

ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

- Think carefully about how accounts would appear and be posted in the general ledger and how they would fit into a structure of accounts.
- Be clear about how postings from books of prime entry subsequently flow through books of account.
- When asked to re-state or adjust balances, carefully consider any items that may not be relevant.

General comments

Of the candidates who sat this examination, more than 50% achieved a score of 16 or more correct answers. The mean score was 16 marks. **Questions 1, 27, 28 and 29** were straightforward with almost 75% of the candidates identifying the key. Candidates found one question relatively challenging and there were a further two where more chose a distractor than the key. These are considered below.

Comments on specific questions

Question 3

Many candidates opted for distractor **D**. Candidates clearly did not appreciate that an overdraft is merely a negative balance on the bank account. As a result, there is no account called 'bank overdraft' to be found in the general ledger to which entries would be posted. This must be a general misunderstanding as most of the candidates opting for distractors involving an inventory debit also favoured the bank overdraft credit.

Key C was selected by less than 20% of the candidates.

Question 7

In this case, some candidates opted for distractor **A**. For the contra entry entered twice in the sales ledger control account not to be picked up by the trial balance, this would imply that the contra had also been duplicated in the purchases ledger control account. This, however, is not implied by the question but may have been assumed by candidates.

Some candidates opted for key **B**. The error in the book of prime entry would be carried through into subsequent postings into the ledger and would not be picked up by the trial balance. Other reconciliation and verification methods would be required.

Question 11

Some candidates opted for distractors **A** and **D**. All these candidates were caught out by one, or both, of the two 'red herrings' in the list of items that were offered for potential adjustment. As this is a purchases ledger control account, only credit purchases are posted – cash sales should be ignored. Equally, returns inwards relate to sales and so should not be included.

Only 30% of candidates chose key **B** calculated by $\$79\,500 + \$6\,200 - \$5\,300 = \$80\,400$.



ACCOUNTING

Paper 9706/12
Multiple Choice

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

Key messages

- Take care with questions involving the elimination of fraud or errors. Be aware that 'elimination' is a very definite term and may not be possible whereas 'easier to prevent' or 'easier to detect' is a more realistic possibility.
- For questions involving the correction of profits, consider all the elements that may have a positive or negative impact on the original figure.
- With topics such as cost-volume-profit (CVP) analysis, be familiar with the main assumptions, advantages and limitations.

General comments

Of the candidates who sat this examination, more than 50% achieved a score of 14 or more correct answers. The mean score was 14 marks. **Question 22** was straightforward with 88% of the candidates selecting the key. Candidates found **Question 9** challenging and there were a further two questions (**Question 14** and **Question 30**) where more candidates chose a distractor than the key. These are considered below:

Comments on specific questions

Question 9

Just over half of the candidates opted for distractor **B** but only one-quarter chose the key **C**. Those selecting the distractor considered that a bank reconciliation will eliminate the possibility of fraud by members of staff. That is a very definite statement and, in practice, whilst a reconciliation might reduce the possibility of fraud, it cannot be guaranteed to eliminate it.

Question 14

A, **B** and **C** were selected by approximately equal proportions of the candidates. Distractor **B** represents the depreciation not yet charged for the four months prior to sale. Distractor **C** represents the profit on the sale of the asset. The key **A** represents the net of the two in that the profit on sale is reduced by the depreciation not yet accounted for.

Question 30

Distractor **A** was selected by 41% of candidates. Although cost-volume-profit analysis requires costs to be accurately analysed between fixed and variable, it is an extension of marginal costing. Equally, an assumption of CVP is that fixed costs will remain constant over the relevant range. Thus, distractor **A** is a basic requirement of CVP analysis rather than a decision-making aid. One-third of candidates chose the key **B** – this statement reflects the practical use of the analysis.



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Paper 9706/13
Multiple Choice

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

Key messages

- When considering the difference between capital and revenue expenditure, consider whether the expenditure is enhancing or improving the non-current asset, or not.
- For questions involving bank statements and cash books, consider carefully which items will require an adjustment in the cash book. If appropriate, perform a reconciliation.
- Questions are often asked on elements covered by the Partnership Act so be clear about how each is treated and read the question carefully.
- Regarding costing questions, be clear about which type is being examined and think through how different volumes would be accounted for in practice.

