the loan interest in the account.

(e)   This task required candidates to clearly analyse the efficiency of the business with reference to the non-current asset turnover and the trade payables turnover. Many responses were very limited with candidates clearly not understanding the command word 'analyse'. This kind of question requires candidates to identify trends and then offer reasons for or consequences of the movement in those trends. Most candidates did not appropriately do this.

(f)   Many candidates made a good attempt at the final task. Both options were generally discussed and advice was offered.

Question 2

(a)   Whilst few candidates gained full marks for the statement of changes in equity, most candidates scored well. Few candidates correctly dealt with the revaluation of non-current assets, with most opting to take the full $48 000 out of the revaluation reserve even though there was only a balance of $40 000. Some candidates also struggled to calculate the correct interim dividend.

(b)   Asked to state two reasons why capital reserves may be used before revenue reserves to fund a bonus issue of shares received very mixed responses. Whilst well prepared candidates recognised that it retains reserves in the most flexible form, many candidates did not attempt the question.

(c)   The two parts of the question required candidates to state the benefits and limitations to a company of making a rights issue of shares. Candidates provided weak answers to both parts of this task.

(d)   The task required candidates to explain two advantages of raising additional finance through a long-term loan. This was also very poorly answered. Many candidates made general comments about the characteristics of a long-term loan without really answering the question.

Question 3

(a)   Candidates were clearly not well-prepared to answer both parts **(i)** and **(ii)** of this double-entry question on the cost and provision for depreciation of non-current assets. Many errors were made in completion of both accounts and the presence of extraneous items was very common. There were only very few correct calculations of the depreciation charge for the year.

(b)   There were weak responses to the reasons for using the reducing balance method of depreciation for plant and machinery. Most answers were a description of the method rather than offering reasons for using it.

(c)   Candidates struggled to explain two accounting treatments of loose tools. Whilst most gained one mark for mentioning revaluation, the majority of answers lacked any further depth.

(d)   Most candidates were able to gain two marks for explaining a concept relating to depreciation.

Question 4

(a)   Many candidates gained full marks for the apportionment of budgeted overheads. The most common error was in the apportionment of light and heat, but otherwise there were many good responses.

(b)   Calculation of the overhead absorption rate was generally well done, though a number of candidates lost marks by not correctly rounding to two decimal places as required by the question.

(c)   Whilst many candidates gained full marks for calculating the under/over absorption of overheads, some candidates lost marks by not showing relevant workings as to how their own figure answers were being used. Some candidates calculated correct figures but did not indicate whether the overheads were under absorbed or over absorbed.

(d) Preparation of a statement to show the quoted price was not answered well. Many candidates were unable to correctly calculate the profit margin and there was frequently a complete lack of labels on the statement.

(e) Candidates were required to advise whether or not accommodation prices should be increased. This produced very mixed results but well prepared candidates were able to gain good marks.

(f) The question asked candidates to state two benefits of operating a system of budgetary control. It was not well answered. Many candidates gave a definition rather than stating the benefits.

(g) Similar comments applied when asked to state two limitations of budgetary control. Cost issues and time issues are not limitations.

ACCOUNTING

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│     Paper 9706/23           │
│   Structured Questions      │
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Key messages

Candidates need to carefully read the question requirements and if, for example, a question requires an assessment, then presenting values only is insufficient and a narrative is necessary to meet the assessment requirement.

Marks are frequently awarded for the correct entry, this being a value with correct terminology/label. There were cases of values being presented with incorrect terminology and in some cases no terminology.

General comments

Frequently values in accounting statements are made up of various calculations, with marks being awarded for the calculations leading to a final value. Some candidates omitted calculations and could not get any credit for presenting an incorrect final value only.

Some questions require a calculation for a specific period and there were cases when a value for a four-week period was required and candidates presented for one week only.

Comments on specific questions

Question 1

(a)   There were few completely correct answers for the revised profit, although most candidates gained some marks. Frequently depreciation on the machine disposal was incorrectly based on one year rather than two years. Some candidates calculated depreciation on the new non-current assets only and omitted to consider those previously bought. The requirement was for a full year's depreciation to be charged in the year of purchase and none in the year of disposal, however some calculated depreciation in the year of disposal.

(b)   The appropriation account was well presented by many candidates. Some charged interest on full drawings, rather than those in excess of $20 000 only. Whilst the individual entries for interest on capital and salaries were usually entered, many candidates did not show a sub-total for each aspect. A few candidates reversed additions and subtractions.

