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ACCOUNTING

Paper 0452/01
Multiple Choice

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General comments

This was the eighth sitting of this paper. It was taken by four thousand, eight hundred and seventy eight candidates (November 2003, four thousand and fifty eight candidates).

The mean mark was 23.6 out of 40 (November 2003, 22.9). Standard deviation was 7.1 (November 2003, 6.6).

Judged against accessibility limits of 60%–99%, no question was too easy and twenty two questions were too difficult.

All questions were within the Core Syllabus.

Comments on specific questions

Question 6

39% thought that payment for goods established the sale, with only 29% selecting the key **A**. 23% chose receipt of the seller's statement (**D**) as recognition of the sales revenue.

Question 8

Although 46% chose the key **C** (matching principle), 27% chose prudence (**D**) and 19% chose duality (**B**).

Question 13

Many were uncertain about discounts. 34% deducted both trade *and* cash discount from the list price of the goods ($1140, **B**). 18% thought that one combined discount of 25% would be deducted to give $1125, **A**, with 38% realising that only trade discount was to be deducted in choosing the key **C**.

Question 15

46% chose the key **A**, with 28% wrongly choosing **B** (where the entries were reversed). Janet *allowed* discount to Carol, but a total of 26% thought that the discount was received by Janet, (**C** and **D**).

Question 19

Whilst 49% realised that a single entry error is corrected using a suspense account, (key **D**), selection of the other options – **A** 15%, **B** 20% and **C** 15% – indicated a substantial degree of guesswork.

Question 20

Most candidates appreciated that the correcting entry involved crediting the suspense account, but only 46% realised that this meant *doubling* the amount of the original error in choosing key **C**. 36% chose **B**.

Question 22

An unpresented cheque causes the cash book balance to be lower than the bank statement balance, but this was only realised by 39% who chose the key, **B**. Bank interest charged and a standing order not yet shown in the cash book both have the opposite effect, but were chosen by 25% (**C**) and 21% (**D**) respectively.

Question 24

40% thought that Jonah's rental income for the year was $1680 ($1800 received – 120 owed at start) and chose **B**. Only 31% correctly selected option **A**, $1440, being 12 months rent at $120 per month.

Question 26

48% understood that both net profit and machinery will be understated and chose **B**, the key. Surprisingly, however, 34% thought that net profit would be overstated by the incorrect inflation of purchases (**A**).

Question 27

Only 42% correctly realised that after deducting the machine's estimated residual value ($2000), *three* years' depreciation was to be calculated (**D**). 17% deducted the depreciation from the net figure of $8000, not the cost (**B**), whilst the residual value was ignored by the 27% who chose **C**.

Question 28

39% chose the key **B**, but 31% calculated the depreciation on the cost ($20 000) minus the current book value of $12 000 (**A**). 25% wrongly applied the straight line method (30% x $20 000 = $6000) in choosing **C**.

Question 32

A surprisingly large number, 38%, thought that partners' salaries appear in a Profit and Loss Account (**D**). The same proportion correctly chose the key **A** (interest on loans from partners).

Question 33

Theresa's salary of $2000 is an appropriation, not an expense. It is therefore added to the net loss of $2400, her share of the total loss thus being $1100 (**C**) chosen by just 18%. 50% chose **B**, ignoring the salary altogether, whilst 20% *deducted* it from the net loss in choosing **A**.

Question 38

Whilst 35% chose the key **B**, 34% chose **A** ($17 000), which was the net profit (gross profit less expenses). 17% opted for **D**, $85 000, which was the figure for sales. These answers indicated considerable uncertainty in handling the basic elements of accounting statements.

| Paper 0452/02 |
| Paper 2 |

General comments

Candidates generally performed quite well and there were many very good scripts, but a considerable number of candidates showed marked weaknesses and performed less well. Many gave good answers to all the topics covered in the question paper, but others had specific difficulty in the areas set out below.