General comments

Of the candidates who sat this examination, more than 50% achieved a score of 18 or more correct answers. The mean score was 18 marks. There were seven questions that candidates found straightforward with most of the candidates choosing the key – **Questions 1, 2, 7, 14, 19, 23 and 29**. No questions caused candidates any specific difficulty as at least 30% of the candidates chose the key for each question. There were four questions where more chose a distractor than the key. These are considered below.

Comments on specific questions

Question 5

Many candidates opted for distractor **C** by including the cost of replacing the wheels of a motor car. This expenditure, however, is merely replacement or repair and does not enhance or improve the asset.

Key **A** was selected by 35% of the candidates correctly calculating that the capital elements were the purchase of the machine and the enhancement expenditure to upgrade the computer.

Question 11

Candidates were equally split between distractor **A** and the key **B**. The difference in the figures is the bank error of \$560 that was incorrectly debited to the bank account. Candidates needed to treat this item as irrelevant as the error was made by the bank in its books, not in the books of the entity. Thus, the correct balance was $\$23\,780 - \$1375 - \$216 = \$22\,189$.

Question 17

Some candidates chose distractor **A** presumably on the basis that since loans were not mentioned in the question, the interest rate would be zero. However, this is a question on the Partnership Act 1890 and, since the partner's agreement did not mention loans, the Act would apply. The applicable rate of interest on a loan would be 5% (key **B**).

Question 26

One-third of the candidates chose key **D**. However, some candidates opted for distractor **B** indicating some confusion with statements 1 and 2 in the question given that statement 4 appears in both **B** and **D**. Based on each unit attracting a budgeted level of overhead, it is not clear why candidates would consider that an actual activity level, below budget, would cause an over-absorption of overheads.



ACCOUNTING

<p>Paper 9706/21 AS Level Fundamentals of Accounting 21</p>
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Key messages

The following are the 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 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

While there were some good well-presented scripts there were also some which made incorrect use of terminology.

Comments on specific questions

Question 1

This question concerned the incomplete records of a sole trader

- (a) Candidates were required to calculate the closing inventory. It was evident that very few candidates could calculate it correctly. The most common error being the failure to adjust the revenue figure to the cost price.
- (b) Candidates were required to prepare a statement of profit or loss from incomplete data. While there were few fully correct responses to this question many candidates were able to score marks on the basis of their own figures by using demonstrating their understanding of the processes involved. Candidates need to be aware of the need to avoid using abbreviations and old terminology when preparing financial statements.
- (c) Candidates were required to prepare a statement of financial position. This was usually answered satisfactorily, but many candidates found it difficult to calculate the correct figure for other receivables, other payables, and the opening equity.
- (d) The majority of candidates were able to provide a correct response to this task requiring the identification of four provisions of the Partnership Act 1890 to be applied in the absence of a partnership agreement.
- (e) Candidates were required to state three disadvantages of maintaining a full set of accounting records. This was well answered with the majority of candidates achieving full marks.



Question 2

This question concerned the preparation of a statement of changes in equity for a limited company.

- (a) Candidates were required to explain one difference between a capital reserve and a revenue reserve. This was generally well answered with the majority of candidates achieving both marks.
- (b) Candidates were required to prepare a statement of changes in equity from given data. The most common errors were with how to process a reduction in the valuation of land, and how to show details within the statement. Many candidates used incorrect narratives in the detail column, providing dates instead of the correct narratives (bonus issue, rights issue, final dividend, etc.) and many candidates failed to provide any narrative for the final total line in the statement, where a date (30 June 2023) was required.
- (c) Candidates were required to discuss two options relating to the raising of finance. The majority of candidates were able to demonstrate their knowledge of both options and provide an appropriate conclusion.

Question 3

This question was concerned with the correction of errors.