(c)   The current account was well presented by many candidates and credit given for correct use of own figure calculations from part **(b)**. Some candidates did not show totals for the ledger account and bring down balances.

(d)   There were many correct calculations for trade receivables and trade payables. Some candidates did not round values correctly and a few inverted calculations.

(e)   The question requirement was to assess the working capital position and many candidates prepared working capital calculations for each year, but did not make any comment and therefore did not assess the position. Those who did assess the working capital position frequently noted the deterioration in the trade receivables period and the decreasing trade payables period and consequently potential cash flow problems.

(f)   Some candidates focused on credit control aspects only. Few developed partnership specific aspects such as reducing salaries and drawings. Some candidates did correctly suggest additional capital could be provided by the existing or new partners.

(g)   Many candidates commented on the benefit of limited liability for a limited company and increase of share capital compared to a partnership. Some responses focused on one type of organisation only, without relating to the other organisation type. A few candidates compared a partnership to a sole trader rather than a limited company. Most candidates earned a mark for giving a decision.

Question 2

(a)   Most candidates gained some marks for the trading account and there were many with high marks. Some candidates presented a list with no indication of whether entries should be added or subtracted. Frequently candidates omitted one entry, this usually being drawings. Some reversed the addition and subtraction of entries. Many correctly applied the 50% mark-up. Marks were awarded for the correct entry, this being the value and a label. Some candidates did not label entries.

(b)   Whilst many candidates made a basic point, few developed to explain how it related to control accounts. For example, fraud was often stated as an advantage but no development given on how this would be the case.

(c)   A few candidates achieved full marks, however many dealt with one aspect only and did not consider the impact on both profit and trade receivables. Some candidates commented on profit and trade receivables changing but did not give any values to indicate by how much. Frequently candidates stated sales would decrease by the cost value of $2400 rather than the sales value of $3600.

Question 3

(a)   Very few candidates were able to state 'other' uses of a suspense account. In most cases candidates responded with the reason given within the actual question. There were frequent references to deterring fraud and preventing errors.

(b)   Many candidates correctly stated four types of error. Some candidates described errors but did not state the type.

(c)   There were few completely correct suspense accounts. There were frequent cases of correcting entries being reversed and incorrect terminology for labels. The purchase returns journal error was frequently incorrectly entered as double the amount of $1920, rather than two entries for purchase returns and returns inwards.

(d)   Most candidates gained some marks, but there were few achieving the three marks available. Too frequently candidates duplicated their responses.

Question 4

(a)   Many candidates correctly calculated the total contribution over the four-week period. Some calculated the contribution per unit only and others the total contribution for one week only.

(b)   Frequently candidates did not add the additional sales to the current sales. Some responded with a correct value for one week only and did not multiply to give a four-week value.

(c)   Most candidates were able to gain some marks, but few achieved the full marks available. Frequently a revised profit was calculated but candidates did not then continue to show the additional profit earned. Some candidates entered an incorrect final value only, without providing any supporting calculations which could have gained some marks.

(d)   Responses were very poor and frequently candidates divided the additional fixed costs of $6000 by the contribution per unit rather than divide the required total contribution by the contribution per

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unit. Some candidates calculated a new break-even value rather than the percentage by which current sales should increase for the promotion to break-even.

(e) Most candidates were able to gain some marks and many did give a decision. Whilst some did refer to their previous calculations to support their response, some did not make any reference to their calculations. Frequently candidates did correctly refer to the reaction of employees and competitors.

(f) Very few candidates gained marks and most answers focused on break-even and the margin of safety rather than the purpose of cost-volume-profit analysis.

(g) Few candidates gained marks on the assumptions of cost-volume-profit analysis and many responded on limitations. Frequently candidates did not refer to 'per unit' when relating to sales price and variable costs, and likewise did not refer to 'total' for fixed costs.

(h) Many candidates gained the full two marks for the calculation of an appropriate overhead absorption rate. A few candidates did not round calculations correctly or omitted the label 'per labour hour'. Few candidates were able to explain a limitation of absorption costing and often the response was that it would lead to under or over absorption of overheads.

ACCOUNTING

General comments

Overall candidates performed reasonably well on the paper. It is important that candidates should show workings to support their answers as otherwise they cannot get any credit for partially correct answers.

