# ACCOUNTING

| Paper 9706/11 |
| :---: |
| **Multiple Choice** |

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

## Key messages

Always read the question thoroughly. Candidates need to focus on the following areas:
- the distinction between capital and revenue expenditure
- knowledge of entries in the sales and purchases ledger control accounts, specifically which items appear on which side of each account
- difference between margin and mark-up.

## General comments

Candidates performed reasonably well on the paper and 61 per cent candidates achieved a score of 15 or more correct answers. **Questions 1**, **6**, **13**, **15**, **16**, **19**, **21**, **26** and **30** proved straightforward, with more than 70 per cent of candidates identifying the correct key. There were several questions which proved challenging and these have been considered below.

## Comments on specific questions

### Question 2

The requirement was to identify items that would appear in the income statement (revenue expenditure) connected with a capital purchase. Of the four listed only one was regarded as revenue expenditure giving the key **D**.

**Question 5**

Items 2 and 3 had only been entered in either the sales ledger control account or the individual customer's account and would, therefore affect the difference in balances between the two. The irrecoverable debt should have been credited to the customer's account and also caused a difference. Thus, the key was **A**.

**Question 7**

The question started with the balance on the bank statement, not the balance in the cash book. Thus, the adjustment to it would be treated with the unpresented cheques being deducted and uncleared bankings added. This resulted in the key **A**.

**Question 8**

This is a good example of items appearing in the question, in this case 2 and 3, which are irrelevant and thus should be ignored. Item 1 needed to be doubled and added to item 4 to give the key **D**.

**Question 9**

Candidates were required to ensure that all inventory is included at either cost or net realisable value. Thus, the profit element included in items 1 and 3 needed to be eliminated to arrive at the key, **B**. This was either not done or the wrong percentage applied.

**Question 14**

From the response data, it seems that most candidates guessed at the answer. Whilst there appeared to be a lot of data given, the question was straightforward. N would receive the difference between their capital and current account ($7000) minus $1500, being their share of the loss on realisation, giving the key **A**.

# ACCOUNTING

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

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

## Key messages

Always read the question thoroughly.
Candidates need clarity on the following:
- When calculating the profit or loss on disposal of a non-current asset ensure all relevant items appear in the asset disposal account on the correct side.
- Identify which items are entered in a partnership appropriation account when splitting the residual profit between the partners.

## General comments

Candidates performed reasonably well on the paper and 58 per cent candidates achieved a score of 15 or more correct answers. Four questions appeared easy, **2**, **17**, **19** and **30**, with more than 70 per cent of candidates identifying the correct key. Surprisingly there were only three questions which seemed to prove challenging. They are considered below.

## Comments on specific questions

**Question 4**

In this question candidates had to identify the sale proceeds on the disposal of a non-current asset. The issue seemed to be the treatment of the disposal costs, which a significant number of candidates ignored. The costs should have been added to the cost of the non-current asset in the calculation. This would have resulted in the key, **D**.

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**Question 14**

Candidates were required to calculate the share of the residual profit of one partner. The comments about Brian's loan and John's drawings are irrelevant and should have been ignored in any calculation. Thus, the answer was that Brian would be entitled to half of $22 000 ($24 000 – 2 000), giving the key **C**.

**Question 28**

This was a knowledge based questions relating to the identification of correct statement. In this case there was only one statement which applied. That was statement 3, which was the key, **D**.

# ACCOUNTING

Paper 9706/13
Multiple Choice

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

## Key messages

- Identify any data which is irrelevant and ignore any options which use it.
- Ensure the distinction between profitability, liquidity and efficiency (use of resource) ratios are known.

## General comments

Overall the performance of candidates was well. More than 88 per cent candidates achieved a score of 15 or more. **Questions 1**, **2**, **3**, **4**, **5**, **6**, **7**, **11**, **15**, **20**, **22**, **23**, **24**, **26**, **29** and **30** were answered correctly by more than 70 per cent of candidates.

There are two questions where the percentage of correct responses was slightly lower than the general trend of the paper. These are reviewed below.

## Comments on specific questions

### Question 18

Dividends paid by a limited company only appear in the statement of changes in equity as a specific item. Thus, in this case the key was **D**. The statement of changes in equity is a stand-alone document and should not be regarded as part of a company's income statement.

