

ACCOUNTING

Paper 7707/11
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	13	C	25	D
2	B	14	B	26	A
3	C	15	A	27	A
4	C	16	D	28	D
5	A	17	B	29	B
6	B	18	A	30	A
7	C	19	A	31	D
8	B	20	B	32	D
9	D	21	C	33	C
10	B	22	C	34	A
11	A	23	B	35	B
12	A	24	B		

General comments

Many candidates possessed a good understanding of bookkeeping and accounting, and they were able to select the correct answer to a good number of the questions on the paper. Other candidates found some of the questions challenging. The questions which some candidates found challenging related to various topics on the syllabus. Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of double-entry bookkeeping which underpins many of the syllabus topics.

To have a clear understanding of what they are required to do in this question paper, candidates should read each question very carefully before selecting an option on the answer sheet.

Comments on specific questions

Question 1

Most candidates answered this relatively straightforward question correctly, choosing **C**. This question relates to the provision of information by the accountant to management.

Question 2

This question asked candidates to apply the accounting equation. This question was fairly straightforward, and most candidates answered correctly. The correct answer is **B**.

Question 3

This question required candidates to identify that a loss for the year would be credited to the income statement and debited to the capital account. The correct answer was **C**. Some candidates found this question challenging and selected an incorrect option.

Question 5

Question 5 asked candidates to identify the correct statement about the ledger account shown.

On 1 January, there was a credit balance on the ledger account, so it is a liability. Abdul owed \$400 to Hanif. The correct answer was **A**. Some candidates found this question challenging and selected an incorrect option.

Question 6

Question 6 required candidates to identify which of the items listed would be shown on a statement of account. The correct answer is **B**. While many candidates answered correctly, some thought that trade discounts would be shown on a statement of account.

Question 12

Candidates were required to calculate the balance on the bank statement. The bank statement balance should be $(\$449 + \$175 - \$424 =) \200 . However, the bank has incorrectly charged \$10 interest, so the actual bank statement balance is \$190. The correct answer was **A**.

Question 16

Question 16 required candidates to identify the correct statement about depreciation. The correct answer was **D**. While many candidates identified the correct statement, some candidates appeared not to notice that option C related to current assets and so they selected that option instead.

Question 17

Candidates were required to adjust the provision for depreciation when repairs had been included in error in the machinery account. The depreciation charged in error was $20\% \times \$2000 = \400 . So, the correct balance on the provision for depreciation account was $\$23\,000 - \$400 = \$22\,600$. The correct answer is **B**. Some candidates did not carry out the necessary adjustment correctly.

Question 18

This question asked candidates to calculate the amount of rent which had been received during the year. Rent is $(3600/12 =) \$300$ per month. So, the calculation is as follows:

	\$
Amount due for the year	3600
Less amount prepaid at start of year	(900)
Less amount owed at end of year	(600)
= Amount paid during year	2100

The correct answer was **A**. Some candidates found this calculation challenging.

Question 19

Question 19 required candidates to calculate the inventory valuation for two types of inventory. The t-shirts were valued at $100 \times \$15 = \1500 . The dresses were valued at $200 \times \$30 = \6000 . The total inventory valuation is therefore \$7500. The correct answer is **A**. While many candidates identified the correct valuation, some candidates selected an option based on the overall totals for cost and for net realisable value, rather than on the cost and net realisable value for each type of inventory.

Question 20

This question asks candidates to identify which error would result in gross profit being overstated. If opening inventory is omitted from the income statement, then cost of sales is understated. Therefore, gross profit is overstated. The correct answer is **B**. Some candidates found this question challenging.

Question 25

This question required candidates to identify an advantage of being a member of a limited company. The correct answer is **D**. Some candidates selected option B. However, dividends do not have to be paid to the member. If the trading results are poor, the ordinary shareholders may receive no dividend at all.

Question 26

Candidates were required to calculate the percentage dividend which shareholders would receive. The profit to be paid as dividend was $(\$13\,000 - \$6\,000 - \$3\,000) = \$4\,000$.
 $\$4\,000 / \$50\,000 \times 100 = 8\%$ The correct answer is **A**.

