ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

- Read the question carefully to be clear about what is being asked and use only the information that is relevant to the answer
- Be able to demonstrate knowledge of accounting topics that are examined on a regular basis e.g. partnerships, bonus and rights issues
- Be familiar with common accounting formulae

General comments

Of the candidates who sat this examination, 53 per cent achieved a score of 15 or more correct answers. The mean score was 15 marks. **Questions 5**, **11**, **28**, **29** and **30** proved straightforward with 70 per cent or more of candidates identifying the correct key. The questions that proved more challenging have been considered below.

Comments on specific questions

Question 3

Candidates found this question quite challenging. The correct calculation of two years' depreciation $108 000 gave a net book value of $192 000. Proceeds of $205 000 provided an initial profit on sale of $13 000. Deducting the costs of sale of $5 000 gave a final profit on sale of $8000.

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Question 6

Many candidates did not realise that item 2, omitted from the books of account, did not need to be adjusted through the suspense account. Thus, the suspense account needed to be debited with $19 200 and credited with $800 and $18 200 requiring an opening credit balance of $200 to balance.

Question 8

This was not a difficult question but one where candidates showed confusion between mark-up and margin. The correct calculation gave a cost of sales figure of $14 000. Closing inventory therefore had a value of $19 000.

Question 9

Although a simple narrative question, some candidates found this question challenging. This suggests that many candidates were unfamiliar with how to deal with a provision for specific doubtful debts.

Question 13

The responses showed some confusion about the Partnership Act 1890. Virtually all candidates opted for either **A** (incorrect) or **B** (correct). Whilst partners are entitled to interest on loans, this is not the case for contributed capital. No interest to be charged on drawings is a specific provision of the Act.

Question 15

Many candidates ignored the one-third share of the asset revaluation uplift to which Harry was entitled. Thus the solution was $40 000 + $8 000 + $6 000 = $54 000

Question 16

Many candidates showed a lack of understanding of bonus issues. A bonus issue has no overall effect on capital reserves or net assets so the correct answer was **D**.

Question 17

As dividends are dealt with **after** profit for the year, the correct calculation was
$10 800 + $4 000 + $1 600 = $16 400 and therefore **C**.

Question 18

Most candidates found this question challenging. A significant majority of the candidates opted for either **A** or **B** (both incorrect). In doing so, they focused purely on retained earnings and overlooked the fact that the general reserve can be used to pay dividends. The available reserves were calculated as
$90 000 (brought forward) + $80 000 (profit) − $10 000 (dividend) = $160 000. Divided by the number of shares gave **C** as the correct key.

Question 20

This question proved to be reasonably difficult as approximately half of the candidates opted for **A** (incorrect). This was as a result of using the opening inventory in their calculation rather than the average. The correct calculation, using the average of $25 000, generated a cost of sales of $200 000 that, added to the gross profit, derived sales of $400 000.

Question 23

Virtually every candidate chose either **C** (incorrect) or **B** (correct) and these were split equally. The difference between the two answers is the reduction in wages for the defective units ($2 \times \$2.50$).

Question 27

This question proved to be difficult for many candidates. Production costs totalled \$13 000 (overhead) + \$20 000 (variable production costs $\times$ 5 000 units). This resulted in the closing inventory of 1000 units having a value of $\$33\,000 \times \dfrac{1}{5}$ = \$6600 giving cost of sales of \$26 400. Taken away from sales, the resulting gross profit was \$13 600.

ACCOUNTING

Paper 9706/12
Multiple Choice

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

Key messages

- Be careful with dates and be clear about what information relates to which accounting period
- Take care with debits and credits when constructing ledger control accounts
- Read the question carefully to be clear about what is being asked and what information might therefore be irrelevant
- Understand how to apply marginal costing in decision-making situations

General comments

Of the candidates who sat this examination, 51 per cent achieved a score of 15 or more correct answers. The mean score was 15 marks. **Questions 1**, **9**, and **10** proved straightforward with 70 per cent or more of candidates identifying the correct key. The questions that proved more challenging have been considered here.

Comments on specific questions

Question 3

Candidates found this question challenging. Almost twice as many candidates chose incorrect option **A** rather than key **B**. In doing so, candidates may have missed that they were being asked to consider the year ended 31 December 2021 rather than 2020. In 2020, the error meant that depreciation was omitted and the profit was $1 000 higher. However, in 2021, the error meant that the net book value (NBV) of the asset was $10 000 giving a loss on sale of $1500. Had depreciation been accounted for in 2020, the brought forward NBV would have been $9000 giving a loss on sale in 2021 of $500. Therefore, profit was $1000 lower.

