Principal examiner reports for teachers

Principal examiner reports for teachers summarise what candidates did well and what candidates needed to improve for this examination series only.

This report is to be used in conjunction with the question paper and mark scheme.

For guidance on teaching and learning we provide resources for many of our syllabuses.

Resource	Where to find it
Grade descriptions – Grade descriptions describe the level of performance typically demonstrated by candidates achieving the different grades awarded for a qualification.	School support hub Select: Subject > Resource finder > Syllabus and specimen materials
Schemes of work – Schemes of work are designed to support you in your teaching and lesson planning.	School support hub Select: Subject > Resource finder > Teaching and learning
Lesson planning – Guidance on how to plan a lesson.	Lesson planning
Resource plus – There may be additional resources such as teaching packs containing lesson plans, resources and worksheets and videos for aspects of your syllabus.	School support hub Select: Subject > Resource finder > Teaching and learning
Teaching tools	Teaching Tools
Exemplar candidate responses	School support hub Select: Subject > Resource finder > Teaching and learning
Learner guide – A guide for students to help them understand what the course involves.	School support hub Select: Subject > Resource finder > Teaching and learning
Community forums – Do you have a question or something to share? Our online forums are great way to keep up to date with your subject and the global Cambridge community.	Community forum on the school support hub
Access to scripts for this series.	Access to scripts service
Results analysis is available for some syllabuses.	Results analysis
Test maker is available for some subjects.	Test maker

Other services from Cambridge International Education

- **Digital mocks service**
- **Insight assessments**
- **Professional development**
  - Focus on assessment
  - Online marking workshops

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ACCOUNTING

Paper 0452/11
Multiple Choice

Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 7, 10, 11, 12, 18, 19, 20, 21, 23, 24, 26, 28, 30, 32, 33, 34,** and **35.**

Candidates performed less well on **Questions 6, 8, 9, 13, 14, 15, 16, 17, 22, 25, 27, 29,** and **31.**

Candidates performed well on questions which involved understanding common accounting terms or which required a straightforward calculation. Candidates performed less well on questions which involved a less straightforward calculation.

Comments on specific questions

Question 6

- Option **D** was a common incorrect answer.
- An invoice is a source document for a sale or purchase on credit.
- Cheque counterfoils contain details of cheque payments and are used to write up these payments in the cash book.

Question 8

- Options **A** and **D** were common incorrect answers.
- If a debit entry to the rent expense account was for a smaller amount than it should have been, the original entry to the suspense account would have been on the debit side.
- If discount received had been posted to the debit side of the discount received account, the original entry to the suspense account would have been on the credit side.
- If the sales journal had been undercast, the original entry to the suspense account would have been on the credit side.

Question 9

- Options **B** and **C** were common incorrect answers.
- If sales returns had been recorded as purchase returns, cost of sales would have been understated, and so gross profit would have been overstated. This means that profit for the year would have been overstated.

Question 13

- All options were popular.
- Maintaining control accounts does not ensure that all errors in the purchases and sales ledgers are discovered. For example, an error of original entry would not be discovered.

Question 14

- Option **A** was a common incorrect answer.
- Office expenses were overstated by $90 so profit was understated by $90.

Question 15

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- All options were popular.
- Delivery and installation costs relating to a non-current asset are treated as capital expenditure.

Question 16

- Options **B** and **C** were common incorrect answers.
- The correct calculation is ($12 000 × 25% × 3/12 =) $750 + $3000 = $3750.
- Depreciation is credited to the provision for depreciation account so this account will have a credit balance.

Question 17

- All options were popular.
- The required provision is ($27 500 – $2500 =) $25 000 × 2% = $500. The opening credit balance was $600, so a debit entry for $100 is required.

Question 22

- All options were popular.
- Where partners put additional capital into the business, this would be credited to their capital account.
- Interest charged on a partner's drawings would be debited to their current account.

Question 25

- Option **D** was a common incorrect answer.
- Treasurer's expenses would be shown in an income and expenditure account of a club but not in an income statement of a trading business.
- Both types of organisations may incur charges from their bank.

Question 27

- All options were popular.
- Error 1 does not affect cost of production as both prime cost and overheads are included in this figure.
- Closing work in progress is deducted to arrive at cost of production.
- The revised figure is $360 100 – ($17 400 – $14 700) = $357 400.

Question 29

- Option **D** was a common incorrect answer.
- Receipts from trade receivables may be calculated by ($23 520/98% =) $24 000.
- Opening trade receivables = $15 000 + $24 000 – $36 000 = $3000.

Question 31

- Options **C** and **D** were common incorrect answers.
- Capital employed is $80 000 + $4000 + $8000 = $92 000.
- Return on capital employed is ($12 600/$92 000) × 100 = 13.7%.