Question 27

This question covered the topic of errors. Candidates were asked to identify the effect of omitting an adjustment for the increase in the provision for doubtful debts. The correct answer is **A**. The increase of \$1200 should have been charged against profit. As it wasn't, profit was overstated by \$1200.

Question 28

This question covered the topic of clubs and societies. Candidates were asked to identify what is included in an income and expenditure account. The correct answer is **D**. Amounts received and paid during the year are shown in the receipts and payments account, and not in the income and expenditure account.

Question 31

This question covered the topic of incomplete records. Candidates were required to calculate the net profit. Although there were many correct answers, some candidates found this challenging.

Total sales are \$36 000 $100/90 = \$40\,000$. The net profit is 30% of \$40 000 which is \$12 000. The correct answer is **D**.

Question 32

This question covered the topic of interpretation of accounting ratios. Candidates were asked to identify which business controls its overheads most efficiently. Expenses incurred are 18% (i.e. $30\% - 12\%$) of the revenue of the business. This is the lowest of the four options. The correct answer is **D**.

ACCOUNTING

Paper 7707/12
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	13	C	25	D
2	D	14	C	26	B
3	B	15	A	27	C
4	B	16	C	28	A
5	C	17	C	29	B
6	A	18	A	30	B
7	A	19	A	31	D
8	A	20	C	32	B
9	B	21	A	33	D
10	A	22	B	34	D
11	B	23	B	35	C
12	D	24	C		

General comments

Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of accounting. Many candidates possessed a good understanding of double-entry bookkeeping and were able to apply that understanding to the multiple-choice questions on this paper.

To have a clear understanding of what they are required to do in this question paper, candidates should read each question very carefully before selecting an option on the answer sheet.

Comments on specific questions

Question 1

Most candidates answered this relatively straightforward question correctly, choosing **C**. This question relates to the function of book-keeping which is to record information.

Question 2

This question asked candidates to identify definitions of assets, liabilities, and capital. This question was fairly straightforward, and most candidates answered correctly. The correct answer is **D**.

Question 5

Question 5 required candidates to identify which action is an example of double-entry book-keeping. Double-entry bookkeeping is the recording of debit and credit entries in the ledger accounts. So, the correct answer is **C**. While many candidates answered correctly, some candidates did not seem to appreciate that double-entry book-keeping involves making both a debit entry and a credit entry in the ledger accounts.

Question 7

This question tested candidates' understanding of the effect of errors on the trial balance. Discount allowed of \$900 was entered on the credit side of the trial balance instead of the debit side, and the bank overdraft of \$750 was entered on the debit side instead of the credit side. The overall effect of this is that the total of the credit side is $(900 - 2) - (750 - 2) = 300$ more than the debit side. The correct answer is **A**.

Question 9

This question required candidates to identify whether each of the two stated errors needed a debit or a credit entry in the suspense account to correct them. They then had to use this information to calculate the original balance on the suspense account. The correct answer was **B**. Some candidates found this question challenging and selected an incorrect option.

Question 18

Candidates were required to select the correct double-entry for an amount received from a trade receivable after the debt had been written off. Most candidates correctly identified that the debit entry would be to the bank account, but some incorrectly thought that the credit entry would be to the account for irrecoverable receivables. The correct answer was **A**, i.e. the correct credit entry is to the debts recovered account.

Question 19

Question 19 required candidates to calculate the total valuation for two types of inventory. The correct answer was **A**. Item P would be valued at its net realisable value, and item J would be valued at its cost. While many candidates identified that the correct valuation was therefore \$1300, some candidates selected an option based on the overall totals for cost and for net realisable value, rather than on the cost and net realisable value for each type of inventory.

Question 22

This question covered the topic of prepayments. Candidates were required to calculate the insurance charge for the year to 31 March 2023. The correct answer is **B**, i.e. $(9/12 \times 1680) + (3/12 \times 1920) = 1740$. While some candidates answered correctly, many selected an incorrect option.