Question 13

This was challenging question and one where, again, almost twice as many candidates chose an incorrect option **D** rather than key **C**. Using the figures from the table as they would appear in a purchases ledger control account, a purchases figure of $116 500 was derived from $110 600 (bank) + $1 000 (returns) + $27 400 (closing) – $22 500 (opening). The cost of sales figure, recognising that there was no change in inventory, is then purchases less returns i.e. $116 500 – $1 000 = $115 500. Many candidates omitted to deduct the returns figure.

Question 16

Many candidates found this question difficult. More candidates chose the incorrect option **B** having deducted the interest on capital from the profit for the year to derive $13 000. However, this adjustment is part of the appropriation of profit. The interest on the partner's loan does not form part of the appropriation so should be deducted from the profit. So $15 000 – $1 000 = $14 000 **(Key C)**

Question 28

More candidates chose the incorrect option **D** rather than key **B**. Candidates first needed to calculate the contribution for each product after variable overheads. This produced contributions of $45, $40 and $35 respectively for M, N and O. Expressed as a percentage of the direct material cost, these gave figures of 40.9 per cent, 33.3 per cent and 38.9 per cent respectively for M, N and O. In order of priority, the answer is therefore M-O-N, that is, key **B**. It would appear that the majority of candidates simply used the profit/loss figures to work out the percentages.

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Paper 9706/13
Multiple Choice

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

Key messages

- Read the question carefully to be clear about what is being asked and what impact this might have on the answer

General comments

Of the candidates who sat this examination, 60 per cent achieved a score of 15 or more correct answers. The mean score was 16 marks. **Questions 4**, **9**, **11**, **14**, and **18** proved straightforward with 70 per cent or more of candidates identifying the correct key. Only one question proved challenging and this has been considered below.

Comments on specific questions

Question 16

Candidates found this question difficult. More than twice as many candidates chose incorrect option **A** rather than key **C**. Option A was derived by deducting $4320 (interest on capital) and $18 000 (salary) from $140 000 (profit) and taking the partner's share of 20 per cent. However, these two elements are allocations of profit in themselves so needed to be added to the **residual** profit share to derive the **total** profit. Thus $23 536 + $4 320 + $18 000 = $42 856 = key **C**. Candidates therefore needed to be alert to realise that they were being asked to calculate the share of total profit rather than just the residual profit.

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Key messages

The following key messages have been included in the earlier reports and are equally relevant now.

• Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates cannot be given any credit.

• In written questions, candidates should make sure that they provide sufficient development to their answers. One- or two-word answers will seldom suffice and this is particularly important when the command word in the task is 'explain'.

• Candidates should remember that the financial statements of a limited company must be presented in the accepted format. Labels such as gross profit, cost of sales, etc. should always be written in full, never abbreviated.

• When asked to present accounts, labels and dates are very important and failure to be accurate in this respect will result in lost marks.

General comments

There were some scripts of a very high standard, and it was evident that there has been an improvement in performance in some areas.

Comments on specific questions

Question 1

The question concerned the accounts of a sole trader.

(a) Required candidates to prepare an income statement from given data, incorporating various adjustments. Candidates who produced detailed workings produced far more accurate income statements and were consequently awarded higher marks. Well prepared candidates were able to gain at least 10 of the available marks.

(b) Preparation of the rent receivable account was poorly answered. Few candidates were able to correctly record the transfer to the income statement and narratives in the account were frequently unsatisfactory and abbreviated.

(c) Preparation of the journal entry to record the adjustment to the provision for doubtful debts account was not well answered. There was a lack of understanding of basic double entry rules.

(d) Asked to explain the reason for recording depreciation in the income statement produced some very good responses referencing the matching concept.

(e) Candidates were asked to state one benefit of each of the methods of depreciation – straight-line method and reducing balance method. Candidates generally gave better answers relating to the straight-line method as being easier to apply and to calculate.

(f) The final task introduced a scenario where the trader was concerned about decreasing profitability and was considering two options to remedy the situation – reduce the selling price or purchase goods from a cheaper supplier. Candidates were asked to advise the trader which option should be chosen. Well-prepared candidates were able to produce very good, well-argued cases to support their decision.

Question 2

The second question focussed on the classification of errors and preparation of a suspense account.

(a) Required candidates to describe three types of error
(i) Error of commission
(ii) Error of original entry
(iii) Error of principle

Whilst many candidates clearly knew what each error meant, responses were often too vague to be awarded more than one of the two available marks for each.