**Question 19**

Of the four ratios given only the first two identify how well a business utilises its resources. Ratios 3 and 4 are profitability ratios. Thus, the key was **A**.

# ACCOUNTING

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**Paper 9706/21
Structured Questions**

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## Key messages

Marks are awarded for the correct entry, this being the value with correct narrative. Incorrect narrative was particularly evident for the opening and closing entries in the statement of changes in equity.

Candidates need to carefully read the detail of question requirements and answer the question asked. Repeating directly information given in question requirements will not lead to marks being awarded.

When a question gives a scenario with two options, then candidates should respond with comments on both options. To gain the maximum marks available both options should be considered and a recommendation on one made.

## 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. It was pleasing to note that many candidates did show calculations to support net values. This did allow some marks to be awarded even in cases where the final value was incorrect.

Some candidates were unable to deal with the relationship between mark-up and margin. Candidates are also often asked to present a calculation to a specific number of decimal places and often candidates ignore this and do not get credit.

## Comments on specific questions

### Question 1

This question focused on the preparation of an income statement and sources of finance.

**(a)**     There were very few completely correct income statements. Most candidates did use the workings box and gained credit for calculations whilst the net values were sometimes incorrect. A few candidates did not show any workings and in such cases no marks were awarded for an incorrect final entry. Few candidates made the correct adjustments to the cost of sales and some entered the original incorrect value. Some candidates did not enter discounts received after gross profit. The prepayment for insurance was often deducted in full rather than adjusting for the four months of the following year for which it applied. Frequently depreciation was calculated on the opening non-current assets, omitting the capital expenditure of $400 made on 18 January 2019. Some candidates omitted the irrecoverable debt as an expense and did not deduct it from trade receivables before calculating the provision for doubtful debts. The loan interest was often entered as $630 rather than $420 for the period. Some candidates included carriage inwards and drawings as expenses.

**(b)**     Most responses were incomplete and the three elements of opening capital were often added together rather than deducting the bank loan liability. Many candidates did not add profit for the year and often the drawings of goods were not deducted.

**(c)**     There were many well developed responses and most candidates were awarded a mark for making a recommendation. Some candidates recommended both options and in such cases were not awarded the recommendation mark. A few candidates responded on their recommended option

only and did not make any comment on the other option. To gain the maximum marks available a balanced response is required where both options should be considered and a recommendation on one made.

**(d)**     Many candidates stated valid benefits of keeping a full set of accounting records. Frequently responses included assessing performance and the preparation of financial statements. One mark was awarded for reference to errors; however, some candidates also made a separate response relating to accuracy. A maximum of one mark was awarded for errors and related comments such as accuracy.

## Question 2

This question focused on bank reconciliation statements.

**(a)**     Candidates gave a mixed response to benefits of preparing a bank reconciliation statement. Whilst many candidates responded with the identification of errors as a benefit, they did not specify where the errors would be. Reference to the cash book and bank statement were also required. Many candidates made the valid point of preventing or identifying fraud.

**(b)**     Very few candidates demonstrated an understanding of the differences between a bank standing order and a direct debit. Frequently a direct debit was referred to as a debit entry and a standing order as a credit entry. The question required differences and some candidates stated a valid point for standing order but not the difference with a direct debit.

**(c)**     There were some incorrect labels and reversals in the cash book. Labels such as credit transfer and direct debit are insufficient and also need the name of who they relate to. In this case these being H Ltd and Ayesha respectively. Some candidates included entries which were relevant to the bank reconciliation statement only.

**(d)**     Some candidates did not start with an overdrawn balance in the bank statement. Frequently candidates entered adjustments shown as added when they should have been shown as subtracted. Likewise, an adjustment which should have been shown as added. The closing narrative 'Balance per cash book' was often entered as the opening narrative given of 'Balance per bank statement.'

## Question 3

This question focused on the preparation of a statement of changes in equity.

**(a)**     Some candidates did not base their calculations on shares of $0.25 each, with the number of shares of 1 200 000 used rather than 4 800 000. Most candidates did correctly multiply their shares quantity by $0.05.

