

PRINCIPLES OF ACCOUNTS

Paper 7110/01
Multiple Choice

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

General comments

There were 19041 candidates (compared to 19265 in November 2008). The mean mark was 14.9 (compared to 14.8 in November 2008) and the standard deviation was 5.2 (compared to 5.7 in November 2008).

When compared to the target accessibility range of 25-80%, three items proved to be easier than anticipated and one item proved to be slightly more difficult than expected. All the items were within the scope of the syllabus.

The statistics reveal that some candidates do not fully understand some of the basic principles of accounting such as the difference between assets and liabilities, double entry, business documents, trial balances, and so on.

Comments on specific items

Item 2

This proved to be slightly more difficult than anticipated. This should have been a relatively straightforward item. 44% incorrectly treated the loan to Davinder as a liability rather than as asset and 26% treated debtors as a liability and creditors as an asset.

Item 3

The key, A, was selected by 44%. The selection of the other options indicates some degree of uncertainty. It was expected that candidates would know the double entry for cash sales.



Item 4

51% correctly selected the key, C. The statistics indicate a lack of understanding of the names and purposes of business documents.

Item 6

It was disappointing that 54% incorrectly selected A. It may be that these candidates did not read the question carefully as they treated the money withdrawn from bank as being withdrawn from the cash.

Item 7

89% recognised that uncredited cheques and unpresented deposits would have the opposite effect on the bank balance, but 33% incorrectly selected option B.

Item 8

Whilst 48% selected the key, A, 44% selected options B and C. This should have been an easy item. Candidates should have recognised that a debit balance of \$350 would be reduced by \$75 on receipt of a cheque from the debtor.

Items 9 and 10

These were both on the topic of trial balances.

Item 9 was expected to be an easy item.

In **Item 10** the statistics indicate a substantial amount of guesswork. Candidates may be able to list the errors affecting the balancing of a trial balance, but many are unable to apply these to given situations.

Items 11, 12 and 14

These all involved double entry items. In all cases the majority knew the accounts or amounts involved, but were unable to give the correct entries in the ledger accounts.

Items 15 and 16

These were both on the topic of control accounts.

In **Item 15** it was disappointing that 36% believed the purpose of control accounts to be the calculation of sales. Firstly, only credit sales (not total sales) appear in a control account. More importantly, a control account is used as a checking device for the sales ledger. Goods sold on credit will have been debited in the sales ledger. In a single-entry situation a total debtors' account may be used as a tool to find the credit sales, but this is not the same as a control account.

In **Item 16** the lack of understanding of double entry principles caused many candidates to select the wrong option.

Item 20

It was anticipated that candidates would know that the total of the expenses plus the net profit would equal the fee income. Candidates selecting options A and D incorrectly included debtors in the calculation, and candidates selecting option B included both debtors and creditors.

Item 21

Only 26% correctly selected the key, C. 38% simply shared the net profit 3:2. 30% correctly deducted the partner's salary before sharing the residual profit 3:2, but forgot that the salary would also be credited in Basil's current account along with the share of profit.



Item 22

It was expected that the majority of candidates would know that subscriptions received in advance from members are a liability to a club and that subscriptions owing by members and stock of refreshments are an asset to a club.

Item 28

68% realised that the change in the overheads would affect the net profit/sales ratio, but it was disappointing that 26% believed an increase in overheads would improve the net profit ratio.

Item 30

It was expected that the majority of candidates would select the key, B. Once again, many candidates demonstrated a lack of an understanding of basic accounting rules.



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Paper 7110/02

Paper 2

GENERAL COMMENTS

It is evident that some centres are not providing a sufficient coverage of double entry procedures to enable candidates to respond adequately to questions. Again, the reliance on the final accounts question to obtain marks was apparent.

QUESTION 1

- (a) A mixed response. Candidates confused trade discount and cash discount.
- (b) Again a mixed response. The documents involved were not recognised by many candidates.
- (c) The general comment about double entry procedures applies here. Candidates did not show a good understanding of ledger account preparation. What should have been a reasonable question for a well-prepared candidate was often poorly answered. Double entry is an essential topic and candidates should be well practiced in its application. Marks are awarded for an appropriate narrative with the correct debit or credit entry; candidates often lost marks due to incorrect narratives, even though the figure was entered correctly.

QUESTION 2

- (a) and (b) Good answers overall. The implication of the term depreciation and the reasons behind the requirement to calculate an appropriate figure were provided by the majority of candidates.
- (c) Again, many candidates showed a lack of understanding of double entry when preparing the journal entries. Only a minority of candidates were able to fully answer this part of the question correctly. Practice is essential if candidates are to improve in this area.
- (d) The key word in the question is 'application'. Many candidates simply stated a basic understanding of the accruals concept. Only a minority of candidates were able to state that the concept requires that costs used up, or partly used up, should be matched with the income the items generate.
- (e) Many candidates were able to state the appropriate method required, but were unable to provide an adequate reason why the chosen method should be applied.
- (f) and (g) Overall this part of the question was well answered. The calculation of time and a half caused problems for some candidates.

QUESTION 3

- (a) There were good responses for the similarities. The fact that both had no voting rights, or were paid a fixed percentage income were the most common answers. When it came to discussing the differences many candidates confused the application of interest or dividends with the return earned by each investment.
- (b) The presentation of the appropriation account was poor. Once more it was evident that candidates had not been given adequate practice in order to respond to this requirement. Candidates failed to adjust the given figure of net profit for debenture interest. Dividends were miscalculated and narratives to identify interim and final dividends were not given. Attempts to provide a balance sheet which listed authorised and issued share capital indicated that the topic had not been fully covered by some centres.



- (c) Responses varied between centres. Very few candidates understood the function of a general reserve. The difference between the reserve and cash flow was not appreciated, i.e. a number of candidates proposed it could be used to pay creditors or buy stock. The point that the transfer from profits was to be retained in the business was not recognised.
- (d) Candidates did not link the given holding of shares in the question, i.e. 1,500 of \$0.50, to the dividends, interim and final, paid when calculating the income figure. The majority of candidates correctly calculated the income on debentures.

QUESTION 4

- (a) (i) to (iv) These parts of the question were very well answered. Many candidates obtained full marks.
- (b) Candidates failed to read the question. The requirement to compare the Easisell results with the results of a competitor was missed. Also, a number of answers proposed that Easisell had provided more up-to-date information suggesting the management were now more effective.

QUESTION 5

As in previous examinations this question produced many good responses.

Points to note:

- (a)
- The deduction of drawings, \$4000, from purchases figure was often missed.
 - The fixtures bought, \$4000, were added to the purchases.
 - The rent received was shown as an expense.
 - The correct figure of depreciation, \$3400, was rarely calculated correctly.
 - Drawings were entered in the appropriation account.
- (b)
- The figure of fixed assets was given as \$28 000, i.e. the point was missed that the £4000 was already included in the trial balance figure of \$24 000.
 - The provision for doubtful debts figure, \$800, was often incorrectly calculated.
 - The rent receivable was often shown as a current liability.
 - Although current accounts were often correctly prepared, candidates proceeded to add the net profit to the capital figure. Drawings were also deducted from the capital figure.
 - In the current accounts a common error was a failure to adjust the drawings figure of Paul, i.e. \$11 000 + \$4000.