(b) Candidates were asked to prepare the suspense account to identify the original difference in the trial balance totals. Questions of this nature are an excellent test of candidate's knowledge of double entry principles. Whilst some candidates gained all five available marks, several did not attempt the question.

(c) The final task required candidates to complete a table to show the corrected profit for the year based on the corrections of the errors in the previous task. Most candidates did attempt the task though some found the direction of the changes difficult to follow.

Question 3

The question focused on partnership accounts.

(a) Required candidates to state three disadvantages to the existing partners when a new partner is admitted. Most candidates were able to gain good marks by concentrating on shared profits, decision making and risk of disagreements.

(b) Data was provided for a partnership that admitted a new partner part way through the financial year. Candidates were required to prepare the appropriation account for the full year split into the period before the new partner was admitted and the period after that date. Whilst most candidates were able to gain at least half of the available marks, it was apparent that some were not aware of how to deal with the question.

(c) The final task in this question also proved challenging to some candidates. Candidates were required to compare the new partner's income from the partnership with her previous earnings from investment income. Few candidates were able to gain more than one or two marks of the available five marks by calculating the interest on her investment in the partnership.

Question 4

The final question concentrated on marginal costing.

(a) Asked to explain state two benefits of using break-even analysis was well answered by most candidates.

(b) Asked to define the term 'fixed costs' also produced generally good responses.

(c) Candidates were provided with data for one month's production schedule and were asked to calculate the variable cost per unit. Most candidates recognised the necessary marginal costing techniques to calculate the correct figure.

(d) Candidates were then provided with data relating to an expansion plan by the business and were required to calculate the monthly revenue based on the plan and prepare a budgeted marginal costing statement for one month. Those candidates with a good clear understanding of marginal

costing techniques were able to gain the majority of the eight available marks for these tasks. Less well prepared candidates often made no attempt to answer the question.

(e) This task introduced a limiting factor scenario and required candidates to prepare a budgeted production plan in order to maximise profit. Several candidates appeared to be unprepared for the question and failed to gain any of the available seven marks.

(f) Required candidates to calculate the profit or loss if extra units were manufactured early to make up for subsequent shortfalls in future months and regrettably, few candidates were able to carry out the necessary calculations for this task.

(g) The final task was a discursive question requiring candidates to advise the directors which of two alternative plans they should adopt. Those candidates who attempted this task were generally able to achieve at least one half of the available five marks by offering advise justified by their previous workings.

ACCOUNTING

Key messages

The following key messages have been included in the earlier reports and are equally relevant now.

- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates are unfairly penalising themselves.

- In written questions, candidates should make sure that they provide sufficient development to their answers. One- or two-word answers will seldom suffice and this is particularly important when the command word in the task is 'explain'.

- Candidates should remember that the financial statements of a limited company must be presented in the accepted format. Labels such as gross profit, cost of sales, etc. should always be written in full, never abbreviated.

- When asked to present accounts, labels and dates are very important and failure to be accurate in this respect will result in lost marks.

General comments

There were some scripts of a very high standard, and it was evident that there has been an improvement in performance in some areas.

Comments on specific questions

Question 1

The question concerned the accounts of a partnership.

(a)   Required candidates to prepare an income statement for the partnership from given data, incorporating various adjustments. As is usually the case, candidates who produced detailed workings produced far more accurate income statements and were consequently awarded higher marks. Many candidates did not calculate a correct value for closing inventory and calculation of the interest on the partner's loan caused problems to a few candidates. Presentation of the statement was weak in case of several candidates with unacceptable abbreviations of account names surprisingly common.

(b)   Preparation of a partner's current account was well answered by most candidates.

(c)   Candidates were required to calculate the increase or decrease in the partner's current account balance if the terms of the partnership agreement were amended. Whilst well-prepared candidates were able to gain full marks by adopting a structured approach to the task, a common failing was presentation of a mass of unrelated figures demonstrating little understanding of the problem.

(d) Told that the partners were considering forming a limited company, candidates were required to explain one advantage of operating as a partnership rather than as a limited company. Whilst there were many very good responses, some candidates forgot that they were comparing to a limited company rather than to a sole trader.

(e) Asked to explain two advantages of operating as a limited company rather than as a partnership produced several excellent responses with most candidates identifying an advantage and then providing relevant development of that advantage.

(f) The final task asked for advice as to whether reducing credit purchases for three months would have the desired effect of improving liquidity. Responses were very mixed with some candidates focusing only on points for the proposal and consequently limiting the number of marks to be acquired. Both sides of an argument should be discussed when asked to give advice.