**(b)**     Many candidates answered this question well and in context of the shareholder. Those candidates who did relate to a shareholder frequently correctly referred to the opportunity to purchase additional shares at a favourable price usually below market price.

**(c)**     Whilst there were many correct answers based on the shares used in **part (a)**, some candidates multiplied by $0.25 rather than $0.40 per share.

**(d)**     The correct narrative was required with values for each line. Often marks were lost for an incorrect opening and closing narrative. Some candidates used the total column to show a running balance.

**(e)**     Few candidates gained the maximum four marks available. Many responses focused on debenture interest and preference divided rather than the key factors of profit and liquid funds.

**Question 4**

The final question focused on cost and management accounting.

**(a)**     Many candidates responded with valid limitations of absorption costing frequently referring to it being time consuming and complicated. Some did comment that it was irrelevant for decision making but omitted to relate to short-term decision making. There were also responses related to marginal costing applications particularly break-even and no marks were awarded in such cases.

**(b)**     There were many correct responses calculating overhead absorption rates for each department. Some candidates did not follow the question requirements to calculate to two decimal places and others did not state the basis of absorption.

**(c)**     Materials and labour were frequently correctly calculated. Some candidates used the incorrect number of hours when calculating the overheads for the two departments. A few incorrectly used the direct labour rate for an overhead rate. Few candidates applied a gross margin of 40% and frequently used a 40% mark-up.

**(d)**     There were few correct responses and candidates frequently responded with 'inaccurate calculations' but not specifically relating to the question. Some candidates did refer to actual production and actual overheads but did not relate to budgeted data.

**(e)**     This was well answered by many candidates. Most correctly calculated material and labour costs for each option. Some added sales commission to the selling price for option A rather than treating as an expense. In option B many candidates entered advertising cost for the full year rather than for one month.

**(f)**     There were a few 'no responses' to this question. Some candidates repeated information given in the question rather than developing to each option. Whilst candidates frequently related to profit, they did not state which option provided the highest profit. A few candidates responded on their recommended option only and did not make any comment on the other option. To gain the maximum marks available both options should be considered and a recommendation on one made.

# ACCOUNTING

## Key messages

Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates will not get 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.

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.

## General comments

The overall standard of candidates' work was generally good though it was apparent that a minority of candidates were not fully prepared for the examination.

## Comments on specific questions

### Question 1

The question concerned the accounts of a sole trader from incomplete records.

**(a)**     Required candidates to calculate the bank balance at the year-end. Responses were very mixed, with a number of totally correct answers though a significant number of candidates included extraneous items such as sales and purchases returns that did not affect the bank account.

**(b)**     Required candidates to prepare an income statement from given data incorporating various adjustments. It was particularly noticeable that candidates who produced detailed workings produced far more accurate income statements and were consequently awarded higher marks. Whilst the presentation of the statement was reasonable, some candidates used abbreviations (GP or COS for example). Abbreviations are never acceptable in financial statements.

**(c)**     Parts **(i)** to **(iii)** required candidates to calculate three ratios – gross margin, mark-up and profit margin. Responses varied considerably and a number of candidates did not round up the second decimal place where required. Less well-prepared candidates did not appear to be familiar with the mark-up ratio.

**(d)**     Parts **(i)** and **(ii)** required candidates to explain how a business could improve both the gross profit margin and the profit margin. Whilst most candidates were able to gain one mark for identifying each margin, few gained the second mark for appropriate development of the point.

**(e)**     The final task, stating one reason why employees, suppliers and government may be interested in the financial statements of a business was very well answered by the vast majority on candidates.

**Question 2**

The second question focussed on accounting concepts and depreciation.

**(a)** Asked to state three methods of depreciation, the majority of candidates gained all three marks although some failed to find the third method after straight-line and reducing balance.

**(b)** Required candidates to advise which method of depreciation should be used for motor vehicles and machinery. Well prepared candidates were able to correctly identify reducing balance for motor vehicles but only a minority were able to gain the third mark for sufficient development for the reasons. Whilst most candidates identified the straight-line method for machinery, few linked their answer to the accruals concept. Weaker candidates were often able to make a valid choice of method for both non-current assets but were unable to explain why their choice was the most appropriate.