Comments on specific questions

Question 1

(a) Most candidates gave an acceptable explanation although very few gained full marks.

(b) The manufacturing account was generally well prepared with a number of fully correct accounts. Common errors included not correctly adjusting the prime cost figure and the incorrect inclusion within the statement of distribution costs.

(c) The income statement was also well prepared with most candidates presenting the statement in the correct format without or with few errors. The most common errors were not adding back the factory profit and the omission or incorrect treatment of the decrease in provision for unrealised profit.

(d) Most candidates did provide a decision but their justification was generally weak. Although the question specifically asked for 'relevant calculations' some candidates did not offer any calculations.

Question 2

(a) Few candidates were able to state more than one use of the notes with many just producing three examples of items within the financial statements.

(b) This was well answered with some fully correct statements and nearly all candidates scored high marks. Despite being told that the reserves were maintained in their most flexible form some candidates did incorrectly use the revenue reserves before the capital reserves when accounting for the bonus issue. A limited number of candidates were unable to calculate the profit for the year correctly.

(c) Most candidates scored reasonable marks by providing a decision with acceptable justification supported by calculations. There was ample scope to gain marks and most did mention the factor of the interest and repayment of the loan as well as other relevant points.

Question 3

(a) This was well answered with most candidates able to explain the role of an external auditor satisfactorily.

(b) The explanations for note 2 were much better than those for note 1. Few candidates recognised that the training programme should be treated as an expense. The application of the accruals concept was invariably incorrect where it was identified. The treatment of the inventory was generally correct with many candidates accounting correctly for the obsolete goods.

(c)   Most candidates were able to correctly process the inventory adjustment and correctly add back the amortisation but relatively few were able to deal with the training expenses and licence fee.

(d)   Some candidates stated that the software licence should be included at the unadjusted $60 000 with few correctly stating $50 000. There were many correct inventory valuations. Candidates often gained the retained earnings mark by correctly adding $215 000 to their own revised profit figure. Relatively few candidates were awarded the other payables mark.

(e)   Most candidates gave a decision and provided a reasonable justification.

Question 4

(a)   Some candidates produced two acceptable differences but many gave differences between the accounts of the organisations.

(b)   The income and expenditure account was well prepared with many candidates gaining full marks. The most common errors were the incorrect treatment of the coach trips and the omission of the irrecoverable debts.

(c)   The statement of financial position was also well prepared with a limited number of fully correct statements. Marks were often lost due to the incorrect processing of the bank balance.

(d)   Candidates were generally awarded two or three of the available marks. Most provided advice but many suggested an increase of the price without considering its effect on the already low demand.

Question 5

(a)   Although few candidates were able to state sufficient advantages and disadvantages to gain full marks most demonstrated their knowledge of the key facts in this area.

(b)   The production budget was well prepared with many fully correct answers. A limited few treated the opening and closing inventories incorrectly and some also did not account for the maximum inventory holding.

(c)   Most candidates who had prepared the production budget correctly were able to then prepare the purchases budget correctly and some of those who had made errors with the production budget were able to bring their results forward and obtain full credit for the purchases budget.

(d)   This was well answered with most candidates correctly calculating the increased holding cost.

(e)   Few candidates answered the question asked and discussed the advantages and disadvantages to the business rather than the directors. Nearly all, however, did correctly highlight the risk of not being repaid.

Question 6

(a)   Most candidates were able to calculate the required costs correctly. A limited few did not allocate the fixed costs and merely dealt with direct materials and labour.

(b)   Nearly all calculated the selling price correctly.

(c)   This was well answered with most being able to correctly state two disadvantages.

(d)   This was also well answered with many fully correct answers and no common errors.

(e)   Nearly all candidates were able to calculate the cost per unit and selling price. Those who had made errors in part **(d)** also invariably performed these calculations correctly using their own figures.

(f)   Responses were generally not satisfactory with few being able to explain the reasons for the change.

(g)   There were relatively few correct calculations of the new profit and the reasons given for the change were often generic rather than considering the suggestion in relation to Alpha and Omega.

ACCOUNTING

General comments

Overall candidates performed reasonably well on the paper. It is important that candidates should show workings to support their answers as otherwise they cannot get any credit for partially correct answers.