Question 2

The second question focussed on various aspects of non-current assets.

(a) Asked for two reasons, other than wear and tear, why non-current assets depreciate. Almost all candidates were able to gain the two available marks for this task.

(b) Required candidates to describe the consistency concept as related to depreciation. Most candidates gained one mark as they did not develop their answer to enable comparison from year to year.

(c) Preparation of the journal entry to record the revaluation of the property proved difficult for almost all candidates, with only a relatively small number recognising the effect on the provision for depreciation as well as the cost and the revaluation account.

(d) Required candidates to calculate the depreciation charge for furniture and equipment for the year. Responses were generally weak. Whilst many calculated the two years depreciation as a starting points, few understood the need to develop their answer any further to account for the subsequent sale.

(e) Preparation of the motor vehicle disposal account produced mixed results. Whilst most candidates entered correct figures, most candidates entering incorrect narratives for the figures. The rules of double entry are very clear and candidates must abide by those rules to gain full marks.

Question 3

The question concerned accounting ratios for a limited company.

(a) Required candidates to state the formula for four accounting ratios and then to calculate the ratio from the limited company data provided.
 (i) Most candidates stated the correct formula for trade payables turnover (days) but some then did not calculate the correct credit purchases figure.
 (ii) Most candidates stated the correct formula for trade receivables turnover (days) but often did not calculate the correct credit sales figure.
 (iii) Very few candidates correctly identified the profit before interest for return on capital employed.
 (iv) Very few candidates gained any marks for this through not being familiar with the formula for the non-current asset turnover ratio.

(b) Candidates were required to explain the importance of the non-current assets turnover to the directors of the company. Whilst several candidates correctly identified how efficiently the assets are being used by the company, only a minority gained the second mark for any development of the point.

(c) Asked to explain one reason why shareholders will be interested in the financial statements of a company produced a much better response with most offering the security of their investment and aiding a decision on further investment.

Question 4

The question focussed on both absorption and marginal costing.

(a)   Asked to explain the meaning of both allocation and apportionment of overheads was attempted by almost all candidates though many answers were sadly too vague to be rewarded.

(b)   Asked to state one benefit of absorption costing resulted in many candidates correctly identifying its usefulness in determining a selling price.

(c)   Asked to state one limitation of absorption costing proved challenging to candidates. Whilst some identified that it is not useful for short-term decision making, many others referred to under or overabsorption, which is not a limitation.

(d)   The traditional absorption costing question of re-apportioning the service centre costs to the production departments was extremely well answered by most candidates.

(e)   Calculation of the overhead absorption rate for each department was also well answered, though some candidates failed to state the basis of machine hours or labour hours.

(f)   Many candidates were able to correctly calculate the under or over-absorption of overheads, though some candidates were unsure of which figure to compare with which.

(g)   The first of the marginal counting questions provided data of a limiting factor. Candidates were provided with two options that the directors were considering and were required to calculate the monthly profit to be made by each option.

   (i)   Option A involved stopping manufacture of one product completely and many candidates had difficulty in working out the both the required production units and the resulting contribution. Whilst there were a number of correct answers, many others were very badly produced and candidates certainly didn't help themselves by producing logical and relevant workings.

   (ii)   Option B involved refusing a new customer's order and instigating a price reduction to compensate. Calculations for this option were much clearer and many candidates were able to gain full marks on the task.

(h)   The final task required candidates to advise the directors which of the two options to choose and overall, this was well answered. Perhaps the biggest weakness was a tendency of some candidates to repeat their reasons for suggesting Option A as their reasons for not suggesting Option B. It was however pleasing to note improvement in the structure of many candidates' responses compared to previous examinations.

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**Paper 9706/23
Structured Questions**

Key messages

Marks are awarded for the correct entry, this being the value with the correct terminology/narrative. There were cases of correct values being presented but with incorrect terminology/narrative and in some cases with no terminology/narrative. This applies across different statements such as ledger accounts and financial statements.

Whilst most candidates show calculations to support their answers, some are not showing a net value for specific calculations. Net values must be shown for a calculation mark to be awarded. There were cases of candidates presenting a bracket with various entries covering additions, subtractions and multiplications, but not a net value. In such cases a calculation mark would not be awarded.

When a question gives a scenario with two options, then candidates should respond with comments on both options. Some responded with comments on their recommended option only. This will not gain the maximum marks allocated to the question. In addition, repeating information given in the question will not gain credit. Development and evaluation of the information given in the question are necessary.