**(c)** Identification of accounting concepts for three short scenarios resulted in very mixed responses with only a minority of candidates gaining all three marks.

**(d)** Asked to state the purpose of financial statements, most candidates offered a wide variety of valid responses.

**Question 3**

The question concentrated on the dissolution of a partnership. Overall, candidates either knew how to complete the double entry for the dissolution, or alternatively did not and made very weak attempts without following the basic rules of double entry.

**(a)** Required candidates to prepare the partnership realisation account. Well prepared candidates were able to gain all five marks. Some candidates entered extraneous items into the account, for example the opening bank overdraft and the capital and current account balances.

**(b)** Preparation of the partners' capital accounts were well answered by the well prepared candidates though some carried down the balance which should have been transferred to the bank account.

**(c)** Preparation of the bank account proved to be the most challenging of the three accounts with entries completely omitted, debit entries processed as credits and balances carried down.

**Question 4**

The final question concentrated on cost and management accounting. This particular question focussed firstly on inventory valuation methods, followed by questions on both marginal costing and absorption costing.

**(a)** The first task required candidates to state two advantages of each of the three methods of inventory valuation. A majority of candidates incorrectly focussed on the merits of physical inventory rotation rather than the actual accounting method required by the question and very few were able to gain more than two of the available six marks.

**(b)** Asked to explain why the trader should not value his inventory at selling price produced reasonable responses. Many candidates correctly quoted the rule of valuing inventory at the lower of cost or net realisable value and offered valid development by quoting the prudence concept and the effect of not using the correct valuation.

**(c)** Many candidates were able to prepare an income statement in the correct marginal cost format. Whilst some candidates omitted, or incorrectly calculated the closing inventory figure, a majority were able to correctly label their own calculated contribution.

**(d)** Using exactly the same data as in the previous part of this question, very few candidates were able to produce a valid income statement using absorption cost principles. Most included a figure of $100 000 to cover fixed costs and the majority failed to appreciate that they needed to account for the under absorption of fixed overheads.

**(e)**    Whilst many candidates were aware that they needed to reconcile their marginal cost profit with their absorption cost profit, they did not acknowledge that the difference was due to the different valuation of inventory. Very few candidates gained full marks for this task.

**(f)**    The final task required candidates to advise the trader whether or not he should change from marginal costing to absorption costing. Well prepared candidates frequently offered a good, well balanced argument detailing relevant points of each method and finished off with valid, justified advice.

# ACCOUNTING

## Key messages

Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, candidates will not get 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.

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.

## General comments

The overall standard of candidates' work was good though it was apparent that a minority of candidates were not fully prepared for the examination. Candidates would be well-advised to develop better evaluative skills.

## Comments on specific questions

### Question 1

The question concerned the accounts of a limited company.

**(a)**     Required candidates to prepare an income statement from a given data set complete with adjustments. Well prepared candidates were able to gain a large percentage of available marks. It was particularly noticeable that candidates who produced neat, well-structured workings often gained full marks.

**(b)**     Following on from the income statement, candidates were asked to prepare the statement of financial position. This clearly proved more challenging for the majority of candidates. Frequent errors were a failure to correctly calculate the carrying value of non-current assets, trade receivables and retained earnings. A number of candidates did not prepare the statement in the acceptable limited company format.

**(c)**     Most candidates were able to state two valid differences between ordinary shares and preference shares.

**(d)**     **Parts (i)** and **(ii)** required candidates to define a capital reserve and to state one use of a capital reserve. Many responses to the definition were simply too imprecise to be rewarded though better candidates were able to correctly state that one use of a capital reserve is, for example, to issue bonus shares.

**(e)**     The final task required candidates to advise the directors of the most appropriate way to raise $100 000 for a major expansion – issue debentures, rights issue or a new share issue. Many candidates were able to state at least one, and often two qualities of each source of finance and subsequently offer good, justified advice.

**Question 2**

The second question focussed on the correction of errors.

**(a)**     Required an explanation of why a trial balance may be arithmetically correct but still contain errors. Whilst most candidates were able to identify that errors such as omission, commission, etc. would not affect the balancing, few were able to provide sufficient development to gain the second mark.

**(b)**     Given four errors that had been discovered, candidates were required to prepare journal entries to correct those errors. Whilst the quality of responses was quite mixed, most candidates were able to gain at least two of the available marks.