- (a) Candidates were required to state two types of errors which would not be revealed by the preparation of a trial balance. Only a few candidates were able to provide a correct response with several stating errors which would not be revealed.
- (b) Candidates were required to explain the meaning of three types of errors. Most candidates were successful in proving a correct explanation although some confused the error of principle with the error of commission.
- (c) Candidates were required to prepare a suspense account. This was not well answered with marks being lost due to poor details and some candidates bringing down the balance to the next year.
- (d) Candidates were required to calculate the revised profit for the year after the correction of the stated errors. This was not well answered with only the well-prepared candidates being able to correctly calculate the revised profit for the year.

Question 4

This question was concerned with absorption and marginal costing.

- (a) Candidates were required to prepare a profit statement using absorption costing. This question was not well answered with many candidates not demonstrating their understanding of this type of statement where there was a need to calculate a closing inventory for the first month and to record the under-absorption of overheads.
- (b) Candidates were required to prepare a profit statement using marginal costing. Candidates were aware of the need to show the contribution, however several did not label this correctly. Similarly with the final figure which should have been labelled profit. There were also several candidates who did not calculate and show the closing inventory in August.
- (c) This question required candidates to provide a reconciliation statement from the responses to (a) and (b). Candidates were clearly not familiar with this type of statement with only well-prepared candidates being able to achieve any marks.
- (d) Candidates were required to provide advice to the business owner relating to a change from absorption costing to marginal costing. There were often quite detailed responses to this task with candidates focussing on the benefits of absorption costing in terms of long-term decision making, and the benefits of marginal costing in terms of short-term decision making.
- (e) Candidates were required to state two possible causes of over absorption of overheads. Candidates who understood the requirement of the task were able to achieve full marks in this question with two valid responses.



- (f) Candidates were required to explain one difference between a cost centre and a cost unit. While the majority were able to explain what a cost centre was there were fewer who were able to explain what a cost unit was.
- (g) Candidates were required to state how closing inventory is valued using two different methods of inventory valuation. This was not well answered with candidates providing vague responses which did not answer the question.
- (h) Candidates were required to explain the principles of just in time inventory management. This question was generally well answered, with many candidates stating that inventory would be ordered when needed and that inventories are generally not stored.

ACCOUNTING

<p>Paper 9706/22 AS Level Fundamentals of Accounting</p>
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Key messages

- 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 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.
- 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, total assets and total equity and liabilities 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. Abbreviations of labels are not acceptable.

General comments

There were a number of good scripts in this examination series with appropriate presentation of financial statements. There were also some strong responses in the scope and content of the high tariff written questions. Centres and candidates should take particular note with regard to the labels in financial statements which must be aligned with the up-to-date terminology and also the importance of correct dates and details in double entry accounts.

Comments on specific questions

Question 1

The question concerned the accounts of a limited company.

- (a) Candidates were provided with a list of opening and closing balances of assets and liabilities together with items that required adjustments to be made to the financial statements. Candidates were required to prepare the statement of profit or loss for the year taking account of the required adjustments.

Well prepared candidates were able to gain very good marks for the question. Calculation of the cost of sales proved to be the most challenging task with many candidates unable to correctly calculate the value of closing inventory. Other than this, the most common errors related to either incomplete or erroneous labels, for example, abbreviations (COS) etc. are not acceptable. In addition, only new terminology is acceptable, for example net profit is not valid – it must be profit for the year.

- (b) Required candidates to prepare the statement of changes in equity. Most candidates were clearly aware of the structure of the statement and presentation was generally good though some candidates entered only the date of the transaction in the details column rather than the full details. The statement must conform with the correct presentation and candidates are advised to thoroughly revise the correct presentation along with all other financial statements.
- (c) Required candidates to state two examples of revenue reserves of a limited company. Many candidates gained both of the available marks by offering retained earnings and general reserve.



- (d) Asked candidates to advise whether the directors were correct to make a bonus issue of shares rather than a new issue of shares. This was well attempted by most candidates with good points raised for both options. Most candidates offered valid advice based on their own comments. Some candidates lost marks for simply repeating the same point for both options – for example bonus issue will not dilute ownership whereas a new issue will.

Question 2

The second question focused on non-current assets.