Question 27

Candidates were required to select items which would be shown in the income and expenditure account for a sports club. The correct answer is **C**. Many candidates correctly identified that the depreciation and the subscriptions due would be shown in the income and expenditure account, but others selected an incorrect option. Notably, some candidates incorrectly thought that the purchase of new furniture would be shown in the income and expenditure account.

Question 28

This question covered the topics of clubs and societies. Candidates were asked to calculate the profit from a concert held by a music club. Most candidates found this question straightforward and answered correctly. The correct answer is **A**.

Question 30

This question covered the topic of incomplete records. Candidates were asked to calculate the profit for the year using the available information. This figure is arrived at as follows: opening capital + profit – drawings = closing capital.

The correct answer is **B**.

This question was quite challenging, although a significant number of candidates selected the correct option.

Question 31

Candidates were required to calculate the figure for purchases. This may be calculated as follows:
Closing trade payables + payments to credit suppliers + cash discount – opening trade payables.

So, the correct answer is **D**. While some candidates selected the correct answer, others had not carried out this calculation correctly and selected an incorrect option.

Question 32

Question 32 asked candidates to calculate return on capital employed. This required them to know what is included in the figure for 'return' and for 'capital employed'. The figure for return is profit before interest, and the figure for capital employed is the total of equity and debentures. The correct answer is **B**.

Question 33

Some candidates found Question 33 challenging. It required candidates to identify a factor which would cause the acid test ratio to decrease. The correct answer is **D**. While some candidates correctly identified this, others selected an incorrect option.

ACCOUNTING

Paper 7707/21
Paper 21

Key messages

Those candidates who had studied and had a good understanding of the topics on the syllabus were able to earn high grades. To achieve higher grades, it is necessary not only to be able to record financial information and prepare financial statements but to apply knowledge of the subject to various scenarios.

Candidates are reminded of the need to read each question very carefully before attempting an answer so that they are aware of exactly what is required and can attempt to answer the question which is being asked.

Where a question requires a figure or ratio to be calculated it is important to show calculations. Where an incorrect answer is given no marks can be awarded if there is no evidence of how that figure was arrived at: where calculations are shown it may be possible for some of the available marks to be awarded.

Most scripts were well-presented however in a few instances words and figures were not very legible meaning that marks may have been forfeited unnecessarily if the word/figure was unreadable. Some over-writing of figures also meant that there were some that were unreadable.

Some candidates required extra space to write their answers and sensibly indicated where the extra work was to be found e.g. 'See page...' or 'Continued on page....' Where a question is attempted twice the candidates should cross out the version which is to be ignored.

General comments

All the questions on the paper are compulsory so it is essential that candidates are familiar with, and have an understanding of, all the topics on the syllabus.

Double-entry records play a major part in the day-to-day records of a business so a good knowledge of this is essential. As well as the preparing of financial statements candidates must also be able to interpret the information in those statements.

It is important that the figures in the accounting records and financial statements are accompanied by appropriate words. It is also important to avoid the use of abbreviations such as COGS (for cost of goods sold), 'GP' (for gross profit) and 'BBD' (for balance).

Candidates generally seem familiar with the three five-mark questions which require them to offer advice on a particular course of action. It is essential that they read the scenario very carefully to ensure that they understand exactly what is required.

Comments on specific questions

Question 1

(a) Using the information provided, candidates were required to prepare petty cash book. High marks were earned by many candidates. However, some errors were made the most common being:

- Omission of the opening balance, or the restoration of the imprest.
- Incorrect wording in the details column.

