

# Examiners' Report

## June 2016

### IAL Accounting WAC11 01

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## Introduction

This was the first offering of the New Specification IAL Accounting syllabus.

Candidates coped well with the new expanded evaluation sections of each question and it was noticeable that centres had taken notice of the examiners advice through the numerous training sessions undertaken. Candidates generally considered a range of options for and against but reached a reasoned conclusion to the scenarios set.

There were considerably more strengths than weaknesses in candidates responses, but areas where further work might be undertaken to facilitate improvement were:

The double entry for non-current assets and provisions for depreciation as seen in question 4 still causes candidates difficulty. It was also noted that the narrations for balance b/d or balance c/d were sometimes inappropriately abbreviated. The examiners will not accept b/d or c/d as the only narrative, therefore a few candidates lost a considerable number of marks. This point has been highlighted on many previous examiners reports and had improved, but in this examination there was some deterioration

Candidates are still not familiar with the meaning of the categories of cost and in particular the difference between semi-fixed and semi-variable cost. Candidates are also uncertain when preparing a cost of manufacture or job quotation showing the total cost of manufacture and the cost per unit. It is common place for candidates to omit either the direct labour cost or overhead cost.

This report continues to raise points on each of the six questions together with examples of candidates responses. The responses have been selected as typical responses which will demonstrate various points and also enable centres to see how the range of marks was awarded.

## **Question 1**

The question was well answered by most candidates who prepared accurate income statements and partnership current accounts. There were no common errors, but when an error did occur it was generally the calculation of the interest on the loan from Azlina or the depreciation on the non-current assets.

The financial position statement was prepared in good format and accurately. The only common error was to record the loan from Azlina in the non-current assets, although this loan had to be repaid within the year.

The identification of the proposed expenditures as capital expenditure or revenue expenditure was generally accurate. There was not any one particular expenditure which caused a large number of candidates difficulty.

The evaluation was generally well addressed. A wide range of arguments were proposed for and against the expenditure proposal with a conclusion reached.

1 (a) Prepare for the partnership the:

(i) Statement of Profit or Loss and Other Comprehensive Income (including an appropriation section) for the year ended 31 March 2016

Azlinq and Siti

(18)

Statement of profit comprehensive income and appropriation account for the year ended 31st March 2016

	£	£	£
Revenue			111 300
(-) Cost of sales:			
Opening inventory		19 500	
+ Purchases		54 000	
		<u>73 500</u>	
(-) Returns outwards		<u>(1 700)</u>	
		71 800	
(-) Closing inventory		<u>(13 800)</u>	(58 000)
Gross profit			59 300
+ Incomes:			
Commission receivables			900
			<u>60 200</u>
(-) Expenses:			
Depreciation on delivery vehicles ( $(12 000 - 8 400) \times 25\%$ )		900	
Depreciation on fixtures and fittings ( $14 000 \times 10\%$ )		1 400	
8% <del>loan</del> interest on loan from Azlina		1 600	
5% Bank loan interest		2 000	

	£	£	£
Rates (4750-250)		4500	
Wages and salaries (24500-10000)		14500	
Electricity and water (8150+600)		8750	
Sundry expenses		10300	
Increase in <sup>allowance</sup> (provision) for doubtful debts (300-180)		120	(44070)
Profit for the year			16130
c-) Interest on capital:			
Azlina		2500	
Siti		1250	(3750)
c-) Salaries: Azlina		5000	
Siti		5000	(10000)
			2380
Share of profit: Azlina		1190	
Siti		1190	2380 (+90)
			0

(ii) Current accounts of the partners for the year ended 31 March 2016

10290 (6)

Current a/c  
~~Capital~~

	Azlina £	Siti £		Azlina £	Siti £
Balance b/d	400		Balance b/d		200
Salaries	5000	5000	Share of profit	1190	1190
Drawings	4000	1500	Interest on capital	2500	1250
			Interest on loan	1600	-
			Salaries	5000	5000
Balance c/d	890	1140			
	10290	7640		10290	7640
			Balance wd	890	1140

## (iii) Statement of Financial Position at 31 March 2016.

2014  
1 Jan - 31 Dec  
2014  
1 Jan - 31 Dec (14)