**(c)**     Candidates were then asked to calculate the revised profit for the year after the correction of the errors. A number of well-prepared candidates were awarded all six marks.

**(d)**     Asked to state three uses of the general journal other than the correction of errors produced strong responses with a significant number of candidates offering three valid responses.

**Question 3**

The question concentrated on accounting ratios.

**(a)**     From the data provided, candidates were required to calculate the sales for the year. Most candidates recognised that the key to the task was to utilise the inventory turnover ratio and apply the figures to cost of sales / average inventory. Whilst there were some miscalculations noted, good candidates were able to obtain all four marks, though some candidates did not correctly calculate the average inventory.

**(b)**     Candidates were next required to calculate the trade receivables turnover in days. Whilst most candidates correctly applied the formula, a significant number did not correctly apply the rule that the result must be rounded up to the next whole day.

**(c)**     Calculation of the trade payables turnover in days suffered from the same mistake by many candidates – a failure to round up to the next whole day.

**(d)**     Explanation of the effect on liquidity of the resultant ratios calculated in **parts (b)** and **(c)** exemplified a weakness in evaluation of results. Whilst some candidates were able to correctly identify that the receivables turnover was greater than the payables turnover, very few were able to then detail the possible consequences of this on liquidity.

**Question 4**

The final question concentrated on marginal costing.

**(a)**     The first task required candidates to explain what is meant by contribution. The vast majority of candidates clearly knew the meaning of the term, but some did not recognise that the question required an explanation, not a formula. Those candidates who simply answered sales minus variable costs were not answering the question and received no marks. A two or three word answer to an explain question will never be sufficient for marks.

**(b)**     Required candidates to calculate the budgeted unit contribution for each of three products and the vast majority of candidates received all three marks for the task.

**(c)**     Similarly, calculation of the total budgeted profit for the year was very well answered by almost all candidates.

**(d)**     **Parts (i)** and **(ii)** required candidates to calculate the optimum production plan with a limiting factor of available machine hours and the total budgeted profit for the year based on that plan. A good number of candidates recognised the impact of the limiting factor and were able to apply the rules to calculate the optimum plan. Others were clearly unprepared for this question and did not understand the basic requirements.

**(e)** This part of the question relating to the scenario required advising the trader whether she should pay an additional fee to secure unlimited machine hours. Well prepared candidates were able to prepare good, justified advice underpinned with relevant financial and non-financial aspects. Less well prepared candidates offered only very limited advice with little or no justification.

**(f)** The penultimate question required a definition of variable costs, semi-variable costs and fixed costs and most candidates were able to provide valid responses.

**(g)** The final task was to state three assumptions made when using marginal costing and once again, most candidates showed sufficient knowledge to gain at least two marks and more often, all three marks.

# ACCOUNTING

## General comments

**Question 5** was the best answered question on the paper with **Question 4** being the least well answered.

## Comments on specific questions

### Question 1

**(a)** Most candidates were able to correctly calculate the value of the closing unrealised profit by deducting the given decrease from the opening balance.

**(b)** A majority of those candidates who correctly calculated the closing provision were able to calculate the rate of factory profit. A common error was the failure to deduct the unrealised profit from the closing inventory when calculating the rate.

**(c)** The income statement was prepared to an acceptable standard. A common error was the incorrect treatment of the work in progress on the production cost entry. Some candidates did not identify the profit from operations in the statement.

**(d)** Most candidates gave the required advice with regard to the application of the rate and many did provide reasonable points of justification.

**(e)** This was well answered with many candidates being awarded both of the available marks. A limited number stated incorrectly that the carriage would be recorded in cost of sales.

### Question 2

**(a)** There were many correct profit calculations. However, some candidates did not adjust correctly the opening and closing accrued interest. A few candidates used the retained earnings balance as their starting figure rather than the profit from operations for the year.

**(b)** The equity and liabilities section of the statement of financial position was prepared to a reasonable standard although there were very few fully correct statements. Common errors included the incorrect treatment of the new issue and/or bonus issue which affected the ordinary share capital and share premium entries and the failure to account correctly for the bank loans which had to be split between non-current liabilities and current liabilities.