- Including the amount from a trade receivable as either a payment or as both a receipt and a payment.
 - Including the balance carried down before the totalling of the analysis columns so that the totals of the analysis columns and the total paid column did not agree.
 - Omission of incorrect dates.
- (b) Candidates were required to prepare the ledger account of a trade payable. Most candidates were able to earn at least half of the available marks. A few candidates completely reversed the account. Some incorrectly included an item for trade discount. A significant number of candidates did not appreciate that some of the amount paid was from petty cash and was not all paid by cheque.
- (c) (i) Many candidates offered an acceptable response to the question which asked how a trader could pay suppliers from the bank account without using a cheque.
- (ii) A trader required advice on whether he should stop using cash. Candidates were expected to provide two advantages, two disadvantages and a recommendation. Many correctly discussed the advantages of the safety and time factors and the disadvantage that some customers and suppliers may prefer to use cash. Some did mention that bank charges would be incurred rather than increase (not appreciating that the trader already paid bank charges). Many candidates incorrectly believed that stopping using cash would adversely affect the liquidity of the business. Some candidates mistakenly believed that the decision was whether to buy and sell on credit or on cash terms only and discussed factors such as cash discount and irrecoverable debts.

Question 2

- (a) (i) Candidates were required to use information provided to prepare a provision for doubtful debts account. Those candidates who were familiar with this topic were able to earn goods marks, but many candidates found this question difficult. Common errors included:
- Inclusion of extraneous items such as the trade receivables at the start and end of the year.
 - Transferring the whole of the year-end provision to the income statement rather than just the increase.
- (ii) Two reasons for maintaining a provision for doubtful debts were required. Most candidates were aware that this was an application of the principle of prudence and often expanded on this rather than suggesting another reason. Incorrect responses included preventing fraud and keeping track of money owed.
- (b) The profit or loss on disposal of a non-current asset had to be calculated. There were many correct answers. Those candidates who gave an incorrect answer which was not supported by calculations automatically forfeited any marks they may have earned for the calculation. Two years' depreciation should have been deducted from the cost price to get the net book value. A common error was to use depreciation for either one or three years.
- (c) (i) Candidates were required to prepare a motor vehicles account. Many candidates found this question challenging. The asset account is maintained at cost price and the provision for depreciation is not included in that account. The cost of the asset disposed of should have been credited to the account.
- (ii) A provision for depreciation of motor vehicles account had to be prepared. This again proved to be challenging for many candidates. Common errors were:
- Inclusion of the cost price of the asset.
 - Omission of the depreciation on the asset disposed of (calculated in 2(b)).
 - Incorrect calculation of the depreciation for the year.
- (d) A table had to be completed to indicate which items in a list of payments represented capital expenditure and which represented revenue expenditure. Most candidates earned at least half of the available marks.

Question 3

- (a) Candidates had to state the double entry required to correct six errors which were discovered after the preparation of a trial balance. Those candidates who had a thorough knowledge and understanding of double entry were able to earn high marks. Common errors included:

Error 2 – not recognising that to correct the error the amount had to be doubled

Error 3 – making multiple entries such as crediting both cash and bank with \$9500 or making completely incorrect entries

Error 4 – making entries for \$137 rather than the difference between the amounts and crediting the purchases journal

- (b) A suspense account had to be prepared. Some candidates correctly entered the two errors which did affect the balancing of the trial balance (the motor expenses and the returns inwards), but also included many extraneous items and so were not able to earn the own figure mark for the original difference on the trial balance.
- (c) Using the data provided about opening capital, draft profit for the year and the errors discovered, candidates were required to calculate the closing capital. Stronger responses earned good marks, but the weaker responses included evidence to suggest that some candidates found this question challenging. Once again, it was important to show calculations. Common errors included:
- omission of either the profit for the year or the opening capital.
 - inclusion of extraneous items such as suspense account which did not affect the profit.
 - reversing the adjustments for the errors.

Question 4

- (a) Using information provided candidates had to prepare a manufacturing account. There were some good responses. Some candidates forfeited marks because of inattention to detail. Common errors included:

- Inclusion of extraneous items such as overheads in the prime cost section, office expenses in the overheads section, cost of machinery and provision for depreciation included in overheads.
- Omission of labels for cost of material used, prime cost and cost of production.
- Overheads deducted from, instead of added to, the prime cost.

