ACCOUNTING

GCE Advanced Subsidiary Level

Paper 8706/01
Multiple Choice

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

General comments

457 candidates took this paper. The mean mark was 12.7. The standard deviation was 4.9.

Six items (**Questions 4**, **11**, **12**, **14**, **15**, **28**) fell below the design limit of 25% and proved harder than expected. The first four of those items were located in **Sections C** and **D** of the syllabus, the last one in **Section J**. Otherwise there were no other areas of the syllabus showing particular strengths or weaknesses on the part of the candidates.

Comments on specific questions

Question 4

This was a relatively straightforward calculation involving the adjustment of insurance premiums paid to arrive at the premium incurred in Year 3. Only 24% of candidates selected the correct key. 30% chose option **D** and appeared to show that they were unaware of the concept of matching, at least in this instance.

Question 11

Only 22% of candidates got this right. 23% opted for the unadjusted Control account balance and 30% for the unadjusted sales ledger balance. 25% adjusted the Control account for cash not posted to the sales ledger.

Question 12

A surprising 81% of candidates did not recognise errors which do not affect a trial balance: errors of omission and of principle. Errors not affecting trial balances do not appear to have received sufficient attention in schools.

Question 14

Only 18% of candidates got this correct. 24% failed to convert mark up into margin. A further 42% failed to take account of the provision brought forward from Year 2.

Question 15

57% of candidates incorrectly adjusted Goodwill by the future profit sharing ratio.

Question 16

43% of candidates recognised that the Revaluation Reserve should be credited with the difference between the net book value of the freehold buildings and their revalued amount. The remainder, including some of those who had answered the other questions well, selected the difference between cost and revaluation of the buildings, with or without an adjustment for the revaluation of the plant and machinery.

Question 28

Only 14% of candidates got this right. 43% chose option **C**. It suggests that while due attention is given in Centres to the valuation of bought-in stock, the valuation of manufactured stocks of finishes goods and work in progress may be receiving less attention.

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General comments

Candidates were in general well prepared for this examination. The discursive elements in the paper were not as well addressed as those requiring calculation.

Comments on specific questions

Question 1

The section dealing with purchases ledger control accounts was by far the one most successfully tackled by the majority of candidates. Even the discursive part at the beginning was dealt with quite well, and it seems that this area of accounting has been very well taught by most Centres. Most candidates gained full or nearly full marks in the original control account, but the amended account and the proof were not quite so well handled. In other words, the straightforward layout posed few problems, whilst the parts requiring more original thought proved much more difficult for many candidates, though very few failed to gain any marks here. The discursive section at the end of **Question 1** caused problems, as candidates knew the definition of Prudence but most had little idea of how to apply it.

Question 2

This was very badly answered by a large majority of candidates – surprisingly so, as questions on non-profit making institutions are usually well handled. Very few candidates managed to work out the accumulated fund at the beginning, and in the shop trading account hardly any realised that creditors for the shop had to be taken into account. Hardly any candidates noticed that there was a difference in the cash float for the shop from one year to the next. The subscriptions account was rarely worked correctly, many candidates having no idea of what was required in it, or which entries were debits and which credits. In the Income and Expenditure account few candidates entered the whole of the $10 000 grant, but only the amount which had

actually been received, and interest was usually assumed to be an expense when it should have been income. Subscriptions should have been entered correctly here, as the question stated that there were 150 members and that membership for that year cost $40 each – a very easily calculated $6000. Also some candidates wasted time by preparing a closing Balance Sheet, which was not asked for.

Question 3

The assumptions made and limitations thereof when preparing break-even charts have appeared in various guises in various examination papers throughout the years and consequently it was disappointing to find that a large minority of candidates seemed never to have heard of them. Answers describing break-even were common, but not asked for. The calculation in part **(b)** caused problems, as most candidates used different fixed costs for each of the two options. The question clearly stated that fixed costs were $0.75 per unit at full production, i.e. at a production of 10 000 units, making $7500, but this figure was rarely used. The majority knew the formula for calculating the number of units required to break even, but did not necessarily apply it correctly. Part **(d)** gained some marks for most candidates, as did part **(e)**, though once more the need to **apply** some knowledge caused problems for those used to learning their facts by rote.