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ACCOUNTING

Paper 0452/12
Multiple Choice

Key messages

Candidates performed well on **Questions 1, 3, 4, 5, 6, 7, 8, 9, 13, 14, 15, 16, 18, 19, 21, 22, 23, 25, 29, 30, 31, 32**, and **33**.

Candidates performed less well on **Questions 2, 10, 11, 12, 17, 20, 24, 26, 27, 28, 34**, and **35**.

Candidates performed well on questions which involved understanding common accounting terms or which required a straightforward calculation. Candidates performed less well on questions which involved a less straightforward calculation. Candidates should be prepared to answer questions which are worded in a different way to previous questions on the same topic.

Comments on specific questions

Question 2

- Option **D** was a common incorrect answer.
- The total liabilities include only trade payables, other payables and the bank overdraft.
- The loan to Imran is an asset.

Question 10

- Option **C** was a common incorrect answer.
- When a balance remains on the suspense account, this means that there are still some errors in the accounting records.

Question 11

- All options were popular.
- When the cash book is being updated, bank charges are subtracted from the bank balance.
- Unpresented cheques are recorded in the bank reconciliation statement.

Question 12

- Option **D** was a common incorrect answer.
- The balance on 30 April is calculated as follows (–600 + 7400 – 6200 –180 + 450 =) $870.
- Some candidates added the deposits and credit transfer to a positive figure of $600 for the opening balance and deducted the cheques and direct debits. This resulted in an incorrect answer of $2070.

Question 17

- Option **A** was a common incorrect answer.
- The rent account is credited, as this reduces the amount charged to the income statement for the current year.
- The prepaid rent is included in the rent expense of the following accounting year.

Question 20

- Option **B** was a common incorrect answer.

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- An accounting business provides a service. As it does not buy and sell goods, it does not show a gross profit.
- An accounting business will show its revenue income from services provided to clients, on the income statement.

Question 24

- All options were popular.
- The calculation is as follows: $120 000 – $46 000 – $60 000 – $18 000 = –$4000.
- The negative final figure indicates that the balance on Rex's current account is a debit balance.

Question 26

- Option **B** was a common incorrect answer.
- If a profit of $60 000 has been made, this increases equity by $60 000.
- Some candidates did not seem to realise that a transfer from retained earnings to a general reserve will have no overall effect on equity.

Question 27

- Option **A** was a common incorrect answer.
- Depreciation, and café profit, are included in the income and expenditure account for a club.
- The cost of new furniture is shown on the balance sheet.

Question 28

- Options **B** and **C** were common incorrect answers.
- The figure for subscriptions which was recorded in the income and expenditure account is $3000 – $420 – $280 = $2300.

Question 34

- Options **A** and **D** were common incorrect answers.
- Expenses are shown in the income statement in the year which they are incurred, rather than when they are paid.
- Expenses incurred in a year are matched with the revenue earned in that year.

Question 35

- Options **A** and **D** were common incorrect answers.
- Accounting information is only relevant if it can influence the decisions made by those using that accounting information.

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ACCOUNTING

Paper 0452/13
Multiple Choice

Key messages

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Candidates performed less well on **Questions 6, 8, 9, 13, 14, 15, 16, 17, 22, 25, 27, 29,** and **31.**

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- Option **D** was a common incorrect answer.
- An invoice is a source document for a sale or purchase on credit.
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- If discount received had been posted to the debit side of the discount received account, the original entry to the suspense account would have been on the credit side.
- If the sales journal had been undercast, the original entry to the suspense account would have been on the credit side.

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- Maintaining control accounts does not ensure that all errors in the purchases and sales ledgers are discovered. For example, an error of original entry would not be discovered.

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- Office expenses were overstated by $90 so profit was understated by $90.

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- The required provision is ($27 500 – $2500 =) $25 000 × 2% = $500. The opening credit balance was $600, so a debit entry for $100 is required.

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- All options were popular.
- Where partners put additional capital into the business, this would be credited to their capital account.
- Interest charged on a partner's drawings would be debited to their current account.

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- Both types of organisations may incur charges from their bank.

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- All options were popular.
- Error 1 does not affect cost of production as both prime cost and overheads are included in this figure.
- Closing work in progress is deducted to arrive at cost of production.
- The revised figure is $360 100 – ($17 400 – $14 700) = $357 400.

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- Receipts from trade receivables may be calculated by ($23 520/98% =) $24 000.
- Opening trade receivables = $15 000 + $24 000 – $36 000 = $3000.

Question 31

- Options **C** and **D** were common incorrect answers.
- Capital employed is $80 000 + $4000 + $8000 = $92 000.
- Return on capital employed is ($12 600/$92 000) × 100 = 13.7%.

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ACCOUNTING

Paper 0452/17
Digital Multiple Choice

Key messages

Candidates performed well on **Questions 1**, **2**, **4**, **5**, **10**, **11**, **12**, **18**, **19**, **20**, **21**, **22**, **23**, **24**, **25**, **26**, **32**, **33**, **34**, and **35**.