Comments on specific questions

Question 1

(a) Many candidates correctly added the debenture interest to the profit for the year to arrive at the profit from operations, although a few did deduct the interest in error. Some incorrectly added the dividend paid to the profit for the year.

(b) Most candidates correctly calculated the number of shares issued at 31 December 2021 of 1 920 000. Rather than multiplying by $\frac{1}{3}$ to calculate the shares in issue at 1 July 2021, frequently candidates multiplied by $\frac{1}{2}$. Many candidates correctly multiplied the shares at 1 July 2021 by the rights issue of $0.35 per share. Some however, multiplied by the share price of $0.25, omitting the $0.10 share premium.

(c) Stronger responses made the correct entries for profit for the year and dividend paid. Few candidates made the correct entries for the share capital and share premium columns. Many entered the rights issue based on 960 000 shares rather than the shares in issue at 1 July 2021 of 640 000 shares. Frequently however, candidates correctly multiplied their share number by 0.4 to gain an own figure mark for the share premium value of the rights issue. Some candidates did not use the correct narrative for the '*Balances at 31 December 2021*' and in some cases the total end horizontal row value did not equate to the total end vertical column value.

(d) The statement of financial position was well presented by many candidates. Most candidates provided the correct sub-headings for each section, although some did not use 'Equity' as a sub-heading. Some candidates showed a sub-total for total assets but did not show a separate sub-total for current assets. Within the equity section some candidates included an entry for profit for the year rather than including as part of retained earnings. Frequently candidates entered the debentures under non-current liabilities rather than treating under current liabilities.

(e)   Many candidates correctly explained a revenue reserve as profit arising from trading activities and that it may be used to pay dividend. Some responded with examples of revenue reserves rather than explaining their meaning. Frequently responses for capital reserves illustrated different types of capital reserves rather than explaining the meaning of capital reserves. The stronger responses related to capital reserves being profits arising from non-trading activities and not available for distribution to shareholders.

(f)   Many candidates responded on valid points for and against each option. Frequently the distinction was made between a rights issue being a permanent source of capital and debentures being a temporary source. Some candidates responded on their recommendation only rather than commenting on both options. A few candidates responded on both options but omitted to give a decision.

Question 2

(a)   Many candidates responded with correct definitions for the concepts. The matching of costs and revenues for a period was frequently referred to for matching, however very few candidates were able to provide an example of this concept. The definition for going concern was well answered by many candidates with reference being made to the assumption that a business will continue trading for the foreseeable future. Very few candidates were able to provide an example of this concept and those who did often referred in error to consistency. Many candidates responded with the correct definition for materiality with an appropriate example. Some candidates referred to the type of material being uses by a business rather than any reference to the way it would be recorded.

(b)   Many candidates were able to make the correct journal entry. Some reversed the entries and used the narrative trade receivables rather than specifically stating JD Supplies.

(c)   The rent receivable account was presented with varying degrees of success. Whilst some candidates correctly presented the ledger account there were frequent cases of entries being reversed. Some candidates did not use the correct narrative with values. Some candidates did not show the missing figure as the transfer to the income statement and instead calculated their own closing balance.

(d)   There were few completely correct provision for depreciation of equipment accounts. Many candidates calculated depreciation for the previous years but did not enter an accumulated depreciation balance as opening balance for the beginning of the period. Some candidates made entries with incorrect terminology and with extraneous entries such as the equipment cost of $24 000. Some candidates presented a disposals account even though there were no disposals.

Question 3

(a)   Many candidates entered correct values in the purchases ledger control account but often with an incorrect narrative. Some candidates netted the opening balances rather than making two separate entries. A few candidates included cash purchases in error. Most candidates made the correct entry for the contra to the sales ledger.

(b)   There were few completely correct statements for both the sales ledger control balance and sales ledger balance. Within the sales ledger control balance some candidates included entries which were only relevant to the sales ledger balance. Likewise, for the sales ledger balance some candidates included entries which were only relevant to the sales ledger control account balance. Some candidates added rather than subtracted entries and vice-versa.

(c)   This question was well answered with many candidates gaining at least two marks for stating the types of error not revealed by a control account.

Question 4

(a) Most candidates gained some marks for the assumptions used in break-even analysis. Some candidates did not refer to 'per unit' when relating to the selling price and variable costs.

(b) Few candidates gained the maximum two marks for correctly stating the formula for the margin of safety. Many candidates did not refer to units and sales value in their responses. Some candidates responded with the formula for break-even.