- (a) Required candidates to state two factors that cause the value of non-current assets to depreciate and the majority of candidates offered two valid factors to gain both of the available marks.
- (b) Candidates were provided with data relating to the purchase and disposal of delivery vehicles. They were then required to prepare the delivery vehicles at cost account and the provision for depreciation account. Many candidates demonstrated inadequate performance as they failed to demonstrate even basic double entry skills. Even those with knowledge of the correct double entry often lost marks for incorrect or missing dates and labels.
- (c) Required candidates to calculate the profit or loss on disposal of the delivery vehicle. Many identified that there was a loss on disposal but only a minority identified the correct amount of the loss.
- (d) Candidates were required to explain why the reducing balance method is more appropriate than the straight-line method when depreciating motor vehicles. The task was well answered by many candidates though some simply described the two methods without answering the question. Better candidates related their answer to the matching concept.

Question 3

The question concentrated on control accounts.

- (a) The question provided information relating to the sales ledger control account of a business together with a number of errors that had taken place during the month. Candidates were required to prepare a sales ledger control account taking into account correction of the errors. The question was well answered by many candidates who were clearly familiar with the workings of a control account. Once again, many candidates correctly completed the double entry but did not gain the extra one mark for totally correct labels.
- (b) Following on preparation of the sales ledger control account, candidates were required to prepare a schedule of the corrected sales ledger account balances. There were a few totally correct answers though quite a few candidates did not attempt to answer the question.
- (c) Candidates were required to state two limitations of preparing a control account. Many candidates correctly stated that not all errors are identified, but only well-prepared candidates were able to gain full marks for two valid limitations.

Question 4

The final question concentrated on cost and management accounting. The question focused on elements of both absorption costing and marginal costing.

- (a) Required the apportionment of the budgeted overheads for the year. The task was generally well answered with most candidates scoring either five or six of the available six marks.
- (b) Required candidates to calculate an appropriate overhead absorption rate for each of the two production departments. Whilst most candidates were able to calculate correct figures, many did not adhere to the two decimal places rule and often did not state the per machine hour or per labour hour as an essential part of their answer.
- (c) Required candidates to calculate the over-absorption or under-absorption of overheads for each department. There were many correct answers (based on own figures from the earlier tasks) though some confused over-absorption with under-absorption.



- (d) Candidates required to calculate the direct cost of producing one bicycle for a special order. The task involved separate calculations for the cost of direct materials and direct labour. Whilst most candidates correctly calculated the direct material cost, candidates generally had more difficulty with the direct labour.
- (e) Candidates required to prepare a statement to show the total quoted selling price to achieve a 30% gross profit margin on the special order. The question was generally poorly answered. Many candidates did not make use of the figures calculated in the previous task and many failed to include the machinery department and assembly department overheads in their calculation.
- (f) Candidates were told that the customer would make a regular order of one hundred units each month if the trader were to offer a 10% discount on the quoted price and allow two months' credit. Candidates were asked to advise whether or not these terms should be accepted. Whilst some candidates offered no response, those who did often successfully referenced the issues of more profit whilst drawing attention to the potential cash flow problem. Some candidates became sidetracked over the issue of overtime working and the impact on the workers but there were good, well-argued answers too.



ACCOUNTING

<p>Paper 9706/23 AS Level Fundamentals of Accounting 23</p>
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Key messages

- 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 always provide clear workings when answering computational questions. Marks will always be awarded for valid workings.
- 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, total assets and total equity and liabilities, 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. Abbreviations of labels are not acceptable.

General comments

There were several good scripts in this examination series. Well-prepared candidates provided correct presentation of financial statements with up-to-date terminology. They also had correct dates and details in their double entry accounts.

Comments on specific questions

Question 1

- (a) Candidates were provided with a list of closing balances together with items that required adjustments to be made to the financial statements. Having been provided with the draft gross profit for the year, candidates were required to prepare the statement of profit or loss for the year commencing with the gross profit and taking account of the required adjustments.

Well-prepared candidates were able to gain good marks for the question. Calculation of the administrative expenses proved to be the most challenging task with some candidates unable to correctly account for closing accruals and prepayments.