**(c)** Few candidates identified that the company had purchased another business with many stating the reasons for the goodwill arising which was not answering the question.

**(d)** Although some candidates did correctly state two other reasons why goodwill might arise in the company, many referred to the goodwill arising on admission or retirement of a partner which was not relevant to the question.

**(e)** This was very well answered with many candidates being awarded two marks.

**Question 3**

**(a)**     The consignment accounts were well answered with a significant number of fully correct accounts. Errors included the incorrect calculation and posting of commission and the failure to bring the closing inventory down in the consignment to Nakula account.

**(b)**     Most candidates were able to calculate the required rate of commission and there were no common errors.

**(c)**     These accounts were prepared to a reasonable standard. Some candidates made entries on the incorrect side of the account and / or did not balance the accounts.

**(d)**     The explanations were acceptable with many candidates being awarded two of the three marks. Most omitted the cost of getting the goods into a position and condition to sell and consequently were not given the third mark.

**(e)**     There were some correct calculations. Most candidates correctly used their figure from **part (a)** for the value of inventory but few divided this figure by the correct cost per unit.

**Question 4**

**(a)**     Although most candidates identified one use of ratios, few were able to provide an answer worthy of more than one mark.

**(b)(i)**   Some candidates correctly calculated the income gearing ratio. Common errors included the failure to express the answer as a percentage and the use of the profit for the year instead of the profit from operations.

**(ii)**    The mark was often lost as the answer was not applied to TC plc.

**(iii)**   Most candidates correctly named the required ratio.

**(c) (i)**  There were many correct calculations of dividend cover. A limited number did not give their answer to two decimal places.

**(ii)**    As for **(b) (ii)** many answers were not applied to TC plc.

**(d)(i)**   There were some correct calculations of dividend yield. Some candidates calculated the dividend per share but failed to divide it by the market value.

**(ii)**    As for **(b) (ii)** and **(c) (ii)** many answers were not applied to TC plc.

**(e)**     Most candidates correctly named the ratio and many did calculate the ratio correctly. Common errors included the failure to express the answer in monetary terms and using profit from operations rather than profit for the year.

**(f)**     Again, most candidates correctly named the ratio and many calculated the ratio correctly. There were no common errors.

**(g)**     Although most candidates did give the required advice, the justification was generally not appropriate with most answers concentrating on the details of the financial statements rather than considering the advantages or disadvantages of the directors' report.

**Question 5**

**(a)**     This was well answered with many fully correct answers for both products. Some candidates calculated the total profit correctly but then failed to determine the profit per unit as was required.

**(b)**     This was very well answered with a high number of candidates being awarded all available marks and there were no common errors.

**(c)**     Relatively few candidates identified the overhead cost and only some could explain the reason why it could not be allocated using activity based costing.

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**(d)**     Most candidates were able to calculate the profit or loss per unit with the most common error being the omission of the direct costs.

**(e)**     Most candidates gained the mark for the advice but then justified their decision by providing the advantages and disadvantages of activity based costing and failed to relate the change in selling price to demand and contribution.

**Question 6**

**(a)**     Nearly all candidates correctly calculated the total revenue for each year for the original plan and then most were able to make the calculations correctly for the revised plan. The most common error was the failure to show the revenue for the years separately as was required.

**(b)**     As for **part (a)**, performance was very good but again a limited number of candidates did not provide their answers for each year.

**(c)**     There were a limited number of fully correct answers but generally candidates made errors within their calculations including the omission of the extra fixed costs.

**(d)**     Only a few candidates made this calculation correctly and many did not attempt. Common errors were the omission of the additional fixed costs and the failure to add the anticipated number of tickets sold to the revised number.

**(e)**     Most candidates were able to assess the concerns by addressing the increased fixed costs and the capacity.

**(f)**     This was relatively well answered with nearly all candidates giving the required advice and many providing appropriate justification.

**(g)**     This was poorly answered with a significant number of candidates not attempting. Many responses stated the advantages of the methods of investment appraisal rather than how sensitivity analysis helped.

# ACCOUNTING

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│        Paper 9706/32            │
│      Structured Questions       │
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**General comments**

Overall performance of candidates was reasonable. **Question 3** was the best answered question on the paper.