(c) Many candidates correctly calculated the contribution per unit but did not round up the break-even to the nearest whole unit. Some candidates whilst calculating a break-even in units did not continue to calculate the margin of safety.

(d) There were a few completely correct answers. Some candidates presented brackets with various entries covering additions, subtractions and multiplications, but not a net value. A net value must be shown for a mark to be awarded. The $0.50 commission was omitted by some candidates and depreciation for a full year was used rather than the amount for one month. Some candidates deducted the new break-even from the margin of safety rather than from the original break-even value.

(e) Many candidates gained 2 or 3 marks for option A. In some cases, the additional fixed costs of $2200 were not included in calculations. There were fewer correct responses for option B although frequently candidates did correctly calculate the total contribution for the 8500 units normal production. In some cases, a line of calculations was presented with no end value.

(f) This was well answered by many candidates although some did not make any attempt at this section. Candidates frequently made reference to the option giving the highest profit and the impact of production levels. Some candidates responded with comments on their recommended option only. There were cases of candidates repeating information given in the question without any development and evaluation.

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**Paper 9706/31
Structured Questions**

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General comments

Candidates had a reasonable performance on the paper with question 5 being the best answered and question 2 being the least well answered.

Comments on specific questions

Question 1

(a) Most candidates were able to state two of the required differences with some stating three.

(b) The trading account was well prepared with many candidates being awarded full marks. Some weaker responses failed to correctly derive the purchases figure and / or provided the incorrect application of the 80% mark-up.

(c) Nearly all candidates correctly entered the opening and closing balances of the subscriptions account. However, many weak responses had incorrect income and expenditure account and receipts and payments account postings.

(d) The income and expenditure account was generally well prepared with some fully correct accounts. The most common error was the omission or incorrect treatment of the equipment depreciation.

(e) Most candidates demonstrated a knowledge of the treatment of life subscriptions, but responses were often too superficial to be awarded all of the three available marks.

(f) Nearly all candidates provided the required advice but relatively few gave strong justification points.

Question 2

(a) Although most candidates entered the trade receivables and revaluation reserve correctly there were very few fully correct revised statements. The property, plant and equipment draft entry required adjustment for the new machine, depreciation and the revaluation reserve. However, very few candidates made these adjustments. There were also few correct inventory adjustments for all of the categories. The legal cost for the case was often omitted from the statement.

(b) Most candidates had some knowledge of IAS 37 but very few were able to apply it to the given scenario.

(c) Relatively few candidates were able to satisfactorily explain the meaning of events after the reporting period but many could state the meaning of adjusting and non-adjusting events. There was often confusion between the actual event and the timing of the existence of conditions giving rise to the event.

Question 3

(a) There were many correct statements. The most common error was the omission of the transfer to general reserve.

(b) The ratio calculations were generally well answered. Some weaker responses did not give their answer to two decimal places or did not express some or all of the last four ratios as percentages. The ratio which was most frequently calculated incorrectly was the dividend yield with a significant number of candidates failing to relate the dividend to the market value.

(c) A high number of candidates gave an appropriate explanation of a highly geared company.

(d) Despite most candidates being able to calculate the price earnings ratio relatively few could explain satisfactorily the change from the previous year with some apparently mixing up the years.

(e) The assessment of the investment decision was well answered with many candidates giving a decision along with a balanced justification and consequently many were awarded full marks.

Question 4

(a) The memorandum joint venture account was prepared to a high standard with many fully correct accounts and no common errors.

(b) The joint venture account was less well prepared with only a few fully correct accounts. Common errors included reversal of entries and the omission of the entry to record the payment of the final balance to Adam.

(c) Most candidates identified a benefit for each venturer, but few developed their response sufficiently to be awarded the second available mark for each.

(d) Many candidates stated two of the required differences but only a few provided three differences.

(e) Responses tended to consider two disadvantages of forming a partnership generally without applying the response to the given additional information.

Question 5

(a) The statement was well prepared with many candidates being awarded full marks. The most common error was the failure to show the total cost per unit of the products.

(b) Most candidates demonstrated knowledge of the term, but many appeared to be unclear of the meaning of a cost pool and cost driver.

(c) The statement was prepared to a very high standard with nearly all candidates able to calculate the factory overheads using activity based costing. There were many fully correct statements. The most common error, as in **part (a)**, was the failure to show the total cost per unit of the products.

(d) Most candidates gave the required advice along with a general advantage and disadvantage of adopting activity based costing. However, a few candidates failed to support their answer by referring to **parts (a)** and **(c)**.