Azlina and Siti

Statement of financial position as at 31<sup>st</sup> March 2016

	Cost £	Depreciation £	Net Book Value £
<b>Non-current assets:</b>			
Freehold premises	128 000	-	128 000
Delivery vehicles	12 000	(9 300)	2 700
Fixtures and fittings	14 000	(7 000)	7 000
	<u>154 000</u>	<u>(16 300)</u>	<u>137 700</u>
<b>Current assets:</b>			
Inventory		13 800	
Trade receivables	7 500		
c-) Provision for doubtful debts	(300)	7 200	
Other receivables: Rates prepaid		250	2 1250
Total Assets			<u>158 950</u>
<b>Equity &amp; liabilities:</b>			
Capital a/c : Azlina		50 000	
Siti		25 000	75 000
Current a/c: Azlina		890	
Siti		1 140	2 030
			<u>72 970</u>
<b>Non-current liabilities:</b>			
Loan from Azlina		20 000	
Loan from Bank		40 000	60 000



Current liabilities:		
Trade payables	9800	
Other payables: Electricity owing	600	
<del>8% interest on loan from</del>		
Bank overdraft Azlina	9520	19920
<del>Total liabilities</del>		<del>19920</del>
8% Loan interest from Azlina accrued	1600	18
5% <sup>Bank</sup> loan interest	2000	23520
<del>Bank</del>		<del>18640</del>
Bank overdraft	9520	33040
Total liabilities		166010

Capital a/c

	Azlina £	Siti £	Azlina £	Siti £
Loan			Balance b/d	50000
				25000

(b) State whether **each** of the proposals in the source booklet is **capital expenditure** or **revenue expenditure**.

(5)

1 Capital expenditure

2 Revenue expenditure

3 Revenue expenditure

4 Revenue expenditure

5 Capital expenditure

(c) Evaluate whether Azlina and Siti should expand their business.

(12)

For expansion: When Azlina and Siti expand their business, there is a higher chance of gaining more sales which would increase profit. When profit increases they will both enjoy a higher amount of profit.

Secondly, when they expand, they are likely to gain a better reputation. This will attract more customers and there is a chance of greater customer loyalty as well.

Thirdly, it would attract others to invest in their <sup>business</sup> partnerships. They may admit another partner which would increase the resources of the business and skills as well.

Against: However, it would be extremely costly to expand. It would take a lot of time to cover the expenses/costs of expansion. So, losses might be made.

Moreover, they will have to take out a loan again which means interest will have to be paid and this will lead to outflow of cash from the business.

Furthermore, they may not be able to maintain the close relationship with the customers. The quality might not be maintained and this could lead to loss of customers.

In conclusion, expansion could lead to higher sales and profits. So, it could be good for the partnership.

(Total for Question 1 = 55 marks)



This candidate's work was well received by the examiners. The income statement is accurate, with the correct structure, and arrived at the correct residue of profit. Therefore, the full 18 marks were awarded for this section.

The current accounts were complete and accurate so the full 6 marks were awarded for this section.

The financial position statement was correct with the exception that the loan from Azlina was recorded as a non-current asset. Therefore 13 marks were awarded.

The expenditures were all correctly identified as capital or revenue so all 5 marks were awarded.

The evaluation considered some positive points particularly improvements in reputation which would bring more customers and investors. Negative points were also addressed, the cost and the need for more loans. A conclusion was provided but the rationale for that conclusion was limited. The candidate was awarded 10 marks of the 12 marks available.

## **Question 2**

The manufacturing account was generally well presented and accurately calculated. The most common error was the omission of the headings, cost of raw materials consumed, production cost, profit on manufacture and transfer to trading account.

The provision for unrealised profit on manufactured goods was often not attempted and there were few correct answers. However, responses to the manufacturing wages account were of a far better standard and there were many correct answers.

Identification of the accounting concepts which would be breached acted as a discriminator between candidates. Most candidates identified money measurement for Proposal 1 and many identified business entity for Proposal 4. The remaining proposals received a full range of answers – many of them incorrect. Where the correct concept was identified, the application to the scenario set was good.

The evaluation was generally good, candidates were aware of international accounting standards their points for and their limitations.