- (b) The income statement of a manufacturing business had to be prepared. Many earned good marks, but others struggled. A common error was to omit either the purchases of finished goods or the cost of production (calculated in **Part (a)**). Many also listed the components of the cost of sales in the wrong order. Using the information about marking up the goods by 50 per cent candidates could calculate the gross profit and the revenue. A large number of candidates incorrectly assumed that the bank balance represented the revenue.

- (c) Candidates were required to advise a manufacturer whether he should convert some of the office space into additional factory space. Many candidates were unable to offer more than one advantage and one disadvantage. Many did understand that the factory output could be increased but did not always appreciate that this may not be able to be sold. Increased storage space, lack of meeting rooms and angry office workers were common unacceptable responses.

Question 5

- (a) The retained earnings of a limited company had to be calculated. There were many correct answers. Some incorrectly included debenture interest and share capital.

- (b) Using information provided candidates were required to prepare the statement of financial position of a limited company. Many candidates produced good answers and were able to earn high marks. Common errors included:

- Omission of the column headings for the cost, provision for depreciation and net book value of the non-current assets.

- Omission of section headings and section totals.
 - Incorrect presentation of the trade receivables and the provision for doubtful debts.
 - Inclusion of extraneous items in some of the sections, such as debenture interest, provision for depreciation and provision for doubtful debts as non-current liabilities.
 - Omission of the retained earnings (calculated in **Part (a)**)
- (c) Many candidates knew the formula for the calculation of the liquid (acid test) ratio and were able to earn full marks. Others included extraneous items such as non-current or total assets. Some did not display the answer as a ratio.
- (d)(i) Candidates were required to suggest why there was not much cash in the bank account of a company despite it making a profit. Many candidates did not appreciate that profit and cash are not necessarily equal. Incorrect responses included payment of expenses, drawings, and debenture interest.
- (ii) Advice was required on whether directors of a company should fund expansion by the issue of ordinary shares or by requesting a bank loan. Many candidates were able to provide suitable comments on each alternative and suggest a recommended course of action. Some candidates incorrectly discussed the advantages and disadvantages of only one of the alternatives.

ACCOUNTING

Paper 7707/22
Paper 22

Key messages

Papers continue to show improvement with many candidates being well prepared for the financial statements style of questions supported by a clear understanding of bookkeeping techniques. Discussion questions remain popular and generally well answered. Club and society accounts appear to be a less popular area of the syllabus and subscriptions accounts and how they relate to the income and expenditure account need to be practised more regularly.

General comments

Bookkeeping techniques require revisiting throughout the delivery of accounting courses. There is an element of understanding and application required in each of the five set questions and they attract marks accordingly. Candidates who receive a solid foundation in these techniques will usually achieve high marks in the exam.

The five-mark discussion questions need to be read carefully. There are key elements within the information given that should be explored carefully. Too often candidates will launch into a rehearsed answer to a question that is not there, or it misses the main elements required for the answer.

Comments on specific questions

Question 1

- (a) The requirement to enter transactions into a three-column cashbook is a popular activity and marks of nine and above were regularly achieved. The most common error was the uncertainty associated with the entry for the receipt of capital. Corresponding amounts were entered on both sides of the cashbook or were given an incorrect narrative such as drawings. Narratives must be for recognised account names, and descriptions such as payment to or from trade receivables are not accepted. Weaker responses did not include recognition that credit purchases do not appear in the cash book as no cash payment has been made. The act of closing-off the cash book and working out the balances needs regular practice. It is not possible to hold negative cash, and this should alert candidates that there is an error somewhere in the system. Emphasis should also be placed on why the discount total columns are treated separately and not balanced-off as in the case of the cash and bank account totals. Please check dates of all entries carefully, accuracy is very important as errors in them will cause problems for auditors as well as for gaining marks.
- (b) A basic supplier account: Two bank entries were required, the associated discount received of \$17 was regularly omitted and the two purchase invoices shown as debits or an incorrect narrative of credit purchases or even sales given.
- (c) The purchasing decision between two suppliers was reasonably well attempted. Relationship issues such as having a back-up supplier were regularly seen but the differential between cash and trade discount was rarely identified. Many candidates assumed that Tahir would be the best supplier allowing bulk purchases to be made but did not make the link that the cost of goods would be reduced.