Comments on specific questions

Question 1

(a) Most candidates correctly calculated the annual revenue although a few did not convert from the monthly revenue. Cost of sales was often calculated erroneously, there were many incorrect trade receivables calculations and only a few were able to correctly calculate the value of average inventory.

(b) Many candidates merely reproduced the formula rather than producing a written answer as was required by the question.

(c) This was generally well answered often using the candidate's own figures from part **(a)** with many being awarded six or seven marks. The most common error was the incorrect rounding down of the days throughout the process.

(d) Although most candidates correctly calculated the revised revenue, relatively few produced the correct revised trade receivables. Most candidates gained three or four marks by applying their own figures but as for part **(c)** marks were often lost for rounding down days.

(e) Those candidates who had approached **(c)** and **(d)** correctly generally answered this part to a reasonable standard. Some candidates did not appreciate that the reduction in the cycle was an improvement which would benefit the business.

Question 2

(a) The income statement was prepared to a good standard although there were very few fully correct statements. Most candidates correctly arrived at the gross profit. Many candidates incorrectly calculated the administrative expenses section as they had inaccurate calculation of the depreciation charges for the building and equipment and relatively few adjusted for the profit on disposal of the equipment. The calculation of the finance charge for the year was also not done correctly as many candidates accounted incorrectly for the accrual. The layouts were generally satisfactory but some candidates did lose marks for not providing workings to support their entries.

(b) There were some fully correct answers but many did not add back the accumulated depreciation and provided an answer of $120 000 which received partial credit.

(c) Most candidates did identify IAS 10 and a non-adjusting event but some did not distinguish between the years and were often vague in stating the treatment for 2018.

(d) Many provided the correct definition of impairment and were awarded both marks. Some, however, merely stated 'a decrease in value of non-current assets' for which there was no credit.

Question 3

(a) There were some fully correct calculations but many added incorrect costs and arrived at incorrect answers.

(b) Most candidates were familiar with the postings to the consignment account and consequently achieved high marks. The most common errors were the incorrect calculation of the commission and the incorrect posting to the account of the advance payment. Some candidates did not score marks for the closing balance as they did not provide workings and consequently could not receive own figure marks.

(c) Those candidates who produced an acceptable consignment account invariably also provided an acceptable consignee account. There were a limited number of reversals and the irrecoverable debt and/or commission was sometimes omitted.

(d) Most candidates provided a decision and appropriate justification and scored three or four marks. Only those who raised sufficient points were rewarded with full marks.

Question 4

(a) There were a limited number of fully correct statements but many candidates scored just the five available marks for correctly entering the total assets and trade payables. Most candidates lost the remaining marks because they did not adjust the opening capital account balances of the partners. Some candidates did attempt the adjustments but did not show any workings so could not be rewarded with any marks unless their closing balances were correct.

(b) This question was not well answered with few candidates discussing the benefits and limitations to each partner as was required. The better answers calculated the budgeted profit for four years and then discussed the effect on the partners but common answers merely listed the generic advantages and disadvantages of partnership and such responses only received two marks.

Question 5

(a) (i) This question was well answered with most candidates demonstrating a good knowledge of net present value. There were many fully correct calculations and the most common error was the inclusion of an additional $12 000 maintenance in the first year.

(ii) This was also well answered with most candidates correctly calculating a revised net present value using the other estimation of the sale proceeds and no common errors.

(b) Many candidates, some using their own figures, calculated the required sales proceeds correctly. Some erroneously attempted to use the internal rate of return formula.

(c) Most candidates provided the required advice usually with a justification based on the net present value. Few made any further development although some candidates did discuss risk and assumptions.

(d) This was well answered with most candidates clearly stating two required reasons and therefore obtaining both of the available marks.

Question 6

(a) Most candidates gave reasonable responses gaining either one or both of the available marks.

(b) Performance was varied with some good responses gaining full marks but also some gaining zero and demonstrating little understanding. A significant number of candidates made correct calculations for the materials and labour variances with a few answers containing the incorrect direction. The overhead variances were only calculated correctly by a limited few and again there were some incorrect directions.

(c)   Most candidates made a reasonable attempt at the reconciliation. A significant number correctly calculated the flexed budget cost and many did then enter their own variances in the statement but some did use the incorrect direction. The final mark available for the actual production cost was invariably awarded.

(d)   This was well answered with most candidates giving a decision and justifying it with two appropriate points and therefore scoring all of the three available marks. Some candidates did not clearly give a decision and consequently lost one of the marks.