2 (a) Prepare, for the year ended 30 April 2016, the:

(i) Manufacturing Account

(21)

Manufacturing Account	£	£
<u>Direct materials</u>		
Opening inventory	23400	
(+) Purchases	97800	
(+) Carriage inwards	8450	
(-) Closing inventory	<u>(16950)</u>	
Cost of materials consumed		112700
<u>Direct expenses</u>		
Manufacturing wages (81400 + 2600)	84000	
Factory consumables	<u>35300</u>	<u>119300</u>
Prime Cost		232000
<u>Factory Overheads</u>		
Production management salary	59500	
Provision for depreciation:		
Manufacturing equipment (280000 - 160000 × 70%)	240000	
Computing equipment (150000 - 90000 × 30% × 60%)	10800	
Computing technician wages (40000 × 60%)	24000	
Factory consumables	9900	
Rent and rates (16000 × 7.5%)	12000	
Electricity and water charges (15000 × 7.5%)	11700 <del>11250</del>	
General expenses (21000 × 1/2)	10500	
Property maintenance expenses	<u>9600</u>	<u>172000</u>
		404000



(ii) Provision for Unrealised Profit on Manufactured Goods Account

(5)

	f		f
		Balance b/d	12000
		Income statement	67600
Balance c/d	79600		
	<u>79600</u>		<u>79600</u>
		Balance b/d	79600

(iii) Manufacturing Wages Account.

(5)

	f		f
<del>Balance b</del>			
Bank	81400	Manufacturing account	84000
Balance c/d	2600		
	<u>84000</u>		<u>84000</u>
		Balance b/d	2600



(b) State, giving reasons for your answer, an accounting principle or concept that would **not** be complied with if **each** of the proposals 1, 2, 3 and 4 were introduced.

(12)

Proposal 1

Money measurement concept

Because <sup>the concept</sup> it says only transactions which can be expressed in monetary terms can be shown in the book. We cannot value the skill of the workforce.

~~Proposal 2 Historical cost concept. It says non-current assets should be recorded on the price it was purchased, not the market value.~~  
~~Prudence concept.~~

~~This concept says not to over-state or under-state the profit. If unrealised are not shown in books, profit calculation is distorted, it may give a lower value or a higher value for profit.~~

Proposal 3

Prudence concept

It says not to over state or under state profit. If unrealised profits are not shown, the profit calculation is distorted. It may give a lower or a higher value for profit.

Proposal 4

Accounting Entity. The transactions of the owner must be kept separated from business transactions, hence cannot be shown in the Statement of profit or loss.

→ Going concern. The business will continue for a foreseeable future, so only costs for that accounting period can be charged. So, the value of non-current asset has to be divided among its useful life.

(c) Evaluate the use of International Accounting Standards (IAS) in the preparation of financial statements.

(12)

International accounting standards are the accounting rules accepted all over the world.

Advantages: It will give a more realistic and accurate calculation of the financial accounts. So, the accounts can be easily relied upon.

And, it will be possible to compare the accounts of businesses in different countries as they use the same standards for calculation. Comparison can be made between the previous years accounts of the same business too.

Moreover, it is important to follow the IAS for legal requirements like when paying tax. And banks will accept financial statements prepared according to it.

### Disadvantages

Expertise is needed to prepare accounts according to the IAS. So, either the owner has to gain knowledge or he has to get the help from a professional accountant which costs money and time.

And it is complicated. Preparing financial statements according to IAS standards is not easy.

### Conclusion:

It is better to follow IAS when preparing financial statements when preparing for legal requirements, and for better comparison.

(Total for Question 2 = 55 marks)



This candidate's response was excellent. The manufacturing account is accurate and correctly labelled so the full 21 marks were awarded.

The provision for unrealised profit on manufactured goods account was presented in the correct format but the calculation of the adjusting figure was incorrect so 4 marks only were awarded. The manufacturing wages account was correct, therefore the full 5 marks were awarded.

The candidate correctly identified the correct concept in Proposals 1, 2 and 4 and there was some explanation. Therefore 2 marks were awarded for each concept making 6 marks in total.

The evaluation raised a number of favourable points, accuracy of profit, acceptance by financial institutions, valid comparison of results. The point against was the expertise required to facilitate the use. The conclusion was deduced from the evidence and some rationale for that conclusion was made from the evidence presented, but this could have been stronger. The examiners awarded 11 marks of the 12 marks available.