Candidates performed less well on **Questions 3**, **6**, **7**, **8**, **9**, **13**, **14**, **15**, **16**, **17**, **27**, **28**, **29**, **30** and **31**.

Candidates performed well on questions which involved understanding common accounting terms or which required a straightforward calculation. Candidates performed less well on questions which involved a less straightforward calculation.

It is important that candidates read each question carefully before selecting their answer.

Comments on specific questions

Question 3

- Option **A** was a common incorrect answer.
- Most candidates selected an option which used the correct amounts.
- Some candidates did not identify that Mandy's account would be debited.

Question 6

- Option **D** was a common incorrect answer.
- An invoice is a source document for a sale or purchase on credit.
- Cheque counterfoils contain details of cheque payments and are used to write up these payments in the cash book.

Question 7

- Options **A** and **B** were common incorrect answers.
- If a sales journal was overcast, then the balance on the sales account, and therefore the sales figure on the trial balance, would be overstated. This would cause the trial balance not to balance.

Question 8

- Options **A** and **D** were common incorrect answers.
- If a debit entry to the rent expense account was for a smaller amount than it should have been, the original entry to the suspense account would have been on the debit side.
- If discount received had been posted to the debit side of the discount received account, the original entry to the suspense account would have been on the credit side.
- If the sales journal had been undercast, the original entry to the suspense account would have been on the credit side.

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Question 9

- Options **B** and **C** were common incorrect answers.
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- Options **A** and **B** were common incorrect answers.
- Maintaining control accounts does not ensure that all errors in the purchases and sales ledgers are discovered. For example, an error of original entry would not be discovered.

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- Option **A** was a common incorrect answer.
- Office expenses were overstated by $90 so profit was understated by $90.

Question 15

- Options **C** and **D** were common incorrect answers.
- Delivery and installation costs relating to a non-current asset are treated as capital expenditure.

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- Option **C** was a common incorrect answer.
- The correct calculation is ($12 000 × 25% × 3/12 =) $750 + $3000 = $3750.
- Depreciation is credited to the provision for depreciation account so this account will have a credit balance.

Question 17

- Options **B** and **D** were common incorrect answers.
- The required provision is ($27 500 – $2500 =) $25 000 × 2% = $500. The opening credit balance was $600, so a debit entry for $100 is required.

Question 27

- Option **B** was a common incorrect answer.
- Error 1 does not affect cost of production as both prime cost and overheads are included in this figure.
- Closing work in progress is deducted to arrive at cost of production.
- The revised figure is $360 100 – ($17 400 – $14 700) = $357 400.

Question 28

- Option **C** was a common incorrect answer.
- Some candidates incorrectly identified machine operator wages as being factory overheads.
- Only the factory rent and the salary of the factory manager are factory overheads.

Question 29

- Options **C** and **D** were common incorrect answers.
- Receipts from trade receivables may be calculated by ($23 520/98% =) $24 000
- Opening trade receivables = $15 000 + $24 000 – $36 000 = $3000.

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Question 30

- Option **A** was a common incorrect answer.
- Some candidates may have calculated $33\frac{1}{3}$ % of \$45000 = \$15000. However, this figure is the gross profit margin. The cost of sales figure is \$45000 – \$15000 = \$30000.

Question 31

- Option **D** was a common incorrect answer.
- Capital employed is \$80000 + \$4000 + \$8000 = \$92000
- Return on capital employed is (\$12600/\$92000) × 100 = 13.7%

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ACCOUNTING

Paper 0452/21
Structured

Key messages

What candidates did well
- Some candidates correctly related their knowledge of the subject to the scenarios in written questions and provided good arguments for and against the proposed course of action.
- Many candidates exhibited a good understanding of the preparation of financial statements and the principles of double entry book-keeping.

What candidates needed to improve
- In written questions, many candidates provided general statements which were not directly related to the scenario given.
- Some candidates would have benefited from a deeper understanding of double entry.
- Some candidates did not have a thorough understanding of financial statements.

Comments on specific questions

Question 1

(a) Comprehensive responses
- Most candidates understood the principles of maintaining a petty cash book.
- The entries were correctly dated with suitable details.
- The analysis columns were totalled and the total agreed with the total paid.
- The closing balance was brought down.

Limited responses
- Candidates omitted the restoration of the imprest at the start of the month.
- Candidates recorded the incorrect wording in the details column.
- The analysis columns were not totalled, or, where they were totalled, the total did not agree with the total paid.

(b) Comprehensive responses
- Clear calculations showing items to be added and items to be deducted.
- Inclusion of the amount of petty cash restored at the beginning of the month.

Limited responses
- Not understanding the effect of uncredited deposits and unpresented cheques when comparing the bank statement balance with the cash book balance.
- Ignoring the information about the restoration of the petty cash at the start of the month being omitted from the cash book.