- (b) Required candidates to prepare the statement of financial position. Most candidates were clearly aware of the structure of the statement and presentation was generally good though often lacking use of the new terminology required. The most common errors were a failure to show the net trade receivables after deduction of the irrecoverable debt write of and the allowance for irrecoverable debts.
- (c) Required candidates to advise the directors whether they should raise additional finance by making a rights issue of shares or by the issue of a further debenture. This was well attempted by most candidates with good points raised for both options and most then offered valid advice based on their own comments.

Question 2

- (a) Required candidates to calculate the trade receivables turnover (days) and to state the formula used. The majority of candidates correctly stated the formula and many provided a correct calculation.
- (b)(i) Asked candidates to state the formula used to calculate the rate of inventory turnover (times). Results were very mixed.
- (ii) Having been provided with the inventory turnover figure for the year, candidates were required to calculate the value of closing inventory. Results were again very mixed with several candidates failing to correctly calculate the cost of sales figure.
- (c) Required candidates to calculate the trade payables turnover (days) and to state the formula used. As was the case with the trade receivables in **part (a)**, the majority of candidates correctly stated the formula and many provided a correct calculation.
- (d) Candidates were asked to advise the trader whether comparing his business results with various other businesses would show him how successful his own business was. There were several good answers with many discussing the need for comparing similar businesses comparable size, the same business sector, etc. in order to be useful.

Question 3

- (a) Candidates were required to prepare ledger accounts for three accounts – share capital, share premium and retained earnings. Overall, candidate did not answer this question well. Many candidates demonstrated a lack of understanding of basic double entry skills. The most common error was a failure to enter the correct details for transactions.
- (b) Candidates were required to state three disadvantages of introducing a computerised accounting system. Many candidates gained all three of the available marks by concentrating on the cost aspect and the dangers of hacking/viruses.
- (c) Candidates were required to state three ways in which the security of data in a computerised accounting system can be assured. This task was also well answered by the majority of candidates.

Question 4

- (a) Required candidates to explain one difference between marginal costing and absorption costing. Several responses were very vague and often only stated a characteristic of one of the systems making no attempt to explain the difference between the two.
- (b) Required candidates to explain one difference between a direct cost and an indirect cost. As was the case in **part (a)**, several responses were very vague and often only stated a characteristic of one of the systems making no attempt to explain the difference between the two.
- (c)(i) Candidates were required to state the meaning of break-even point and most were able to offer valid meaning.



- (ii) Candidates were required to state the meaning of margin of safety. Well-prepared candidates were usually able to gain the available mark though some candidate responses were not precise enough to be rewarded.
- (d) Candidates were required to state three situations in which marginal costing could help decision making. Whilst well-prepared candidates were able to gain three marks for identifying three valid situations, others were clearly unsure of the usefulness of marginal costing and produced responses with insufficient depth to be rewarded.
- (e) Candidates were provided with forecast data for a product and were asked to calculate the break-even point in units. The task was well answered by many candidates who demonstrated the necessary knowledge.
- (f) Candidates were provided with forecast data for a second product and were again asked to calculate the break-even point in units. The task was again well answered.
- (g) Candidates were told that the trader was concerned about the forecast loss for one of the products and were offered two options for the business. They were required to calculate the revised total profit for the business if the first option was chosen. Those candidates who were familiar with the different treatment of variable and fixed costs generally scored high marks for this task. There were a number of totally correct answers from well-prepared candidates.
- (h) Following on from the previous task, candidates were required to calculate the revised total profit if the second option was chosen. Candidates who answered the previous task well also scored high marks on the task.
- (i) Finally, the final part of the question asked candidates to advise which option should be chosen. There were several good answers to this task with the majority of candidates offering sound advice and referencing mostly good financial and non-financial justification for their decision.



ACCOUNTING

<p>Paper 9706/31 A Level Financial Accounting 31</p>
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General comments

Candidates performed reasonably well on this paper **Question 2** being the best answered question.

