

PRINCIPLES OF ACCOUNTS

Paper 7110/11

Paper 11

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

Key Messages

A good knowledge of the subject enabled many candidates to use that knowledge and apply it to the situations described in the items. It is essential that candidates taking an examination at this level have a thorough knowledge and understanding of double entry book-keeping. Those candidates who had such knowledge and understanding were able to gain higher marks.

Candidates are reminded that it is essential to read each item very carefully before attempting an answer. This ensures that an important word, phrase or figure is not overlooked.

General Comments

The mean mark was 13.09 and the standard deviation was 4.74. There were only three items which proved to be more difficult than anticipated. All the items were within the scope of the syllabus.

Comments on Specific Questions

Item 2

This should have been a relatively straightforward item. It was expected that candidates would correctly calculate the difference between the assets and the liabilities as \$19 000. It was surprising that the majority of candidates appear to have included the bank overdraft as an asset rather than a liability.

Item 3

This item required knowledge of double entry book-keeping as well as an understanding of the division of the ledger. Many candidates understood that the sales account had to be credited and the account of Zafar had to be debited, but some candidates did not appreciate that the sales account is included in the general ledger and the account of the customer appears in the sales ledger.

Item 6

The discount column on the debit side of a cash book represents discount allowed. This is totalled at the end of the month and the total debit to the discount allowed account in the ledger. The individual accounts of customers who have been allowed discount are credited.

Item 7

The cash book would show a large overdraft than the bank statement because of the cheques not presented: it would show a smaller overdraft than the bank statement because of the amounts not credited. The cash book would show a debit balance of \$60.

Item 8

It was expected that candidates would understand that this was an account in Abdul's ledger so that all transactions were recorded from Abdul's viewpoint. A credit balance on a personal account represents money owed by Abdul.

Item 9

It was expected that candidates would know how to calculate the rent for the year. Many candidates incorrectly believed that the opening accrual should be added to the amount paid. To calculate the amount relating to the current financial year both the opening accrual and the closing prepayment should be deducted. Even though these amounts were paid during the current year they relate to other financial years.

Item 10

It was expected that candidates would know that an accrued expense appears as a credit balance in the ledger account and is a current liability in the statement of financial position.

Item 11

Most candidates understood that the amount to be charged to the income statement was \$2000, but only those who had a thorough knowledge of double entry selected A as the key.

Item 12

It was anticipated that candidates would recognise that the proceeds of sale of a motor vehicle was a capital receipt and that the other two items were revenue receipts.

Item 13

If motor repairs were debited to the motor vehicles account in error, the non-current assets would be overstated. By omitting the repairs the expenses were understated, so the profit for the year would be overstated.

Item 16

Reading the item carefully, candidates would have noted that the question was about preparing a sales ledger control account. A significant number seemed to associate the words “contra entries” with cash books, forgetting that contra items can also occur in control accounts. Information for a control account comes from books of prime entry so options C and D could be discarded immediately.

Item 20

This required candidates to calculate the fees received for a particular financial year. The opening accrual should have been deducted from the amount received during the year and the closing accrual should have been added.

Item 22

A significant number of candidates appear to have compared the original profit of \$24 000 with the total profit available for distribution of \$40 000. Clear’s total income from the partnership would be \$30 000 (salary of \$10 000 plus \$20 000 share of profit), so his income would increase by \$6 000.

Item 23

If subscriptions were unpaid they would not appear in the receipts and payments account. They would be included in the subscriptions for the year in the income and expenditure account and would appear as an asset in the statement of financial position.

Item 24

The key was selected by many candidates. Candidates should understand that when a business has not maintained a set of double entry accounting records a statement of financial position cannot be prepared and a statement of affairs is prepared instead.

Item 25

Many candidates appeared to be unsure of how to calculate credit purchases. Preparing a “T” account may have assisted in the calculation. The amounts paid and the discount received would be on the debit side and the cash refunds on the credit side. Any figures could be taken for the balances provided there was a difference of \$670. So assuming that the opening balance was \$1000 and the closing balance \$1670. The purchases were \$6390.

Item 26

A significant number of candidates appear to have correctly calculated the retained earnings for the year, but omitted to add the opening retained earnings to arrive at the total retained earnings at the end of the year.

Item 27

The net pay of an employee had to be calculated. The gross pay of \$1000 should have been reduced by \$100 for social security contribution (10% of \$1000) and by \$200 for income tax (20% of \$1000) making a net pay of \$700. The employer’s social security contribution does not affect the employee’s net pay.

PRINCIPLES OF ACCOUNTS

Paper 7110/12

Paper 12

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

Key Messages

A good knowledge of the subject enabled many candidates to use that knowledge and apply it to the situations described in the items. It is essential that candidates taking an examination at this level have a thorough knowledge and understanding of double entry book-keeping. Those candidates who had such knowledge and understanding were able to gain higher marks.