(c) Comprehensive responses
- Candidates correctly related the question to the scenario described and appreciated the advantages and disadvantages of requiring all receipts and payments over $10 to be made by bank transfer.
- A clear recommendation was provided on whether or not the trader should proceed with this proposal.

Limited responses
- Candidates made generic statements and did not relate them to the scenario described.

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- Some answers concentrated on the workload of the chief cashier and overcrowding in the cash book rather than on the effect of bank transfers.
- Attempting the answer without first drawing up a plan of the advantages and disadvantages so that these could be prorated in an orderly manner.
- Omission of a clear recommendation.

Question 2

(a) **Comprehensive responses**

- Clear list showing the opening assets and the liabilities and the resulting accumulated fund.

Limited responses

- Not distinguishing between assets and liabilities, especially the subscriptions accrued and the subscriptions prepaid.
- Including irrelevant items such as closing assets and liabilities, and receipts and payments which occurred during the year.

(b) **Comprehensive responses**

- A subscriptions account prepared following the rules of double entry.
- Opening balances entered on the correct sides, and closing balances correctly brought down to start the following financial year.
- Correctly recording the amount received from members on the credit side.
- Transferring the balancing figure to the income and expenditure account.

Limited responses

- Including irrelevant items such as expenses, sales and purchases.
- Not recognising that subscriptions accrued should be a debit balance and subscriptions prepaid should be a credit balance.
- Use of incorrect details such as ‘subs owing’, ‘received’, ‘income statement’, ‘BBD’.

(c) **Comprehensive responses**

- The income statement for the coffee shop was presented in an acceptable form.
- Items such as cost of sales and profit for the year were correctly labelled.

Limited responses

- Labels were omitted or unacceptable labels such as ‘NP’ and ‘C of S’ were used.
- Including irrelevant items such as subscriptions and expenses relating to the club as a whole.

(d) **Comprehensive responses**

- The income and expenditure account was presented using an acceptable format.
- The rent and insurance expense was correctly adjusted for the opening and closing prepayments.
- All items were correctly labelled.

Limited responses

- Including irrelevant items such as subscriptions received and sales and purchases of the coffee shop.
- Adjustments were attempted for the rent and insurance expenses for the opening and closing prepayments.
- Incorrect labelling of items such as the surplus.

(e) **Comprehensive responses**

- Clear list showing the closing assets and the liabilities and the resulting accumulated fund.
- Correct calculation of the closing accumulated fund by adding the surplus for the year to the opening accumulated fund.

Limited responses

- Not distinguishing between assets and liabilities, especially the subscriptions accrued and the subscriptions prepaid.
- Including irrelevant items such as opening assets and liabilities, and receipts and payments which occurred during the year.

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Question 3

(a) **Comprehensive responses**

- Candidates correctly applied the principles of double entry to the preparation of a rent expense account.
- The opening prepayment and the amount paid during the year were entered on the debit side, the rent for the year was transferred from the credit side to the income statement and a credit balance brought down to start the following financial year.

Limited responses

- Some candidates did not have a thorough understanding of double entry principles to be able to relate these to the preparation of an expense account.
- Complete reversal of the account.
- Use of incorrect details such as ‘rent paid’, ‘owing’ and ‘BBD’.

(b) **Comprehensive responses**

- The advantages and disadvantages of obtaining a loan to purchase a storeroom were discussed in a logical manner.
- There was a clear statement advising the partners on what action they should take.

Limited responses

- Candidates did not make use of the information provided such as the fact that the partners were currently renting the storeroom and instead explained that the partners would have more space to use for inventory.
- Some candidates concentrated on irrelevant information such as the possibility of renting out the storeroom in the future.
- Candidates made generic statements and did not relate them to the scenario described.
- Attempting the answer without first drawing up a plan of the advantages and disadvantages so that these could be prorated in an orderly manner.
- Omission of a clear recommendation.

(c) **Comprehensive responses**

- Candidates correctly applied the principles of double entry to the preparation of a partner’s current account.
- The amount due to the partner was correctly calculated and credited to the partner and the amounts charged to the partner were correctly debited to the partner’s account.
- Attention was paid to the wording in the details columns and appropriate dates were included.

Limited responses

- Where candidates only had a limited knowledge of the principles of double entry, they could not relate these to the preparation of a current account.
- Some candidates did not appreciate the purpose of a partner’s current account and included irrelevant items such as capital and loan.
- Omission of interest on a partner’s loan.
- Use of incorrect details such as ‘Int’ and ‘BBD’.

(d) **Comprehensive responses**

- Candidates understood how the capital section of a statement of financial position of a partnership differs from that of a sole trader.
- The balances of each partner’s capital and current account were clearly shown, together with the total of each partner’s accounts and the total funds provided by the partners.
- The requirement of the question to include only closing balances was correctly applied.