Question 2

- (a) The entering up of the journal is important to adjust or to correct errors within manual and computerised accounting systems. Candidates generally coped well with four of the five adjustments with the common error relating to number three being loan and loan interest doubled to \$1000 and number four being an entry into the suspense account that was not required. Weaker answers sometimes only entered a single transaction for each error.
- (b) Errors one and two were often correctly identified whilst numbers three to five were frequently shown incorrectly as decreasing profit. The ability to determine the impact upon profit logically is often aided by a clear understanding of the bookkeeping required to rectify errors. Weaker answers were not totalled correctly, or the final adjusted profit figure did not agree with the total adjustments made. This answer framework is used regularly, and candidates were directed to enter the numerical amount or zero in the appropriate adjustment column. Sometimes ticks were entered demonstrating a need to read the instructions carefully.
- (c) (i) The prudence concept was answered well by referring to the effect upon profits and assets not being overstated for one mark. The expectation was that a developmental mark could be gained from a comment that related specifically to irrecoverable debts being written-off to ensure that profits or assets are not overstated. Many answers that just said 'they should be treated as an expense' lacked substance and did not fully explain how it complied with the principle.
- (ii) Most candidates again achieved one mark for recognising that transactions related to the owner's personal expenditure items such as drawings are treated separately to comply with the business entity principle. The second mark was for recognising that if this principle was not applied then profits would be understated, or capital overstated.

Question 3

- (a) Club and society accounts pose more challenges for candidates than the other types of organisations within the syllabus. The main income stream for many small clubs is a reliance upon subscriptions and therefore it is important to record them accurately using double-entry techniques. Opening balances were often entered on the wrong side or with incorrect narratives such as 'accruals' and 'prepayments and bank receipts shown as debits. Closing balances were given and these were entered correctly in most cases.

The purpose of the subscriptions account is to determine a figure for the income received that can be transferred into the income and expenditure account (not income statement) required in the next **part (b)** of this question. Many candidates produced a subscriptions account but did not understand its purpose in providing information for the financial statements of the club.

Frequently irrecoverable debts that required a calculation (four members \times \$52 each = \$208) was omitted from the subscription account leading to a balance to be transferred of \$6032 and this was rewarded with an own figure answer mark. It is important that club and society accounts are given equal importance to other organisations and practised on a similar basis.

- (b) This question followed on from **part (a)** requiring the preparation of an income and expenditure account for the 'Favourite Book Club'. The income calculated from the subscriptions account is transferred and is the start point for this statement. There were no complications such as a refreshments or shop account required, and consequently half marks were easily accessible. Common mistakes were to use the bank receipts figure of \$5356 as income or to include the closing bank balance of \$114 in addition to the bank receipts. Insurance had no adjustments made to account for payments made in advance. Subscriptions written off was often omitted from the statement, but better candidates would regularly achieve three of the four marks available.
- (c) The question posed a scenario of whether to increase subscriptions for the club as a possible way to purchase a computer to aid record keeping for members. Many answers approached this question from a business perspective and talked about customers and increasing sales. Often a simplistic approach was 'yes' to increasing subscriptions and any excess funds could be used to increase services or facilities. This was unrealistic given that the club was losing members and subscriptions in arrears had increased over the year.

A balanced approach was required, and the advantages were often not realistic and therefore the recommendation mark could not be gained. A trend of prefacing an answer such as 'if they chose to increase subscriptions' is not a decisive recommendation and similarly 'if they chose not to increase subscriptions' form part of the discussion content and a clear recommendation statement is still required.

- (d) (i) and (ii) Textbook knowledge required for both parts of (d). The receipts and payments account is a summary of the cash book for a club or society produced on an annual basis. Very few correct answers were seen. The accumulated fund was frequently described as the capital or the equivalent of capital which is incorrect. Similarly, some answers identified it as the accumulated surpluses but did not refer to deficits that may have also occurred since the club commenced its activities.