Comments on specific questions

Question 1

- (a) Most candidates were able to make some of the required adjustments correctly. However, there were only few fully correct revised profit calculations. Some candidates included the \$8000 damages claim and few accounted for the sale or return goods correctly.
- (b) The calculation of earnings per share was made correctly by most candidates but a few did use 800 000 shares. The price earnings ratio was less well answered with some candidates submitting a monetary value but most candidates provided the change in the correct format to two decimal places.
- (c) Most candidates gave the required advice and justified their answer with one or two relevant comments.
- (d) A significant number of candidates identified three measures but few were able to develop their answer sufficiently to be awarded the second available mark for each measure.
- (e) Performance was varied on this question. Only few candidates were able to state three reasons for the preparation whilst some were not able to state any reasons.

Question 2

- (a) This question was well answered with most candidates giving the required advice and justifying their answer with some valid points. There were a limited number of answers with four supporting points and some with three. The presentation of most answers was good.
- (b)(i) There were some fully correct realisation accounts and overall performance was satisfactory. Common errors included the omission of the vehicle taken over by Suhail and the inclusion of the bank balance.
- (ii) The preparation of the capital account was less well answered with very few fully correct accounts. Common errors included the incorrect treatment or omission of the vehicle and the omission of the bank entries.
- (c) Some candidates prepared a correct journal entry with the most common error being the incorrect calculation or omission of goodwill. A limited number of candidates did not use the correct format with some submitting their answer as a ledger account.



Question 3

- (a)** The statement of cash flows was prepared to a reasonable standard with most candidates using the format in accordance with IAS7. However, few candidates just presented their answer as a list. Marks were often lost for the omission of depreciation, the incorrect treatment of tax paid and interest paid and the incorrect calculation of dividends paid. Some candidates made entries in the incorrect section of the statement and lost marks accordingly.
- (b)** This was the least well answered question on the paper with only few candidates considering each element of capital as was required by the question.

ACCOUNTING

<p>Paper 9706/32 A Level Financial Accounting 32</p>
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General comments

Overall performance was satisfactory with **Question 2** being the best answered.

Comments on specific questions

Question 1

- (a) Many candidates made the required adjustments correctly and there were no common errors.
- (b) The preparation of the statement of profit or loss was not well answered with very few fully correct statements being submitted. Although most candidates adjusted the revenue correctly very a small number of candidates used the correct figures for cost of production and closing inventory. Some candidates added the correct factory profit and although some accounted for the impairment very few provided a correct figure for administrative expenses.
- (c) A high number of candidates stated an acceptable concept.
- (d) This was answered to a reasonable standard with some candidates stating the correct International Accounting Standard and giving an acceptable explanation of the treatment of the item.
- (e) Most candidates gave the required advice. However only a few justified their decision sufficiently to be awarded more than two of the extra four marks. Many answers stated that stopping the factory profit would reduce the profit of the company. Justification points for not stopping were generally better explained than those for stopping the application of factory profit.

Question 2

- (a) There were some correct calculations, but many candidates failed to account for the transfer at the end of the year to the income and expenditure account.
- (b) This question was not well answered with very few correct calculations. A significant number of candidates ignored the requirement to compare the values of the accumulated fund at the beginning and end of the year. Very few candidates adjusted for the balance on the life membership fund.
- (c) This question was well answered and there were a high number of correct solutions. Errors included the incorrect treatment of the prepaid and accrued expenses and the inclusion of subscriptions in the calculation.
- (d) There were few fully correct accounts and a range of errors. A limited number of candidates accounted for subscriptions correctly, many omitted the profit from tournaments and few entered the life membership fees. Relatively few candidates entered the deficit which had been calculated in **part (b)** and despite being instructed to call the balancing figure 'other operating expenses' this was often ignored.
- (e) Nearly all candidates gave the required advice and most provided one acceptable point of justification.