ACCOUNTING

Paper 9706/33
Structured Questions

General comments

Overall candidates performed reasonably well on the paper. It is important that candidates should show workings to support their answers as otherwise they cannot get any credit for partially correct answers.

Comments on specific questions

Question 1

(a)   Most candidates gave an acceptable explanation although very few gained full marks.

(b)   The manufacturing account was generally well prepared with a number of fully correct accounts. Common errors included not correctly adjusting the prime cost figure and the incorrect inclusion within the statement of distribution costs.

(c)   The income statement was also well prepared with most candidates presenting the statement in the correct format without or with few errors. The most common errors were not adding back the factory profit and the omission or incorrect treatment of the decrease in provision for unrealised profit.

(d)   Most candidates did provide a decision but their justification was generally weak. Although the question specifically asked for 'relevant calculations' some candidates did not offer any calculations.

Question 2

(a)   Few candidates were able to state more than one use of the notes with many just producing three examples of items within the financial statements.

(b)   This was well answered with some fully correct statements and nearly all candidates scored high marks. Despite being told that the reserves were maintained in their most flexible form some candidates did incorrectly use the revenue reserves before the capital reserves when accounting for the bonus issue. A limited number of candidates were unable to calculate the profit for the year correctly.

(c)   Most candidates scored reasonable marks by providing a decision with acceptable justification supported by calculations. There was ample scope to gain marks and most did mention the factor of the interest and repayment of the loan as well as other relevant points.

Question 3

(a)   This was well answered with most candidates able to explain the role of an external auditor satisfactorily.

(b)   The explanations for note 2 were much better than those for note 1. Few candidates recognised that the training programme should be treated as an expense. The application of the accruals concept was invariably incorrect where it was identified. The treatment of the inventory was generally correct with many candidates accounting correctly for the obsolete goods.

(c)   Most candidates were able to correctly process the inventory adjustment and correctly add back the amortisation but relatively few were able to deal with the training expenses and licence fee.

(d)   Some candidates stated that the software licence should be included at the unadjusted $60 000 with few correctly stating $50 000. There were many correct inventory valuations. Candidates often gained the retained earnings mark by correctly adding $215 000 to their own revised profit figure. Relatively few candidates were awarded the other payables mark.

(e)   Most candidates gave a decision and provided a reasonable justification.

Question 4

(a)   Some candidates produced two acceptable differences but many gave differences between the accounts of the organisations.

(b)   The income and expenditure account was well prepared with many candidates gaining full marks. The most common errors were the incorrect treatment of the coach trips and the omission of the irrecoverable debts.

(c)   The statement of financial position was also well prepared with a limited number of fully correct statements. Marks were often lost due to the incorrect processing of the bank balance.

(d)   Candidates were generally awarded two or three of the available marks. Most provided advice but many suggested an increase of the price without considering its effect on the already low demand.

Question 5

(a)   Although few candidates were able to state sufficient advantages and disadvantages to gain full marks most demonstrated their knowledge of the key facts in this area.

(b)   The production budget was well prepared with many fully correct answers. A limited few treated the opening and closing inventories incorrectly and some also did not account for the maximum inventory holding.

(c)   Most candidates who had prepared the production budget correctly were able to then prepare the purchases budget correctly and some of those who had made errors with the production budget were able to bring their results forward and obtain full credit for the purchases budget.

(d)   This was well answered with most candidates correctly calculating the increased holding cost.

(e)   Few candidates answered the question asked and discussed the advantages and disadvantages to the business rather than the directors. Nearly all, however, did correctly highlight the risk of not being repaid.

Question 6

(a)   Most candidates were able to calculate the required costs correctly. A limited few did not allocate the fixed costs and merely dealt with direct materials and labour.

(b)   Nearly all calculated the selling price correctly.

(c)   This was well answered with most being able to correctly state two disadvantages.

(d)   This was also well answered with many fully correct answers and no common errors.

(e)   Nearly all candidates were able to calculate the cost per unit and selling price. Those who had made errors in part **(d)** also invariably performed these calculations correctly using their own figures.

(f)   Responses were generally not satisfactory with few being able to explain the reasons for the change.

(g)   There were relatively few correct calculations of the new profit and the reasons given for the change were often generic rather than considering the suggestion in relation to Alpha and Omega.