The quality of written responses was not as good as computational questions.

**Comments on specific questions**

**Question 1**

**(a)**      The reasons for the addition of factory profit in an income statement were not explained well with most candidates merely explaining what is meant by factory profit. Few focused on the accounting aspect of the profit.

**(b)(i)**   A high number of candidates correctly calculated the production cost. A common error was the omission of the depreciation adjustment.

**(ii)**    This was well answered with most candidates being awarded the mark for taking 20 per cent of their own figure calculated in **(b) (i)**.

**(c)(i)**   Although there were a few fully correct accounts, many entered incorrect opening and/or closing balances and made errors transferring the decrease to the income statement. A significant number of candidates did not provide an account, as was required.

**(ii)**    The income statement was well answered with some candidates being awarded all of the available marks. Common errors included the posting of incorrect inventory balances, the incorrect treatment of the change in the provision for unrealised profit and making inaccurate adjustments for the administrative expenses.

**(d)**      Most candidates were awarded the mark for providing advice but few were awarded more than two marks for their justification. Some candidates merely explained what was meant by a transfer price and many showed their lack of understanding of the fact that there would be no effect on the total profit for the year.

**Question 2**

**(a)**      Performance was varied. There were a limited number of fully correct statements. A few statements which indicated little knowledge and understanding as sections were absent and the required entries were mostly incorrect. Common errors included the incorrect calculation of the profit on disposal of the motor vehicle, the incorrect treatment of the decrease in trade payables and the placing of a range of items in the incorrect section of the statement.

**(b)**      Relatively few candidates explained the difference in treatment of the premium, as was required. Some candidates incorrectly stated that the premium was not entered at all in the statement of cash flows.

**(c)**      Most candidates were awarded a mark for stating that the preparation of the statement was to comply with International Accounting Standards but many stated reasons which were appropriate for a cash budget rather than a statement of cash flows.

**Question 3**

**(a)**    This was well answered with most candidates suggesting goodwill and a high number also stating a correct second item.

**(b)**    Although there were a limited number of fully correct capital accounts many candidates struggled with the task and a few did not give their answer in account format. Few candidates adjusted Alice's account such that the balance was twice that of Babak and very few dealt correctly with the merged bank account.

**(c)**    The statement of financial position was well prepared by most candidates including many of those who had struggled with the capital accounts. A few candidates failed to list the assets as a combined figure and others noted errors included the incorrect treatment of the motor vehicles and/or bank balance.

**(d)**    This was very well answered with a high number of candidates being awarded five marks. However, some candidates provided an unbalanced justification and only considered either the advantages or disadvantages of the system in isolation.

**Question 4**

**(a)**    Performance was varied with some fully correct answers and some answers which demonstrated little knowledge of the ratio. Some weaker candidates did not round up their answers and/or incorrectly included cash sales and cash purchases in the trade receivables turnover and trade payables turnover.

**(b)**    Most candidates gave some reasons for the poor performance of the company but the development of the reasons was often not worthy of credit. Relatively few candidates stated conclusively whether the company had fared better or worse than the industry average.

**(c)**    Candidates often scored just one mark for indicating that cash sales and cash purchases would not be included in the working capital cycle ratio.

**(d)**    This was well answered with many fully correct solutions. The most common error was the omission of the trade payables.

**(e)**    Many candidates stated incorrectly that their ratio, which was higher than the industry average, was better for the company whilst some candidates did not offer a comparison.

**(f)**    Most candidates were awarded the mark for the advice and many provided valid justification although some candidates appeared to be advising on a trade discount rather than a cash discount.

**Question 5**

**(a)**    This was not well answered with many candidates not considering external factors.

**(b)**    The production budget was prepared to a reasonable standard with some candidates being awarded full marks. The most common error was the omission of opening inventory in period 1.

**(c)**    The purchases budget was prepared less well than the production budget. Some candidates used the sales figures rather than the production figures within their budget and some mixed kilos and units. Nearly all candidates correctly converted their budgeted purchases from kilos to dollars and were awarded the two available marks.

**(d)**    This was well answered with nearly all candidates giving the required advice and then most justifying their answer with three or four appropriate points.