Question 6

(a) Nearly all candidates correctly calculated the budgeted profit. There were no common errors.

(b) Performance on the variance calculations was mixed. Nearly all candidates correctly calculated the sales price variance but very few were able to calculate the sales volume variance. There were many correct calculations of the total material and labour variances. Many candidates calculated the fixed overhead expenditure variance correctly but only a few could calculate the fixed overhead volume variance.

(c) Most candidates gave a reasonable explanation of the likely cause of the sales volume variance. The candidates who split the total direct labour variance into the sub-variances invariably explained the causes and received four marks. However, those who did not identify the sub-variances tended to provide poor responses.

(d) This was well answered with nearly all candidates giving an opinion with many also providing appropriate justification.

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General comments

Candidates had a reasonable performance on the paper with question four being the best answered.

Comments on specific questions

Question 1

(a) Although some candidates stated two appropriate reasons, some gave reasons which would not apply to a club.

(b) Most candidates identified the correct accounting concept. However, only a few candidates gave an explanation worthy of the other three marks. Responses were generally too vague and did not explain how the $8000 would be split.

(c) The preparation of the revised income and expenditure account was answered to a reasonable standard but there were very few fully correct accounts. There were several correct postings of subscriptions. There were also many miscalculations due to the incorrect treatment of members in arrears and payments in advance.

(d) Nearly all candidates provided the required advice, but justification was generally brief and invariably did not address the given additional information.

Question 2

(a) There were very few fully correct statements. Some weak candidates provided for four months interest on the debenture. Very few were able to correctly adjust the depreciation charge taking account of the revaluations.

(b) Although few candidates identified IAS 8 for **item 3** a high number did identify IAS 2 for **item 4**. Consequently the explanations for **item 4** were much better than those for **item 3**.

(c) Many candidates did understand the meaning of the share issues but relatively few highlighted a difference. Therefore, it was much more common for one mark to be awarded rather than two.

(d) There were very few fully correct statements with a range of errors and omissions. Many candidates omitted the profit for the year. Only a few adjusted the opening balance to account for the prior year adjustment. There were many errors in accounting for the new share issue.

Question 3

(a) Although most candidates identified two ways in which ratios may be used, few provided sufficient development and clarification to be awarded the second available mark for each way.

(b) Many candidates performed well on the ratio calculations. A few did not give their answers to two decimal places. The two ratios which were most commonly incorrect were income gearing and return on capital employed as candidates were unable to identify the profit before interest and/or capital employed.

(c) This question was not well answered with many candidates not addressing the question. Most candidates merely stated that a bonus issue of shares should be used.

(d) This question was well answered with nearly all candidates giving the required advice. A significant number justified their answer with sufficient relevant points to be awarded full marks.

Question 4

(a) Some candidates did calculate the partners' share of profit correctly. There were, however, a range of errors including treating entries in the incorrect direction and omitting the goodwill from the purchase consideration.

(b) The capital accounts were prepared to a reasonable standard with a limited number of fully correct accounts. Common errors included the omission of the purchase consideration and/or motor vehicle and the incorrect treatment of Alan's current account balance.

(c) Few candidates were able to prepare the appropriate journal entries with few splitting the share capital and share premium.

(d) Most candidates were awarded one mark but few gave a definition worthy of two marks.

(e) Most candidates did identify that the reason was goodwill with many giving appropriate causes.

(f) Nearly all candidates gave the required advice but very few gave appropriate justification for it.

Question 5

(a) Although there were some acceptable explanations, many explained a purpose of preparing a budget rather than a cash budget.

(b) The cash budget was well prepared with a significant number of fully correct budgets. The most common error was the incorrect calculation of the payments to suppliers with many entering payments for the incorrect month.

(c) The budgeted income statement was much less well prepared with some candidates preparing budgets for the individual months rather than the period. Many candidates omitted the discount received.

(d) There were a few fully correct calculations. Many candidates calculated the June receipts incorrectly. Some candidates did not compare the new receipts with the receipts before the new policy.

(e) There were relatively few appropriate comments with many candidates not addressing the effect on profitability but rather considering liquidity.

Question 6

(a) There were some correct cash flow calculations. There was also a range of errors.

(b)(i) The net present value calculation was answered very well with a high number of candidates being awarded full marks and no common errors.

(ii) The internal rate of return calculation was answered satisfactorily with some fully correct solutions. Some candidates made calculation errors and some mixed up the signage.