(c) Evaluate the use of International Accounting Standards (IAS) in the preparation of financial statements.

(12)

### In favour of use of IAS

- \* It helps to get the accurate figures of profit and financial position.
- \* Could compare with other similar types of businesses.

### Against use of IAS

- \* It requires a certain level of knowledge to understand it.
- \* An accountant may have to be hired to prepare the financial statements, so it increases the costs.



### **ResultsPlus** Examiner Comments

This example is typical of many candidates work seen by examiners.

The answer is in bullet point format and this is quite acceptable and we do not discourage this. Financial information provided to stakeholders will quite often be best presented in bullet point format.

However, even though in bullet points there is still the requirement for the candidate to firstly, adequately explain the point being made. Secondly, there is still the requirement for a conclusion together with a rationale for that conclusion.

Here the candidate does make the positive points about accuracy of results and the ability to compare results. On the negative side the cost of an accountant is required to implement.

The answer provides basic points without any development. There is also no conclusion to the evaluation. The examiners therefore awarded 6 marks for a limited response.

### Question 3

This was an addition to the specification requiring the candidate to project forward using given information.

The question was generally well answered by candidates. Parts (a) and (b) were accurate and formed a firm basis for the remainder of the question .

In part (c) the calculation of the revenue, depreciation and interest on loan were the most common errors of calculation.

Part (d) was answered well using the own figures from the previous sections.

Evaluations tended to focus on the financial calculations without any consideration of non-financial factors relating to the move such as the increased profile or customer base attracted by the increased inventory base.

- 3 (a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2016.

(5)

Revenue	90000
<u>Cost of sales</u>	
purchases 60000	
closing inventory (6000)	
opening inventory 4000	(58000)
	<hr/>
Gross Profit	<del>32000</del> 32000
<u>other expenses</u>	
Rental of market stall 7200	
wages 12000	
General expenses 8000	
interest on loan 400	
Depreciation 800	
	<hr/>
	( <del>28000</del> ) (28400)
	<hr/>
Net Profit	<del>7000</del> 3600

(b) Calculate the:

(i) rate of inventory turnover

(3)

$$\frac{\text{Cost of sales}}{\text{average stock}} =$$

$$\frac{58000}{5000} = 11.6 \text{ times}$$

(ii) net profit for the year as a percentage of revenue.

(3)

$$\frac{3600}{90000} \times 100 = 4\%$$

(c) Prepare the Forecast Statement of Profit or Loss and Other Comprehensive Income for the first year of trading in the shop ending 30 April 2017.

(10)

Revenue	119 900
<u>Cost of sales</u>	
opening inventory	6000
Purchases	78000
closing inventory	(12000)
	<hr/>
Total cost of sales	(72000)
	<hr/>
Gross Profit	<del>45900</del> 47880
<u>other expenses</u>	
wages and general expenses	25000
Rent	18200
Depreciation	6000
interest on loan	2000
	<hr/>
Total expenses	(51200)
	<hr/>
Net <del>Profit</del> Loss	(3320)

(d) Calculate the forecast net profit for the year as a percentage of revenue.

(3)

$$\frac{3320}{119980} \times 100 = 0.027\%$$

(e) Evaluate whether Channa should move his business into the shop premises.

(6)

No, as there is a net loss and the expenses increase and cost of sales become very high which will cause the profit to be low and ~~also~~ stock turnover become lower



**ResultsPlus**

**Examiner Comments**

The answer to part (a) was correct and all 5 marks were awarded.

Part (b) was also correct with both ratios correctly calculated and with appropriate narratives, times and %. 6 marks were awarded.

In part (c) the revenue was incorrectly calculated and therefore the mark was lost. The depreciation was also incorrectly calculated resulting in the loss of one of the marks. 8 marks were awarded for this part of the question .

In part (d) the profit for the year was not the correct own figure from part (c) and the resulting answer was incorrect because the decimal point was incorrectly placed. Therefore only 1 mark was awarded for this part of the question .

The evaluation was very limited and only really considered one side of the argument. A reduced profit on the own figure rule and the higher expenses are valid points. However, with only one side considered without a genuine conclusion only 2 marks were awarded.