Limited responses

- Candidates did not appreciate the difference between the capital section of a statement of financial position of a sole trader and that of a partnership.
- The balances of each partner’s capital and current accounts were not clearly shown.
- Irrelevant details such as a loan from a partner were included.
- Candidates attempted to show the full detail of the current accounts.

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Question 4

(a) Comprehensive responses

- The calculations provided showed an understanding that the depreciation for year three was overstated by $1512.
- Candidates appreciated that the provision for depreciation on motors needed to be reduced and the profit for the year needed to be increased.
- Applying their knowledge of double entry principles, they were able to prepare the correct journal entry and include a suitable narrative.

Limited responses

- Candidates attempted a calculation of the depreciation for only two years and did not appreciate that it was necessary to use this calculation to find the correct depreciation for the third year.
- Candidates with only a limited knowledge of double entry did not identify the correct accounts to be debited and credited.
- Those candidates who had attempted some calculations were unsure of the actual amount to be entered in the accounts in order to correct the error.
- The narrative was either omitted or was not an adequate description of why the journal entry was required.

(b) Comprehensive responses

- Candidates applied their knowledge of double entry book-keeping to the entries required to correct errors.
- Accounts to be debited and credited were correctly named and the appropriate amounts recorded.

Limited responses

- Fundamental errors in making entries to the sales journal and purchases journal instead of the accounts for sales and purchases.
- Account names were sometimes incomplete such as ‘rent’ and ‘expenses’.

(c) Comprehensive responses

- Clear calculations showing items to be added and items to be deducted.
- Including the adjustment required for the overcharged depreciation of motors in **Part (a)**.

Limited responses

- Not understanding the effect of the errors on the profit for the year.
- Not indicating whether an item would increase or decrease the profit for the year.
- Inclusion of irrelevant items which would not affect the profit for the year.
- Overlooking the fact the profit would be affected by the incorrect depreciation on motor vehicles and the depreciation in **Part (a)**.

(d) (i) Comprehensive responses

- Candidates correctly identified the error of commission.

Limited responses

- Some candidates included a list of several errors.
- Many suggested that the error was an error of principle which was incorrect as the two accounts concerned are both nominal accounts.
- Some candidates did not appear to know the errors which would not be revealed by a trial balance and wrote completely unrelated words and phrases.

(ii) Comprehensive responses

- Candidates correctly identified the error as a compensating error.

Limited responses

- Some candidates included a list of several errors.
- Some candidates did not appear to know the errors which would not be revealed by a trial balance and wrote completely unrelated words and phrases.

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(e) Comprehensive responses

- Candidates correctly identified the accounting principle as the realisation principle.

Limited responses

- Some candidates included a list of several accounting principles.
- Many incorrectly suggested that this was an application of the matching principle, which is concerned with matching revenue against the costs of the same period.
- Some candidates did not appear to know the accounting principles and wrote completely unrelated words and phrases.

Question 5

(a) Comprehensive responses

- Candidates knew the formulae for the calculation of the accounting ratios and applied these to the given scenario.
- Workings were clearly shown and the answers presented correctly to two decimal places or rounded up to the next whole day as appropriate.

Limited responses

- Candidates were unsure about the formula used to calculate some of the required ratios.
- Irrelevant figures were often included in the calculations. These included opening trade receivables and trade payables in the trade receivables and trade payables turnover calculations, and the totals of the opening and closing current assets and current liabilities in the current ratio.
- The instruction to show answers to two decimal places or to round up to the next whole day was not always followed.

(b) (i) Comprehensive responses

- Candidates correctly identified the accounting principle as the principle of prudence.
- Other candidates provided an alternative acceptable answer of the matching (accruals) principle.

Limited responses

- Some candidates included a list of several accounting principles.
- Some candidates did not appear to know the accounting principles and wrote completely unrelated words and phrases.

(ii) Comprehensive responses

- Candidates provided a suitable reason why a trader should set up a provision for doubtful debts.

Limited responses

- Some candidates did not appear to be familiar with the purpose of setting up a provision for doubtful debts.
- Candidates incorrectly believed that the provision represented a fund of money which could be drawn on when a trade receivable did not pay their account, or that the provision would reduce irrecoverable debts.

(c) Comprehensive responses

- Candidates understood the consequences of late payment by customers and late payment to suppliers.
- Answers related to the given scenario and the calculations in **Part (a)**.
- Two reasons why the trader would be concerned were provided.

Limited responses

- Candidates did not identify why the trader would be concerned by later payment by customers and late payment to suppliers.
- Some candidates repeated the information given in the question without adding any further comment.

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- Answers were not related to the given scenario and the calculations in **Part (a)** and contained vague statements such as 'the customers may not pay on time' without attempting to explain the consequences of this.