Question 3

- (a) Most candidates prepared the statement in accordance with IAS7 but a few listed the entries without reference to the sections. Overall performance was reasonable with a few fully correct statements. Very few candidates accounted for depreciation, there were often errors in the derivation of the profit from operations and relatively few candidates accounted correctly for the rights issue proceeds. Despite being given the opening and closing bank balances a high number of candidates did not enter these amounts in the statement.
- (b) A limited number of candidates related an increase in profit to the change in the number of shares to give an appropriate explanation for an increase in earnings per share. Despite the question requesting no calculations, some candidates did provide calculations. The explanations of an increase in the price earnings ratio and a decrease in dividend yield were satisfactory with many candidates demonstrating their knowledge and understanding of the formulae.
- (c) Most candidates gave the required advice. Only a few candidates were rewarded with both available marks for their justification with some believing that cash would be received and few explained the impact on the reserves.



ACCOUNTING

<p>Paper 9706/33 A Level Financial Accounting 33</p>
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General comments

Overall performance was very good with all three questions being well answered.

Comments on specific questions

Question 1

- (a) The non-current asset calculations of cost, accumulated depreciation and carrying value were generally made correctly and there were some fully correct answers. The most common error was the incorrect derivation of the cost of machinery.
- (b) The schedule was less well answered with very few fully correct answers. A limited number of candidates did not prepare the schedule in the prescribed format. The most common error was the incorrect treatment of the revaluation.
- (c) Although most candidates stated an appropriate implication of the deletion of the accounts for the auditors, fewer could state an implication for the directors.

Question 2

- (a) (i) This was well answered with a high number of correct profit calculations. The most common error was the incorrect treatment of the refreshments trade payables.
- (ii) Although there were many correct life membership fees calculations some candidates failed to account for the existing life members at the beginning of the year.
- (b) The subscriptions account was well prepared with some being fully correct. The most common error was the omission or incorrect treatment of the written off subscription.
- (c) (i) Although most candidates did identify the effect of reducing the inventory held on the bank overdraft and deficit, relatively few gave an appropriate explanation of the reason.
- (ii) The effect on the bank overdraft and deficit of seeking life members was correctly identified by most candidates. Explanations were generally acceptable with many correctly explaining that the income recorded would be less than the annual subscription.
- (d) This was very well answered with a high number of candidates suggesting two acceptable ways to improve the financial performance of the club.
- (e) Nearly all candidates gave the required advice and most then did provide some valid points to justify their answer. Responses were often generic rather than being applied to the given scenario.

Question 3

- (a) (i) There were few appropriate explanations and some candidates did provide the formula despite the question stating that it was not required.
- (ii) There were some good explanations but there also appeared to be a lack of understanding.

- (b) The calculation of the working capital cycle was very well answered with a high number of fully correct answers. Nearly all candidates calculated the trade receivables turnover and trade payables turnover correctly and where marks were lost it was usually due to the failure to calculate the inventory turnover correctly.
- (c) A high number of candidates calculated the ratio correctly. A few answers were not submitted to one decimal place as was required by the question.
- (d) The calculation of reduction in the value of trade receivables was well answered. There were many correct calculations and no common errors.
- (e) The explanation was well answered with nearly all candidates identifying that the ratio would become lower and most giving a valid explanation for this.
- (f) Nearly all candidates gave the required advice and then most provided some appropriate points of justification.

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General comments

Overall performance was acceptable with some good scripts. However, there were also some which demonstrated a lack of knowledge and understanding on various aspects of cost and management accounting.

Comments on specific questions

Question 1

- (a) A limited number of candidates were able to state two purposes of preparing a cash budget. Weak responses failed to answer the question and many of them provided two purposes of preparing a budget.
- (b) There were very few fully correct cash budgets submitted. Most candidates were unable to derive the amounts to be paid to the suppliers from the given information although most were able to deal correctly with the cash and credit sales. Some candidates did not account for the depreciation correctly and consequently entered an incorrect amount for operating expenses in the cash budget.
- (c) The budgeted statement of profit or loss was not well answered with a significant number of candidates submitting their statement showing three individual months rather than the period. Although many candidates entered the correct gross profit there were relatively few correct entries for the discount received and the irrecoverable debt.
- (d) Most candidates provided the required advice, and many gave a balanced justification for their decision by considering both options.