## Question 4

This is one topic that some candidates are less comfortable in addressing, particularly the preparation of ledger accounts.

In part (a), candidates were aware of why depreciation should be charged. Candidates tended to focus upon a single point and not consider a number of aspects.

In part (b) candidates were generally able to calculate the depreciation for the year.

Part (c) acted as a discriminator between candidates, some of whom were able to prepare both ledger accounts and were awarded full or near to full marks. Other candidates scored few marks demonstrating a lack of underpinning knowledge including arriving at a debit balance on the provision account and credit balance on the asset account. There were a minority of candidates who used inappropriate narratives for balancing and were penalised.

Part (d) was not well prepared, considering that it was no more than what would be completed in any set of financial statements such as in question 1. In particular, many candidates only recorded the depreciation for the year and not the accumulated depreciation.

In part (e) the question was really asking whether it was appropriate to charge a small percentage of depreciation using the straight line method for a rapidly depreciating asset such as computers. Many candidates failed to consider the appropriateness of the method or the small percentage of the depreciation.

4 (a) Explain why Jabir needs to charge depreciation on his non-current assets.

(4)

Jabir needs to charge depreciation as it will not allow the net profit to overcast. And he is following the prudence concept as well as historical cost concept. Moreover depreciation charged means he will be having more accurate, true and fair view of non-current assets on his statement of financial position.

(b) Calculate the depreciation to be charged on the computers for the year ended 30 April 2016.

(2)

$$30000 + 10000 - 5000$$

~~$$= 45000 - 5000$$~~

Cost of computers 35000

$$\text{Depreciation} = \frac{35000 \times 20}{100}$$

$$= \text{£ } 7000$$

(c) Prepare, for the year ended 30 April 2016, the:

(i) Computers Account

(5)

(ii) Computers – Provision for Depreciation Account.

(5)

i)

		Computers a/c			
		£		£	
1/5/15	balance b/d	30000	30/4/16	Disposal	5000
30/4/16	Income statement Bank	10000	30/4/16	balance c/d	35000
		<u>40000</u>			<u>40000</u>
1/5/16	balance b/d	35000			

		Computers-Provision for depreciation a/c			
		£		£	
30/4/16	Disposal	$(5000 \times 24 \times \frac{1}{2})$ 500	1/5/15	balance b/d	9200
30/4/16	balance c/d	16700	30/4/16	Income statement $(10000 \times 10\%)$	2000
		<u>15700</u>	30/4/16	Income statement $(\frac{65000}{30000} \times 20\%)$	5000
		16200			<u>7000</u>
		<u>17200</u>			<u>16200</u>
			30/4/16	balance b/d	16700
					<u>15700</u>

(d) Complete the extract from the Statement of Financial Position at 30 April 2016 for the non-current assets.

(8)

Non-current assets	Cost	Accumulated depreciation	Carrying value
	£	£	£
Land and buildings	85000	1000	84000 <del>86000</del>
Computers	35000	7000	28000
Fixtures and fittings	11000	1100	9900
Total	131000	9100	121900

(e) Evaluate Jabir's depreciation policy for computers.

(6)

### In favour of depreciation policy

- ~~Same~~ Computers are used for the same thing each year, so straight line would be better
- Same amount each year means easy to calculate.
- It can be used in the business for a longer period of time. So straight line will spread the depreciation within the life of the asset.
- Small amount to be charge every year which increases net profit

### Against depreciation policy

- Overstated net profit as well as statement of financial position would be having <sup>less accurate</sup> ~~least~~ information resulting
- Computers should would be decrease losing a huge part of its value during the initial years. But in straight line do it would be reduced. So market value will be overstated.
- Tax authorities as well as banks would not accept if ~~stra~~ computers are depreciated on straight line method in statement of ~~from~~ financial positions

### Conclusion

As it overstates the net profit and it allows inaccurate information if depreciation is calculated on straight line method it would be better to follow reducing balance method to calculate computers depreciation.



In part (a) of the question the candidate raises the points of not overstating profits and the value of the asset in the statement of financial position. Therefore 2 marks were awarded.

In part (b) 1 mark was awarded for the calculation of £7000.