(d) Comprehensive responses

- Candidates correctly related the question to the scenario described and appreciated the advantages and disadvantages of selling a delivery vehicle in order to pay trade payables.
- There was a clear statement advising the trader on what action he should take.

Limited responses

- Candidates did not make use of the information provided such as the fact that the proceeds of sale would not be sufficient to pay the total amount due to trade payables.
- Some candidates concentrated on irrelevant factors such as the possibility of charging customers for delivery and whether the funds could be invested in order to earn interest.
- Candidates made generic statements and did not relate them to the scenario described such as 'the trader will not get discount' which is too vague.
- Attempting the answer without first drawing up a plan of the advantages and disadvantages so that these could be prorated in an orderly manner.
- Omission of a clear recommendation.

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ACCOUNTING

Paper 0452/22
Structured

Key messages

What candidates did well

- Candidate performance was very good in two of the three extended response questions. This was further supported by general understanding of theory and computational aspects such as sales ledger control account and manufacturing account, with a linked income statement.

What candidates needed to improve

- The identification and application of correct labels such as account names and dates that indicate where accounting information is transferred to and can be recovered for management purposes.
- The application of accounting ratios covered five key areas and, frequently, formulas were confused or inverted, which resulted in answers for gross margin and returns upon capital employed that could not be realistically expected in the business environment.

Comments on specific questions

Question 1

(a) (i)&(ii) Comprehensive responses

- Candidates demonstrated the knowledge that information entered into the sales and sales returns account was obtained from the appropriate journals/daybooks. Accurate dates and correct account names indicated where information had been accessed from, for example, sales/sales returns for the month, total for the month or total from the sales/sales returns journal. The balancing off of the accounts was completed by posting the balancing figures to the income statement.

Limited responses

- Many answers did not include appropriate narratives or were unaware where this information originated from. Credit sales or trade receivables were used regularly without reference to the journals, and cash sales were paid directly into the bank account. Some accounts were closed off with transfers to the income statement and then a balance carried down also.

(b) (i) Comprehensive responses

- Most candidates made a reasonable attempt at completing this account. Account names were accurate and accompanied by entries taken from the journals (**parts (a)(i)** and **(a)(ii)**). Credit entries which reduced the debit balance on this account could be applied using bookkeeping knowledge or logic.
- The contra item from the purchase ledger accounts was the hardest entry and should appear only once on the credit side of the account with the debit entry appearing in the purchases ledger (not required in this question).

Limited responses

- Candidates made entries for sales and sales returns which used totals for the year given at the start of the question. The question required the sales ledger control account for the month of March only.
- The contra entry appeared on the debit side incorrectly and may have appeared on both sides indicating the candidate was unaware of the purpose of setting off balances against the respective ledgers.
- There was a requirement to enter dates for this question and candidates should assume dates must be supplied with all accounting entries.

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(ii) Comprehensive responses

- Candidates quoted the correct accounting concept, recognising that duality was the accounting concept that was being applied when recording a contra entry between the sales and purchase ledger.

Limited responses

- Incorrect concepts were given with prudence being seen the most frequently.

(c) Comprehensive responses

- Candidates emphasised that trade receivables would pay earlier and further encourage slow payers to settle their invoices so that further costs would be avoided. This would also have the potential to reduce irrecoverable debts.
- These advantages were linked to improved relationships with customers, and well-balanced arguments would highlight the disadvantages of customers opting to change their supplier, and any increase in the level of cash discount taken would lead to increased expenses and reduced profit.

Limited responses

- A regularly seen answer was to encourage customers to pay promptly or on time. This implies that customers will take the usual period of credit offered, for example, 28 or 30 days from sight of the invoice and was therefore incorrect.
- Another common error was to confuse cash discount with trade discount and to build an answer around increased sales.
- Some candidates focused on one aspect of the scenario, such as offering increased cash discount, and this reduced the scope to answer the question fully.

Question 2

(a) Comprehensive responses

- Candidate responses had three well-defined sections. Firstly, prime cost after calculating the cost of raw materials consumed and then the addition of any direct costs associated with manufacturing the most common being direct wages. The second section brings together the overheads or indirect costs of manufacturing products. Candidates were able to make adjustments such as accruals or prepayments to expenses and accurate calculations for the depreciation of manufacturing equipment. The total overheads are added to prime cost, and the final section is to make the adjustment between the opening and closing work-in-progress before arriving at the overall cost of production.

Limited responses

- Answers often did not include clarity of the section and labels for the appropriate expense. For example, ‘carriage inwards’ shown after closing inventory, factory operatives were missing the key term ‘wages’ and supervisor’s wages incorrectly included in the prime cost section.
- Calculations for cleaning and maintenance and depreciation were inaccurate or not attempted, and often no sub-total was made or, commonly, the total overheads were deducted from the prime cost.
- The type of answer which indicated structural errors were starting the manufacturing account with a revenue figure and the inclusion of all three categories of inventory within the account and ultimately corrupting the final cost of production figure.

