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ACCOUNTING

Paper 0452/12
Multiple Choice

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

General comments

Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of accounting.

To have a clear understanding of what is required, it is important for candidates to read through each item very carefully before selecting an option on the answer sheet.

Many candidates possessed a good understanding of double-entry bookkeeping and were able to select the correct key to many items on the paper.

Comments on specific questions

Question 1

Many candidates managed to answer this question correctly and choose the correct option, which was **B**. This question, which the candidates found relatively straightforward, covered the area on the syllabus that relates to the purpose of accounting, which is to prepare financial statements and provide information for decision making.

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Question 4

The majority of candidates chose the correct option for question 4. This question dealt with the topic of purchases returns. The correct answer was **C**: When returning some of the goods to Zuri, Ada would debit Zuri's account and credit the purchases returns account.

Question 7

The correct option to question 7 was **B** and many candidates chose the correct answer. The question related to purchasing goods on credit, trade discount, and a cash discount offered for prompt payment. Many candidates understood that $180 would be credited to the supplier's account on 1 May.

Question 8

Two errors were found on a trial balance and candidates needed to identify the option that described the trial balance that had been completed. Overall, candidates chose the right answer, which was option **D**: the total of the debit column and the total of the credit column were equal.

Question 9

Candidates generally tended to perform well on this question even though it was relatively challenging. Candidates were asked to identify which items were entered on the wrong side of the trial balance, and the correct option was **A**: bank loan, general expenses, trade payables, bank overdraft and opening inventory.

Question 11

Question 11 asked candidates to identify what the balance had been on a suspense account **before** two errors, which were specified in the question, were corrected. The correct option was **D**: $610 debit. Some candidates seemed to find this question challenging and did not choose the correct option.

Question 20

Question 20 covered the area of the valuing of closing inventory, and the effect that omitting goods has on gross profit and equity. Some candidates found this question challenging and did not choose the correct option, which was **D**: gross profit would be understated, and equity would also be understated.

Question 21

Question 21 related to operating costs and candidates were asked to choose the statement which shows operating costs for the year. The correct option was **C**: income statement. Candidates generally chose the correct answer.

Question 25

Question 25 presented a scenario in which a limited liability company is formed and then asked the candidates whether directors, employees, lenders or shareholders had the limited liability. The correct option was **D**: shareholders. The majority of candidates chose the correct option.

Question 27

Question 27 related to a golf club that sells refreshments to its members and candidates were asked what the cost of sales of refreshments for the year ended 31 December 2022 was. The correct option was **D**: $7450. Whereas some candidates chose the correct option, some other candidates found this question challenging and chose another that was not correct.

Question 32

Like question 9, question 32 seemed rather challenging, but candidates tended to perform well. A list of balances at 30 September 2022 was provided, and candidates were asked to calculate the current ratio. The correct option was **C**: 3.82:1.

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ACCOUNTING

Paper 0452/22

Key messages

Candidates are advised to read each question very carefully before attempting an answer. It is important that no data is overlooked and that the candidate knows exactly what is required.

It is important to show calculations where appropriate. This is especially important in questions requiring the calculation of ratios. In some cases it was not possible to trace the figures used in **Question 4(a)**. Those candidates who included calculations were often able to earn some of the available marks even though the final answers were incorrect.

Most candidates found the spaces provided for answers were adequate. Some needed more space and some decided to re-attempt an answer. Most of these candidates sensibly indicated that there was additional work by writing 'continued on page …' or 'please see page …'.

Candidates are reminded that inappropriate abbreviations should be avoided. For example, in ledger accounts it is not acceptable to use 'b/d' or 'bbd' for 'Balance'. In an appropriation account 'I on C' and 'S of P' are regarded as inadequate.

Many scripts were neat and tidy and easy to read. A few candidates produced scripts which were very difficult to read. It is important to ensure that all words and figures are legible.

General comments

All the questions on the examination paper were compulsory. Most candidates appeared to be familiar with the topics and attempted to answer all the questions.