Question 4

- (a) Partnership appropriation accounts are popular with candidates and this question was very well answered. The statements produced were well presented and correctly calculated resulting in full marks for most candidates. A small number of candidates used initials instead of the full name of each partner, deducted interest upon drawings, and added interest upon capital incorrectly.
- (b) (i) The current account represents a good opportunity to gain full marks as the candidate's own figures are drawn from **part (a)** into the account. A solid grounding in bookkeeping enables the correct identification and entry of the debit items such as drawings and interest upon drawings, and the credit entries of interest on capital, salary, and the partner's share of the residual profit into the account. Weaker answers included either permanent capital or the other partners current account balances that should not appear in this account.
- (ii) Many candidates found this challenging. The answers given were either \$8194 or \$6194 with half adding and half deducting the \$1000 of loan interest from the current account balance. The reduction in profit share of \$600 due to the increase in loan interest was completely overlooked.
- (c) There were a range of answers given here many that were already listed in the question. Responsibilities for decision making and the limit on partners drawings were popular but seldom combined to gain both marks. The percentage paid on loans was an incorrect answer often seen as this did not specify the partner contributing the loan.
- (d) The consideration of changing a partnership into a limited company was well attempted with standard advantages such as limited liability and separate legal entity being popular answers. A key point in this question was the fact that the two partners would be the only shareholders in the company. This was missed by many and discussions of selling additional shares to the public or family and the possible loss of control and sharing dividends were not applicable to this scenario.

Question 5

- (a) 5 (a) presented candidates with a trial balance that required correcting. The identification of debit and credit balances from ledger accounts and transferring them into a trial balance is a fundamental exercise for checking the accuracy of double entry bookkeeping. Errors ranged from the reversal of entries and to putting two entries on the same side for example fittings at cost and the provision for depreciation of fittings as both debit entries. Similarly, the inclusion of both inventory figures or their difference were incorrect. There was also a lack of awareness that if a trial balance has a difference upon completion, it is a standard technique to insert a suspense account balance that can be resolved once errors have been identified at a later stage. This information is used in the following part (b) of this question and this approach of deriving a suspense account balance followed by its elimination of errors should be practised regularly.
- (b) The suspense account and its purpose can pose problems at times especially for candidates who may not have appreciated the importance of accurate double entry record keeping. Narratives are important as error corrections are made into the relevant accounts. Often balances derived from **part (a)** were brought in as a 'Balance b/d.' This is incorrect and should be shown as 'Trial balance difference'. Most candidates achieved between one or two marks but there were weaker responses that included the assumption that all error entries will pass through the suspense account as in this question, it is important to emphasise this is **not** always the case.

- (c) The trading account required for four marks was very straightforward and on average most candidates gained three of the four marks available. If any errors were made it was in the incorrect order of the calculation, for example starting with purchases followed by the inventory adjustment or the omission of carriage inwards to determine the actual cost of sales. There were some examples of the trading account being followed by the operating expenses and the completion of the account down to profit for the year. This was not required and was a waste of valuable time and emphasises the need to read the instructions in the question carefully.
- (d) The calculation of a gross profit margin figure based upon the trading account section from **part (c)** was relatively straightforward. However, even with correct or own figure information available candidates sometimes incorrectly selected the revenue instead of the net revenue figure (revenue less any returns inwards). Calculations were required to two decimal places and the gross margin expressed as a per cent. Easy marks are frequently missed due to not reading instructions carefully.
- (e) As mentioned earlier in the general comments there are key words in the discussion questions that should be included and developed within a structured answer. In this instance Hector owns his business premises, had a similar gross profit margin to Amadi, but a slightly higher profit margin. Most candidates completely missed this aspect and made no reference to the expectation that a competitor in the same type of business would have similar margins. The difference in the operating expenses and levels of rent payable or maintenance costs were not considered.