Part (c) is substantially correct, but the label income statement is used instead of Bank and the disposal in the Provision account was recorded as £500 instead of £2500. Therefore 8 marks were awarded in total.

In part (d) 4 marks were awarded, 3 marks in the cost column and 1 mark for the total carrying value.

The evaluation was awarded 4 marks of the 6 marks available. The substance of the question was whether the straight line percentage is appropriate for computers. The candidate did question this and concluded that it was probably not a good decision but the reasoning was not always clear.

## Question 5

Candidates are still unable to describe or explain the differences between different categories of cost.

The explanations for allocation and apportionment were more informed.

Part (c) was very well completed with most candidates achieving high marks.

Part (d) the quality of responses was variable. Often the candidate omitted the overheads or the direct labour. A minority of candidates calculated the cost of manufacture for 200 batches of 200 items. This would still have attracted most of the marks if the candidate had divided the total cost by  $200 \times 200$  to arrive at the cost per component, but some failed to do this and arrived at circa £800 for a component which currently has a value of £5.

The evaluation generally included both financial and non-financial factors, and was well balanced with a clear conclusion.

### 5 Explain the terms:

(a) (i) semi-fixed cost

(2)

Semi-fixed cost are costs that are fixed to a certain level and ~~uses~~ may become <sup>variable</sup> variable beyond that point or a certain level of output.

(ii) semi-variable cost.

(2)

Semi-variable cost is a cost that is variable to a certain level and gets fixed after ~~a~~ the certain point or level of output.

(b) Explain the difference between **allocated overheads** and **apportioned overheads**.

(4)

Allocated overheads are costs that are allocated and will not be distributed further such as the cost of a Assembly department or a finishing department. But, apportioned overheads are overheads which must

be apportioned to production departments from service departments in order to charge a more realistic value to consumers.

(c) Calculate the:

(i) total overhead for **each** of the three departments

(7)

(ii) overhead recovery rate to be used in **each** of the Assembly and Finishing Departments.

(2)

Costs	Basis	Assembly £	Finishing £	Admin £
<u>Allocation</u>				
Rent and Rates	5:3:2	8000	4800	3200
employment insurance	23:14:8	4600	2800	1600
Premises maintenance	5:3:2	6000	3600	2400
Management salaries	23:14:8	9200	5600	3200
		<u>27800</u>	<u>16800</u>	<u>10400</u>
<u>Apportionment</u>				
Admin	1:1	<u>5200</u>	<u>5200</u>	
		33000	22000	
		÷	÷	
Labour hours		<u>9200</u>	<u>5600</u>	
Overhead absorption rate (OAR)		£3.6/hr	£3.9/hr	

(d) Calculate the selling price of **one** part PNC3.

(7)

Raw materials	£ 303.70
Direct Labour: Assembly = $30 \times \frac{£5}{3}$	<del>108</del> 150
Finishing = $20 \times \frac{£4}{2}$	<del>78</del> 80
Overhead: Assembly = $30 \times 3.6$	108
Finishing = $20 \times 3.9$	<u>78</u>
Job cost	719.7
+ 15% profit	<u>107.9</u>
Job price	£827.6

Price per part PNC3

$$= \frac{827.6}{200}$$

$$= £4.14$$

(e) Evaluate whether Hiruni should meet Wash the World's request to reduce her selling price for part PNC3.

(6)

If Hiruni reduces the price of part PNC3 from £5 to £4, then the demand for her products will ~~decrease~~ increase and therefore sales and profits will increase as she reduces price for her largest contract.

But, as Hiruni ~~is~~ reduces the prices, her profits will decrease as she still has costs which must be paid and a decrease in the value of sales will decrease her profits.

However, Hiruni should not meet the request of Wash the World as her profit per batch would decrease from £1000 to £800.



### ResultsPlus Examiner Comments

Part (a) is typical of the explanations of the two costs. 0 marks were awarded.

In part (b) the candidate has some grasp of the two concepts but the explanation is not complete. 2 marks were awarded, one for each concept.

Part (c) was correct the full 9 marks were awarded for (i) and (ii).

Part (d) the answer was accurate and in good format and the full 7 marks were awarded.

Part (e) was awarded 5 marks. The negative of an impact on profit is stated but this is counterbalanced by increased demand. A conclusion is drawn which has some rationale.