**Question 6**

**(a) (i)**    Many candidates correctly calculated the amount but a significant number adjusted the budgeted sales (15 000) rather than the actual sales (14 000).

    **(ii)**    Most candidates followed through from **(a) (i)** and calculated the amount paid correctly. Some candidates deducted the adjustment from the material price per kilo ($6) rather than adding.

    **(iii)**    This was well answered with no common errors.

    **(iv)**    This too was well answered with no common errors.

    **(v)**    Most candidates were able to correctly calculate sales revenue and direct labour but direct materials and fixed overheads were often incorrect. The mark available for profit was awarded to nearly all of the candidates.

**(b)**    The reconciliation was prepared to a reasonable standard. Common errors included the omission of the sales price variance and treatment of the variances in the incorrect direction.

**(c)**    Relatively few candidates were able to name the two required variances.

**(d)**    Most candidates were awarded the two available marks for suggesting an appropriate reason for each of the price variance and usage variance.

# ACCOUNTING

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## General comments

Overall performance was very good with **Question 5** being the best answered question on the paper.

## Comments on specific questions

### Question 1

**(a)**  The calculations were well answered with a significant number of fully correct solutions and no common errors.

**(b)**  The income statement was well prepared with nearly all of the candidates producing the statement in good format and being awarded most of the available marks. Common errors included the omission of the impairment loss and the miscalculation of the provision for doubtful debts usually as a result of the omission from the calculation of the sale or return goods.

**(c)**  Many candidates had the required knowledge of the relevant International Accounting Standard and provided appropriate explanations.

### Question 2

**(a)**  The receipts and payments account was prepared to a good standard with most candidates being awarded high marks with a few obtaining full marks. The most common error was the incorrect derivation of the subscriptions figure. A few candidates did not present their answer in account format and a limited number completely reversed the account.

**(b)**  Most candidates were able to state at least two of the three required reasons.

**(c)**  A majority of candidates correctly named the statement.

**(d)**  This was well answered with nearly all candidates giving the required advice and most justifying their answer with relevant points.

### Question 3

**(a)**  Many candidates were able to state two appropriate reasons but relatively few provided a third reason.

**(b)**  Nearly all candidates were aware of three ways in which the purchase consideration could be settled.

**(c)**  Most candidates gave the required advice and justifications were generally appropriate with many referring to the capital accounts.

**(d)**  This was less well answered with relatively few candidates considering a possible impairment loss or the provision of an inadequate amount of depreciation.

**(e)**  Nearly all candidates calculated the goodwill correctly and a high number, although fewer, calculated the profit on realisation correctly. There were no common errors.

**(f)**      Most candidates were aware that the profit on realisation would be shared equally.

**(g)**      Candidates tended to consider the reserve in relation to the limited company without considering the partnership.

## Question 4

**(a)**      This was well answered with nearly all candidates producing a schedule in good format. A few candidates failed to deal correctly with the eliminated depreciation on disposal but otherwise there were no common errors.

**(b)**      Most candidates were able to correctly identify the relevant figures and sections of the statement. The most common error was the omission of the profit and/or loss resulting from the disposals.

**(c)**      Many candidates were aware of the procedure to deal with a revaluation but some did not have this knowledge.

**(d)**      Although most candidates stated that there would be no effect many did not develop their answer sufficiently to be awarded the second mark.

**(e)**      Nearly all candidates stated one correct item with many providing a second item.

## Question 5

**(a)**      Nearly all candidates calculated the unit selling price correctly and there were no common errors.

**(b)**      This was very well answered with many candidates being awarded six marks and no common errors.

**(c)**      Most candidates were able to state two appropriate concerns.

**(d)**      This was very well answered with nearly all candidates giving the required advice and appropriate justification.

**(e)**      The definitions given for the terms were often unclear. Performance was better on the cost driver than the cost pool.

## Question 6

**(a)**      Although most candidates could state two advantages fewer were able to state two disadvantages.

**(b)**      There were many fully correct solutions and no common errors.

**(c)**      The reconciliation was well prepared with many correct statements.

**(d)**      Most candidates correctly identified the sales variances and associated amounts.

**(e)**      Nearly all candidates were awarded the available mark for advice and then most showed contribution calculations and used them effectively to support their advice.