Candidates are reminded that it is essential to read each item very carefully before attempting an answer. This ensures that an important word, phrase or figure is not overlooked.

General Comments

The mean mark was 19.24 and the standard deviation was 6.12. All the items were within the scope of the syllabus.

Comments on Specific Questions

Item 2

This item required knowledge of double entry book-keeping as well as an understanding of the division of the ledger. 78% candidates understood that the sales account had to be credited and the account of Zafar had to be debited, but 21% candidates did not appreciate that the sales account is included in the general ledger and the account of the customer appears in the sales ledger.

Item 6

The key was selected by 57% candidates. Unpresented cheques do not appear on a bank statement as the bank has no knowledge of these cheques because they have not yet been paid into the bank by the payees.

Item 7

Many candidates selected the key. It was expected that candidates would understand that this was an account in Mary's ledger so that all transactions were recorded from Mary's viewpoint. A debit balance on a personal account represents money owed to Mary.

Item 8

Only 51% candidates selected the key. The other candidates seemed unsure about the effect of errors on a trial balance. The first error would not affect the trial balance as the incorrect figure was entered on both sides of the ledger. The second error was an error of omission so the trial balance was unaffected. The fourth error was an error of principle so the trial balance would still balance. The third error resulted in two credit entries, so the trial balance would not balance.

Item 9

Most of the candidates understood that the expense for the year was \$43 900. Many candidates who had a thorough knowledge of double entry correctly selected B as the key.

Item 10

It was expected that candidates would know that an accrued expense appears as a credit balance in the ledger account and is a current liability in the statement of financial position.

Item 11

Most of the candidates appreciated that the double entry would be income statement and provision for doubtful debts. Many understood the double entries required to reduce a provision and correctly selected D as the key.

Item 14

The difference between the net book value and the proceeds of sale was correctly calculated as \$800 by most candidates, of which the majority understood that this represented a loss on disposal.

Item 15

This item required a thorough knowledge of double entry book-keeping. Candidates who possessed such knowledge correctly selected B as the key. If a transaction is entered on twice on the credit side the trial balance totals will differ by twice the amount of the error.

Item 16

Half of the candidates correctly selected the key. Totals from the books of prime (original) entry are used to prepare a control account, not the other way round.

Item 18

It was anticipated that the majority of candidates would select the key, C. This is a very basic accounting principle and it was expected that the majority of candidates would be aware of this principle.

Item 19

The key was selected by only a few candidates. Goods taken for personal use reduces the purchases. If these are not recorded the purchases is overstated, so the profit is understated. There is no effect on the capital employed as both the drawings and the profit are understated.

Item 20

A sound understanding of ledger accounts enabled candidates to select the key, C. A debit balance on a current account indicates that this is an amount owing to the business by the partner, which occurs as a result of the drawings exceeding the partner's total profit share.

Item 23

The majority of candidates incorrectly selected C as the key. Preference shareholders receive a fixed dividend but the percentage is based on the face value of the shared: it is not a percentage of the profit.

Item 29

A significant number incorrectly selected A. It was expected that candidates would understand that the principle described was about matching the costs and the income for the same period (the matching/accruals principle). The accounting year principle ensures that the life of the business is divided into accounting periods (usually years) so that the progress of the business can be measured at regular intervals.

PRINCIPLES OF ACCOUNTS

Paper 7110/21

Paper 21

General Comments

It was evident on the basis of the responses to certain questions that candidates had not prepared adequately for the examination. A comprehensive coverage of the syllabus is essential if success in the examination is to be achieved.

Comments on Specific Questions

Question 1

- (a) The majority of candidates correctly totalled the credit column of the trial balance; however, many candidates were unable to determine that the required balancing figure on the debit column was a suspense account figure.
- (b) Most candidates performed well on this part as many correct journal entries were seen.
- (c) A good response overall. The main challenge for candidates was the identification of the required source documents.

Question 2

- (a)–(b) Many candidates did not perform well on this part. Most candidates were able to correctly enter appropriate items in the accounts, e.g. bad debts. However, the determination of the required purchases and sales figures was only achieved by a few candidates.
- (c) The responses reflected (a) and (b) above, i.e. purchases and sales figures were not brought forward, often only the cash sales figure was seen. The majority of the marks were awarded for the expense items only.
- (d) Many candidates provided reasonable responses. However, some candidates showed that they had not adequately prepared the topic as the responses were not relevant to ICT.

Question 3

- (a) Performance of candidates varied on this part. Many candidates arrived at some of the required figures, but did not complete the statement of changes in equity. Some candidates did not respond to this part of the question.
- (b) There was evidence of candidates misunderstanding the question requirement. The request was for a statement of financial position. Many candidates endeavoured to prepare an income statement.
- (c) Many candidates were able to give only a partial aspect of difference between preference shares and debentures.
- (d) Candidates provided a minimal response to this part of the question.
- (e) Most candidates were able to provide a reasonable response. However, there was evidence of a lack of appreciation of international accounting standards by many candidates.