## Question 6

Most candidates were able to identify four errors that would not be revealed by the trial balance.

Part (b) was a different test of double entry and candidates generally equipped themselves well. Some candidates failed to correctly calculate the depreciation to be released on the motor vehicle.

Part (c) candidates generally identified the impact of each error on the profit for the year. There were no common errors identified.

Part (d) was generally well answered, with many valid points made for and against the use of ICT. Candidates often omitted to provide a conclusion.

6 (a) State **four** types of error that will **not affect** the balancing of the books.

(4)

- a. (i) Error of commission  
(ii) Error of principle  
(iii) Reversal error  
(iv) Error of ~~omission~~ omission

(b) Prepare the journal entries to correct the errors (1) to (5) in the source booklet.  
Narratives are **not** required.

(12)

	Dr	Cr
1. <i>Ruiman</i>	1500	
<i>Sales</i>		1500
2. <i>Income statement</i>	900	
<i>Stock</i>		900
3. <i>Motor vehicle expense</i>	400	
<i>Motor vehicle</i>		400
<i>Depreciation</i>	80	
<del>Income statement</del>		80
4. <i>Supplies</i>	4600	
<i>Rent receivable</i>		4600
5. <i>Supplies</i>	6100	
<i>Wages</i>		6100

(c) Complete the table below, showing the revised profit for the year **after** the correction of all errors.

(8)

				£
Draft profit for the year				72 000
		Increase Profit	Decrease Profit	
Error		£	£	
(1)	The entries for a sale of goods to Ruwan, £750, had been reversed in the books	1500		73 500
(2)	Some goods had been shown in the closing inventory count at their retail value of £1 350. All goods are marked-up by 50%		(900)	72,600
(3)	Motor vehicle expenses of £400 had been recorded in the Motor Vehicles Account. Depreciation of £80 had been charged wrongly in the draft financial statements	80	(400)	72,280
(4)	Rent receivable of £2 300 had been correctly entered in the Bank Account and debited to the Rent Receivable Account	4600		76880
(5)	Dula had paid herself a salary of £6 100, which had been recorded in the Wages Account.	6100		82,980
	Total increase profit and decrease profit	12,280	1300	
Revised profit for the year				82,980

(d) Evaluate the use of information and communications technology (ICT) accounting software packages.

(6)

Point for:

- (i) Speeds up ~~some~~ preparation
- (ii) ~~Increase in accuracy~~
- (iii) More ~~accurate~~ accurate information.
- (iv) Entering one entry of the double entry will the software will ~~at~~ automatically enter the ~~o~~ second entry of double entry.

Against

- (i) Software training time to be carried out.
- (ii) Software will need to be constantly updated.



**ResultsPlus**

**Examiner Comments**

In part (a) four errors are identified and 4 marks awarded.

In part (b) some marks are awarded for the correct narrative and some marks for the correct narrative and value. 7 marks were awarded.

Part (c) is substantially correct with only Error (2) incorrect. Therefore 7 marks were awarded.

In part (d) the candidate proposes a number of valid points both for and against ICT. The candidate does not, however, arrive at a conclusion of whether the owner should use ICT. Therefore 4 marks were awarded.



**ResultsPlus**

**Examiner Tip**

When preparing journal entries it should be remembered that the journal can only adjust a **Ledger Account**. References to day books, journals or the cash book is not adjusting an account.

## Paper Summary

There are many positives to the work being undertaken within centres which reflects well upon the work seen from candidates in the examination.

Based on their performance on this paper, candidates are offered the following advice:

- Further strengthening of double entry skills where many candidates struggled on Question 6. This remains the foundation of the understanding of Accounting and centres should consider their reinforcement of these skills throughout the course of study. Reference to Getting Started to Teach IAL Accounting will assist centres in achieving this.
- More emphasis on ensuring that appropriate narratives are applied to ledger accounts. In the case of balances avoid the narratives b/d and c/d as no credit will be awarded
- A clear understanding of cost accounting types of cost, particularly the difference between semi-fixed and semi-variable costs
- Preparation of quotations or cost of manufacture statements including all three elements of cost
- Ensuring that all evaluation sections have a conclusion with a reason given for that conclusion.

## **Grade Boundaries**

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>



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