Double-entry bookkeeping forms the basis of all the day-to-day records of a business. It is, therefore, important that candidates have a thorough understanding of double entry and the ability to apply this to various scenarios. In ledger accounts and books of prime entry attention must be paid to recording the correct date and the details as well as the amount.

When calculating ratios it is important to display answers to the number of decimal places required by the question. It is also important to qualify answers by including '%', 'times' or ':1' as appropriate.

Three questions on the paper required candidates to discuss a given scenario and to recommend a course of action. Before attempting these questions it is recommended that candidates make a list of the points they wish to include and arrange these in a logical order. They then should be able to construct a coherent response setting out comments of one aspect, comments on another aspect and a clear recommendation.

Comments on specific questions

Question 1

(a) A three column cash book had to be prepared. Most candidates displayed a good understanding of cash books and were able to earn good marks.

Common errors included

- Incorrect calculation of amounts of discount allowed and received
- Incorrect details such as 'telephone transfer' and 'received cheque' rather than the name of the account where the double entry will be made
- Treating the contra as money withdrawn for personal use

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- Balancing the discount columns
- Not appreciating that it is not possible to have a credit balance brought down on the cash column

(b) Candidates were provided with details of two items which appeared only on the bank statement. They were required to state the effect on the bank balance and the capital of recording these items.

The effect of the credit transfer from the business owner's personal bank account seemed to cause problems for same candidates.

(c) Many candidates did not appreciate the link between the going concern principle and the reason why other organisations may be interested in the financial statements of a trader. Some did manage to earn marks for explaining that the bank manager would be interested in whether the trader could repay an overdraft/loan and the trade payables would be interested in whether the trader could pay for goods purchased on credit. The reasons for the government's interest often focused on incorrect responses concerning the economy, subsidies and employment rather than the ability of the trader to pay any taxes due.

Question 2

(a) Journal entries to correct five errors were required. Many candidates earned high marks.

Common errors included
- Error 2 – not appreciating that to correct the error it was necessary to double the original amount
- Error 3 – either debiting or crediting both the sales account and the rent account and making an entry in a suspense account
- Error 4 – believing that it was necessary to double the original amount in order to correct the error

(b) Candidates were required to prepare a suspense account. The account should have been opened with a debit entry for 'Difference on trial balance $152'. There were some wholly correct accounts, but many included extraneous items which did not affect the balancing of the trial balance (Errors 2 and 3)

(c) The correct profit for the year had to be calculated. There were few wholly correct responses.

Common errors included
- Complete omission of the draft profit
- Inclusion Error 5 which did not have any effect on the profit

(d) (i) Candidates had to state one use of the trial balance apart from checking arithmetical accuracy of the ledger. Many candidates correctly suggested that it aids the preparation of the financial statements. Others incorrectly suggested that it was used for checking purposes even though this was stated in the data and this was specifically excluded by the question.

(d) (ii) One use of the journal, apart from correcting errors, had to be stated. Many candidates provided correct answers. Some incorrectly repeated the statement given in the data about correcting errors.

Question 3

(a) A sales ledger control account had to be prepared. The majority of candidates were clearly familiar with this topic and earned good marks. A common error was incorrect details when a description of the transaction was often provided instead of an account name. For example, 'bank transfers received from credit customers' should have been shown as 'Bank'. Other errors included omission or incorrect treatment of the contra item and inclusion of extraneous items such as cash sales.

(b) A purchases ledger control account had to be prepared. Once again many candidates earned good marks. As in **Part (a)**, marks were forfeited because of inappropriate details such as 'Returns from credit customers' instead of 'Returns inwards' or 'Sales returns'. Some candidates omitted or incorrectly recorded the contra entry and included extraneous items such as irrecoverable debts.

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(c) Candidates were required to state two advantages of maintaining control accounts. Many candidates earned both the available marks. Common correct responses included helping to reduce fraud and location of errors.