Question 2

- (a) A few candidates stated two appropriate benefits and many were able to state one benefit of variance analysis.
- (b) Many candidates calculated the sales price variance correctly. However, very few were able to calculate the sales volume variance. The direct material and direct labour variance calculations were made correctly by many but there were few correct calculations of the fixed overhead total variance.
- (c) A limited number of candidates made the calculations of the sub-variances and then provided an explanation of the reason for the total variance. Despite the question asking for the calculation of other relevant variances a high number of candidates ignored the requirement.
- (d) Most candidates provided the required advice. Strong responses justified their decision with relevant calculations and appropriate arguments with regard to both the existing supplier and the new supplier.

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General comments

Overall performance was reasonable and the first question was the best answered.

Comments on specific questions

Question 1

- (a) Most candidates demonstrated an understanding of activity based costing (ABC) and were able to provide a reasonable explanation. However, some candidates explained advantages and disadvantages of ABC.
- (b) There were many correct calculations of the overhead absorption rate. The most common error was the attempted calculation of a rate for each product rather than a single rate as was required.
- (c) Nearly all candidates entered the correct figures for direct materials and direct labour, but many treated the fixed overheads incorrectly with some posting the total fixed overheads to both products. The mark-up was often not applied correctly, and a limited number of candidates prepared the statement on a unit basis.
- (d) Many candidates were able to allocate the fixed overhead based on ABC with the most common error being the incorrect treatment of the amount related to the supervision of factory workers. As for **part (c)** the application of the mark-up was often incorrect and some candidates brought forward their calculated revenue using absorption costing to the statement using ABC.
- (e) Nearly all candidates gave the required advice but many ignored the requirement to support their answer with reference to **parts (c) and (d)**. There were a limited number of answers which did address the selling prices of the products but some concentrated on the profits derived from the products.

Question 2

- (a) This was well answered with many candidates providing two acceptable advantages and some were able to state three advantages.
- (b)(i) There were very few fully correct budgets and a range of errors. Many candidates were able to correctly enter the credit sales for the two months but some also included the cash sales. There were relatively few correct opening balances as many did not bring the closing balance of May forward to be the opening balance for June. A high number of candidates omitted the discount allowed for both months or failed to account for the correct amount in the appropriate month.
- (ii) The production budget was prepared to a reasonable standard with a significant number of fully correct budgets and no common errors.
- (iii) Performance was variable with some fully correct budgets but also some which contained a range of errors. Some candidates did not bring forward their production units and used sales units in their budget whilst some mixed dollars, units and kilos. A few candidates merely brought forward their production units and did not adjust for the opening and closing inventories.

- (c) Nearly all candidates gave the required advice with a few providing multiple points of justification. Most candidates just gave an appropriate point for each option and consequently few candidates were awarded more than three marks.

ACCOUNTING

<p>Paper 9706/43 A Level Cost and Management Accounting 43</p>

General comments

Performance was very good with question two being the best answered question.

Comments on specific questions

Question 1

- (a) There were a high number of fully correct statements. The most common error was the incorrect treatment of the fixed overhead.
- (b) Most candidates calculated the sales price variance correctly but much fewer were able to calculate the sales volume variance. There were many correct fixed overhead expenditure variance calculations but much fewer correct fixed overhead volume calculations.
- (c) There were some fully correct reconciliation statements. There were also a range of errors including treating the calculated variances in the incorrect direction and the omission of the direct materials and direct labour variances.
- (d) This was well answered and nearly all candidates gave the required advice and most also provided calculations to support their answer along with a range of appropriate comments.

Question 2

- (a) The statements showing the net cash flows for both models were well prepared with a high number of fully correct statements. Errors included the failure to account for the improvement cost for IM3 when accounting for depreciation and not applying the maximum production capacity when calculating sales for year two.
- (b) A high number of candidates stated one advantage with a few being able to state two appropriate advantages.
- (c) The net present value calculations were made to a very high standard with most candidates being awarded full marks. There were no common errors.
- (d) Nearly all candidates gave the required advice and most supported their decision with a range of appropriate comments.
- (e) There were some fully correct calculations with most candidates discounting the improvement cost correctly but fewer were able to account correctly for the net present value of the additional revenue.