Question 4

- (a) (i)–(ii) The calculation of the required figures was not achieved by many candidates.
- (b) The required ratios were well recognised by many candidates, but, often only partial marks were awarded due to an inability to relate the figures from (a) (i) & (ii) above.
- (c) Basic comments based on the candidates own figures from (b) above were seen, e.g. an increase on the return of capital. Only a minority were able to take this further, e.g. an efficient use of funds.
- (d) Performance of candidates varied. The responses from some candidates indicated that the candidates had not adequately prepared for these concepts.

Question 5

This question evidenced overall a very good response.

- (a) Most candidates performed well on this part. Common errors included
- The inclusion of factory overhead figures with direct costs,
 - The inclusion of expense items in the factory overheads.
- (b) Again most candidates provided good responses. Common errors included:
- Being unable to include the production cost figure from (a) in the trading section.
 - The inclusion of factory overheads with expenses, e.g. depreciation of factory machinery.
 - Incorrectly calculating the adjustment figure for the provision for doubtful debts.
- (c) Candidates provided good responses. The main errors were:
- Not including all of the inventory items.
 - Utilising the original figure for doubtful debts and not an adjusted figure.
 - The omission of the prepaid and accruals values.



PRINCIPLES OF ACCOUNTS

Paper 7110/22

Paper 22

General Comments

Many candidates did not present the ledger accounts appropriately. The word balance, or the abbreviation bal needed to be shown. Candidates often only stated b/d, c/d or c/f, b/f. This was not adequate for the award of a mark either where the correct figure was shown, or, where the own figure rule was applied.

Comments on Specific Questions

Question 1

- (a) Answers varied on this part. The identification of the appropriate source document for a transaction and determining the effect on the owner's capital were often not identified correctly. For example, on the April 19 transaction wages sheet or payroll was rarely seen. Also this transaction was the only one where the effect on owner's capital was consistently shown correctly.
- (b)–(c) Although many candidates showed correct dates and also provided the correct narratives, some candidates showed a lack of practice in preparing ledger accounts. The general comment above is also pertinent.

Question 2

- (a)–(b) Most candidates performed well on this and there were many good answers. The majority of candidates were able to correctly define depreciation and were, in general, aware of how this would apply to a computer.
- (c) Responses of candidates on this part were mixed. Only a minority of candidates were able to present all the correct figures.
- (d) The response to both the accounts was in general poor. It was evident that minimal attention had been given to preparing and practicing the required entries to non-current asset accounts and particularly the provision for depreciation account. The general comment above is again relevant.
- (e) The majority of candidates identified accruals/matching as an appropriate concept. However, going concern was seen less often.

Question 3

- (a) The comments above relating to ledger accounts apply again. Very few fully correct solutions were seen. The mark for a transfer to the income and expenditure account was often only awarded on an own figure rule basis. The bad debts figure was rarely seen. Also, regarding balances brought down the terms, prepaid or accruals was not adequate.
- (b) In general there were reasonable answers. The main omission was correctly calculating the rent and other operating expenses. Practice in the preparation of this account was evident.
- (c) Answers to this part varied. Many candidates treated the subscriptions in advance and in arrears incorrectly. Also the word loss instead of deficit was often seen.

Question 4

- (a) This was generally well done as many fully correct answers were seen.
- (b) This was also well answered. The majority of candidates calculated the required answers even when utilising their own figures from (a) where appropriate. Some candidates did not show a calculation to two decimal places, or, utilised an appropriate descriptor, e.g. times.
- (c) The majority of candidates were able to make a basic comment, e.g. return on capital employed has increased, however, very few candidates were able to comment further, e.g. that the increase in return on capital employed may be due to cutting or controlling expenses.

Question 5

Majority of candidates prepared good to excellent answers. However, reliance on this question without the support of marks from other questions on the paper will not ensure the level of success with regard to the grade awarded.

- (a) The main errors were:
- The use of abbreviations, e.g. GP and not gross profit in full.
 - Including the \$550 cheque payment in purchases or the profit and loss section.
 - Not calculating the depreciation figures or the provision for doubtful debts correctly.
 - Deducting interest on drawings instead of adding it.
- (b) The main error was:
- Omitting the word balance or bal where appropriate, b/d or c/d will not suffice.
- (c) The main errors were:
- Not making adjustments to trade payables and the bank overdraft.
 - Not sub totalling the capital account and current account figures.
 - Merging capital and current account figures.
 - Adjusting capital total with profit and drawings figures, even where current accounts in (b) had been prepared correctly.