Common errors included
- Reference to prevention of fraud
- Reference to correction of errors
- Calculation of total sales and purchases
- Incomplete answers such as allow draft financial statements to be prepared and providing totals of the trade receivables and trade payables without reference to the time factor

(d) Advice had to be provided to a trader as to whether he should sell fully depreciated office equipment to pay a supplier who was demanding immediate payment. Candidates were expected to discuss the advantages and the disadvantages and to make a recommendation. A number of candidates concentrated on one aspect only rather than attempting to provide a balanced discussion.

Many candidates recognised that selling the equipment would release funds to pay a substantial part of the debt and would therefore maintain the good relationship with the supplier. A number of candidates incorrectly referred to a loss on sale and to the effect on production if the office equipment was sold.

Question 4

(a) Using data provided candidates were required to calculate four ratios. There were some good answers, but some candidates were not able to earn full marks.

Common errors included
- Not showing workings
- Including extraneous items within the calculations
- Incorrect calculation of the opening inventory (which should have been half the closing inventory)
- Omitting the income when calculating the profit for the year
- Using an incorrect formula for the rate of inventory turnover
- Including inventory in the calculation of the liquid ratio
- Not displaying the answers correct to two decimal places
- Not qualifying answers by including '%', 'times' or ':1' as appropriate

(b) Ratios for the previous financial year were provided and candidates were asked to comment on the change in the gross margin and the liquid (acid test) ratio. Many candidates stated that the ratio had decreased or increased but did not explain the important factor of whether the ratio had improved or worsened.

A significant number of candidates mistakenly believed that the ratios provided in the question related to the current year rather than the previous year and consequently their comments were inaccurate. It is important that candidates read the information provided very carefully.

(c) Candidates were required to provide advice on whether a trader should reduce her selling price.

It was expected that candidates would discuss the advantages and the disadvantages and make a recommendation. A number of candidates concentrated on one aspect only rather than attempting to provide a balanced discussion.

The well-prepared candidates explained that reducing the selling price should increase demand, reduce the level of inventory and associated storage costs and increase the rate of turnover. Many did not appreciate that the gross margin would be reduced and less cash would be received for each unit sold. Some incorrectly referred to the effect on cost of production and a possible decrease in quality.

(d) Many candidates did not understand how the gap between the end of a financial year and the date the financial statements are available can be a limiting factor. The question required candidates to explain how this limitation may influence a trader's decision about whether or not to reduce selling

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price. The trader would prefer to be aware of the sales during the 'gap' and the level of inventory to date together with an up-to-date profit figure before making a pricing decision.

Question 5

(a) Candidates were required to prepare an appropriation account for a partnership. This proved a popular question with many candidates earning full marks.

Common errors included

- Incorrect treatment of interest on drawings and interest on capital
- Omission of the names of partners for the interests, salary and profit shares
- Use of inappropriate abbreviations such as 'S' for 'Samir' and 'Int' for 'Interest on capital'

(b) Using data provided and the appropriation account prepared in **Part (a)**, candidates were required to prepare the current account of one of the partners. Some candidates included extraneous items such as profit for the year and items relating to the other partner, and used unacceptable abbreviations in the details column. However, many candidates were able to earn high marks.

(c) A table had to be completed to indicate the effect of a partner paying private expenses from the partnership bank account. Many correctly identified an increase in drawings and interest in drawings. The effect on the profit for the year proved to be more problematic.

(d) Candidates were required to provide advice on whether the partners should convert their business into a limited company. The advantages and the disadvantages should have been discussed followed by a recommendation. A number of candidates concentrated on one aspect only rather than attempting to provide a balanced discussion.

Many candidates explained the advantages of limited liability for members and the continuity of existence and the disadvantages of the legal requirements and the cost of conversion. A number of candidates emphasised the ability to raise extra capital from share issues, the payment of dividends and the loss of control which were not relevant in this particular scenario.

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