(b) Comprehensive responses

- Candidate responses had a clear structure of the trading account format showing items in the correct order and including an own figure for cost of production from their previous answer.

Limited responses

- Candidate responses commonly omitted a cost of production figure and/or would place items in the wrong order.
- Abbreviations such as COS, GP are not appropriate terminology for cost of sales or gross profit. It is important that these statements have to be read by business owners or, possibly, shareholders, and they will not understand statements with items that are produced in the wrong order or labels that are incorrect.

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(c) (i) & (ii) Comprehensive responses

- Candidates attempted both calculations reasonably well. The standard calculation for the average inventory held is based upon finished goods used in the production of the income statement. As the question scenario was based upon a manufacturing organisation an alternative calculation that averaged the total inventories held was accepted.

Limited responses

- Candidates often did not round their answers to two decimal places. This is a standard numerical technique used when producing key ratios for use when carrying out the interpretation of accounting information.
- Some candidates used a multiplier of 365 and rounded up to the next whole day. The question specified inventory turnover in times and this point emphasises the need to read the question instructions carefully.

Question 3

(a) Comprehensive responses

- This type of question draws upon a candidate's knowledge and understanding of double entry bookkeeping. The result was a wide variation in the standard, depending upon the candidates grasp of double entry.
- The reality in all accounting systems is that errors are made and require correcting regularly, making this an important exercise.

Limited responses

- Common errors were to credit the purchases journal in error 2, debit sales returns and credit purchase returns with $36 in 4 and used $215 not $430 in error 5.
- It is also important to emphasise that all entries in the journal refer to the account names that require correcting and not to use a description such as 'omission of bank charges $49' for error 3.

(b) Comprehensive responses

- Many candidates understood that error 5 was an error of complete reversal.

Limited responses

- Common errors included answers such as 'original entry' and 'error of principle'.

(c) Comprehensive responses

- A sound knowledge of double entry usually ensured that entries made to a suspense account in **part (a)** would form the basis of entries into the preparation of the suspense account for this question.
- The balance remaining on the suspense account after entries had been made represented the original difference on the trial balance.

Limited responses

- Some candidates did not show or calculate the difference on the trial balance or just labelled the figure as balance b/d which is incorrect. There were many instances of extraneous entries being made into the suspense account, indicating a limited understanding of the role of the suspense account in correcting previously identified errors.
- Error corrections via the journal and the suspense account are linked activities and it is recommended that they are explored, if possible, at the same time.

Comprehensive responses

- A sound knowledge of double entry bookkeeping usually ensured that entries made in the journal in **part (a)** would form the basis of entries into the cashbook for this question. Any balance remaining in the bank account needed to be brought down on May 1. Candidates who were well prepared in double entry bookkeeping produced good answers here as well as in the previous suspense account activity.

Limited responses

- There were numerous errors in the writing up of the cashbook, such as incorrect labels and debits and credits being reversed. Some balanced off the account, without bringing a balance

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forward, and there were examples of balances being produced while omitting the pre-printed $410 balance on the credit side of the account.

Question 4

(a) (i) Comprehensive responses

- The most common answer seen was 'it is easy to calculate'. This should not be the main reason and any method that is chosen should reflect the most accurate calculation of the annual loss of value of the non-current assets.
- There were examples of answers that mentioned consistency although there was no requirement to explain the principle.

Limited responses

- Some candidates mentioned that it provided less expense and increased profit. Emphasis ought to be placed upon the method chosen being the best suited to reflect the usage and loss of value over the accounting year and this is clearly an example of applying the prudence principle.

(ii) Comprehensive responses

- Most candidates recognised that sales were mainly for cash and very few credit sales. The information provided disclosed trade receivables as being only $575 although this was rarely mentioned.

Limited responses

- Some candidates suggested that it would affect the profit and should not be considered.
- Others stated that it would be time consuming and increase costs for the accountant.
- Neither of these are valid reasons for not maintaining a provision for doubtful debts account.

(b) Comprehensive responses

- There is a clearly defined structure to the statement consisting of non-current assets and current assets. The total assets should then be equal to equity and liabilities plus non-current liabilities and current liabilities. Candidates identified each asset and liability within a clearly defined section and with acceptable labels. Items could appear in any order within the relevant section.
- Alternative presentations such as current assets minus current liabilities were allowed and two items were required to receive an own figure mark for current assets and current liabilities sub-totals.

Limited responses

- The following errors were made regularly: non-current assets were not subtotalled; current assets were missing other receivables, and labels were vague such as just 'insurance'; current liabilities had other payables omitted, and labels were vague, such as just 'interest'; the equity section had the general reserve incorrectly adjusted for profit; and ordinary and preference shares were aggregated together.