(c) Nearly all candidates provided the required advice. Many candidates also gave a satisfactory justification.

(d) Few candidates produced a valid explanation. Very few candidates managed to score more than one mark.

(e)   There were a few fully correct calculations of the revised net present value and a relevant assessment. A high number of candidates did not make any calculations despite the instruction in the question.

ACCOUNTING

General comments

Candidates had a reasonable performance on the paper with question 5 being the best answered and question 2 being the least well answered.

Comments on specific questions

Question 1

(a) Most candidates were able to state two of the required differences with some stating three.

(b) The trading account was well prepared with many candidates being awarded full marks. Some weaker responses failed to correctly derive the purchases figure and / or provided the incorrect application of the 80% mark-up.

(c) Nearly all candidates correctly entered the opening and closing balances of the subscriptions account. However, many weak responses had incorrect income and expenditure account and receipts and payments account postings.

(d) The income and expenditure account was generally well prepared with some fully correct accounts. The most common error was the omission or incorrect treatment of the equipment depreciation.

(e) Most candidates demonstrated a knowledge of the treatment of life subscriptions, but responses were often too superficial to be awarded all of the three available marks.

(f) Nearly all candidates provided the required advice but relatively few gave strong justification points.

Question 2

(a) Although most candidates entered the trade receivables and revaluation reserve correctly there were very few fully correct revised statements. The property, plant and equipment draft entry required adjustment for the new machine, depreciation and the revaluation reserve. However, very few candidates made these adjustments. There were also few correct inventory adjustments for all of the categories. The legal cost for the case was often omitted from the statement.

(b) Most candidates had some knowledge of IAS 37 but very few were able to apply it to the given scenario.

(c) Relatively few candidates were able to satisfactorily explain the meaning of events after the reporting period but many could state the meaning of adjusting and non-adjusting events. There was often confusion between the actual event and the timing of the existence of conditions giving rise to the event.

Question 3

(a) There were many correct statements. The most common error was the omission of the transfer to general reserve.

(b)   The ratio calculations were generally well answered. Some weaker responses did not give their answer to two decimal places or did not express some or all of the last four ratios as percentages. The ratio which was most frequently calculated incorrectly was the dividend yield with a significant number of candidates failing to relate the dividend to the market value.

(c)   A high number of candidates gave an appropriate explanation of a highly geared company.

(d)   Despite most candidates being able to calculate the price earnings ratio relatively few could explain satisfactorily the change from the previous year with some apparently mixing up the years.

(e)   The assessment of the investment decision was well answered with many candidates giving a decision along with a balanced justification and consequently many were awarded full marks.

Question 4

(a)   The memorandum joint venture account was prepared to a high standard with many fully correct accounts and no common errors.

(b)   The joint venture account was less well prepared with only a few fully correct accounts. Common errors included reversal of entries and the omission of the entry to record the payment of the final balance to Adam.

(c)   Most candidates identified a benefit for each venturer, but few developed their response sufficiently to be awarded the second available mark for each.

(d)   Many candidates stated two of the required differences but only a few provided three differences.

(e)   Responses tended to consider two disadvantages of forming a partnership generally without applying the response to the given additional information.

Question 5

(a)   The statement was well prepared with many candidates being awarded full marks. The most common error was the failure to show the total cost per unit of the products.

(b)   Most candidates demonstrated knowledge of the term, but many appeared to be unclear of the meaning of a cost pool and cost driver.

(c)   The statement was prepared to a very high standard with nearly all candidates able to calculate the factory overheads using activity based costing. There were many fully correct statements. The most common error, as in **part (a)**, was the failure to show the total cost per unit of the products.

(d)   Most candidates gave the required advice along with a general advantage and disadvantage of adopting activity based costing. However, a few candidates failed to support their answer by referring to **parts (a)** and **(c)**.

Question 6

(a)   Nearly all candidates correctly calculated the budgeted profit. There were no common errors.

(b)   Performance on the variance calculations was mixed. Nearly all candidates correctly calculated the sales price variance but very few were able to calculate the sales volume variance. There were many correct calculations of the total material and labour variances. Many candidates calculated the fixed overhead expenditure variance correctly but only a few could calculate the fixed overhead volume variance.

(c)   Most candidates gave a reasonable explanation of the likely cause of the sales volume variance. The candidates who split the total direct labour variance into the sub-variances invariably explained the causes and received four marks. However, those who did not identify the sub-variances tended to provide poor responses.

(d)   This was well answered with nearly all candidates giving an opinion with many also providing appropriate justification.