(c) (i) & (ii) Comprehensive responses

- This question required knowledge of key financial terms used in the construction of financial statements and used the information taken from the candidates' own statements of financial position produced in **part (b)**. Clearly defined sections in that statement aided the calculations required for **part (c)**.
- Capital employed consists of equity plus long-term liabilities and the total of $120 605 could be arrived at in two ways. Both working capital and capital employed calculations allowed the use of own figures.

Limited responses

- Some responses indicated that candidates were unfamiliar with the term 'working capital' and would calculate 'capital employed' instead. In further examples, candidates would give a written description of what the terms meant even though the instruction clearly asked for a calculation.

(iii) Comprehensive responses

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- The return on capital employed (ROCE) calculation required an adjustment being made to the profit for the year of $11 870. Candidates adjusted this figure by adding back the interest outstanding on the bank loan ($375) and the debenture interest paid during the year ($1000). If this adjustment was not made, own figures could be rewarded for the rest of the calculation.

Limited responses

- Most candidates knew that the ROCE calculation used a profit figure as the numerator, although they did not adjust by the interest charges outlined previously. It is important to remember that all ratios should indicate what they represent. Profitability ratios are calculated as percentages and often this important piece of information did not accompany the calculation made.

(d) Comprehensive responses

- This is a popular scenario with advantages being identified that additional funds could be raised that were permanent and had no interest payable on them.
- Well balanced answers considered the disadvantages as being dividends are likely to be expected by the new shareholders, and the possible loss of control to the existing shareholders. As with all capital investment projects, there is no guarantee the increase in non-current assets will lead to improved profits in the future.

Limited responses

- Few were seen.

Question 5

(a) Comprehensive responses

- The final question tested the candidate's knowledge of incomplete accounting records**.** Any payment figure required adjusting by adding the closing balance of the trade payables ($3610) and many used the result ($46 800) as the basis for calculating the purchase returns of 10% at this point.

Limited responses

- Some candidates did not make any adjustment to the bank payment for purchases of $43 190 or make any attempt to work towards the purchases figures by using a logic calculation or a control account approach.
- Further errors were to include the cash purchases into the calculation which affected the final purchases figure.

(b) Comprehensive responses

- This question looked at a range of variations that influence inventory valuation. Many candidates calculated X as $3572 correctly, although candidates did not appreciate the need to deduct the additional resale cost of $96 when valuing product Y. Product Z had a nil resale and this meant that this product had no value and would not impact upon the overall inventory value. If candidates omitted an entry for Z in their answer, then this was rewarded on the basis that the zero value could be assumed to have been recognised.

Limited responses

- Inventory valuation caused problems for many candidates. The net realisable value is the estimated receipts from the sale of the inventory ($28 × 12= $336) less any costs of completing the goods or cost of selling the goods ($336 – $96 = $240).
- Many candidates ignored the additional costs or added them to the value of the inventory.
- Inventory Z was often valued as a negative figure ($14 × 9 = –$126) and deducted from the total valuation of the inventory.

(c) Comprehensive responses

- This task required the preparation of an income statement for a sole trader. The revenue and purchases figures had to be accessed from the question information and the answer to **part (a)**.
- Closing inventory utilised the candidate's own answer from **part (b)** and this allowed a cost of sales and gross profit figure to be calculated.

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- The expenses section was straightforward in terms of structure and required one adjustment to the rent and insurance expense.
- Most candidates are well practised in the preparation of this type of statement.

Limited responses

- Examples were that answers often omitted from the trading section and commenced at the operating expenses section. COS and GP were used frequently, and this may be due to time constraints. Candidates should use the full terms.
- Similarly, rent and insurance required adjusting by a prepayment that had been actioned. Attempts were often made at this adjustment, although they were not always accurate.

(d) Comprehensive responses

- Justification had to be addressed from either Amber or Jasper's perspective and was not a general discussion on the advantages or disadvantages of operating a partnership.
- Jasper may bring in additional capital and would share the workload reducing the amount of work for Amber.
- There were many references to the ideas that Jasper would bring into the partnership as mentioned in the question and this required further development into potential increased profits. Many candidates mentioned the possibility of conflicts arising and the loss of control, although these points needed to be linked specifically to Amber.

Limited responses

- Candidates repeated the information given in the question or treated this question as 'discuss the advantages and disadvantages of operating a partnership'.
- Profits would be shared needed to distinguish being a disadvantage for Amber or if viewed from Jasper this could be an advantage if it is higher than his current level of wages earned as an employee.
- Some answers mentioned the possibility that Jasper may not be trustworthy, and this was outside the scope of the question. It is important to read the question carefully and to avoid launching into a rehearsed answer from another question paper.

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ACCOUNTING

Paper 0452/23
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There were too few candidates for a meaningful report to be produced.

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