Most gave good answers to the short questions in **Question 1**, but some candidates found several parts of the question difficult. **Question 2 (a)** was generally well answered and many earned full marks for the whole question by also answering parts **(b)** and **(c)** correctly. Answers to **Question 3** varied widely and considerable weakness was found in completing the ledger accounts satisfactorily. Parts **(b)** and **(c)** were answered reasonably, but few earned all the available marks.

Question 4 (a) was well answered by those who followed the question carefully, but very few gained the available marks in part **(b)**. There were some good answers to **Question 5 (a)** with many candidates earning full marks by correctly calculating capital at the beginning and end of the period. Answers to part **(b)** were most disappointing with very few candidates earning the full marks available and few candidates realised the answer to part **(c)** required a business reason for the overdraft.

Most candidates attempted all the questions and there was no evidence of time pressure preventing candidates from completing the question paper.

Comments on specific questions

Question 1

This consisted, as in previous sessions, of a number of short answer questions from across the syllabus which produced some good answers although some specific difficulties were found with two questions: **(c)** and **(g)**.

(a)   Most candidates were able to state one purpose for which the journal may be used, such as, for opening balances, the correction of errors, the purchase of fixed assets on credit, writing off a bad debt, year end transfers, or to record a transaction not entered in other books of prime entry. "To record journal entries" was not an acceptable answer.

(b)   Most candidates knew that the final account to which the balance of the carriage outwards account is transferred, is the Profit and Loss account. Some offered the Trading account, but this was only acceptable if shown as the Trading and Profit and Loss account.

(c)   The better candidates knew that the basis on which a business should value its closing stock is the lower of cost and net realisable value, but a large number were unable to give the correct answer. Some candidates did not appear to understand the question and gave answers referring to the need to increase or decrease profits.

(d)(i)   Most candidates were able to calculate the discount as 2½% x $1 000 = $25 and state the amount paid as $975.

(ii)   The correct answer was Cash discount. Candidates became confused between the type of discount and the names of accounts in the ledger, offering Discount allowed or, wrongly, Discount received, and a number also incorrectly answered Trade discount.

(e)   The majority of candidates correctly answered the Trial Balance for the *list* of debit and credit balances in a business's books at a given date, but some incorrectly offered the Balance Sheet.

(f)   Most candidates correctly gave the name of a partnership's final account showing the division of profits between the partners as the Appropriation account, but a number became confused with partners current accounts.

(g) This question proved the most difficult in **Question 1** to answer. A compensating error is where two errors are made and two incorrect entries of equal amounts cancel each other out. Many candidates had some grasp of this concept, but found difficulty in expressing it or giving an example. Others either did not know it or were unable to explain the concept at all.

(h) Most candidates were able to correctly give one example of capital and revenue expenditure for Sam's business, although many confused the type of business with the nature of the expenditure.

    1   Examples of capital expenditure include land and buildings, fixtures, motor vehicles, plant and machinery, and office equipment. However, expenditure on agricultural machines was not accepted as capital expenditure.

    2   Examples of revenue expenditure include wages and salaries, raw materials, fuel, electricity, repairs and office, general or administrative expenses.

Question 2

(a) This was very well answered with most candidates gaining full marks by inserting the correct words and figures in the boxes in a Trading and Profit and Loss Account set out on the question paper. The correct answers were:

    (i) $6 000

    (ii)   Stock

    (iii) $71 000

    (iv)   inwards

    (v) $14 000

    (vi)   received

    (vii) $7 000.

Some candidates became confused at item **(iii)** and incorrectly added the purchase returns to the purchases, entering the incorrect answer of $63 000, and some adjusted for the opening stock and gave the also incorrect response of $59 000. Others incorrectly showed carriage outwards at item **(iv)** in the trading account and some thought rent was payable, accrued or outstanding at item **(vi)**.

A very few did not show any words in their answer believing that all the answers required figures, but earned no marks for repeating the figures in the boxes requiring words.

(b)(i) Most candidates were able to calculate the correct gross profit percentage as

$$\frac{\text{Gross profit (\$30 000)}}{\text{Sales (net of returns) (\$100 0000)}} = 30\%$$

However, a considerable number used the sales figure before adjusting for returns ($106 000) in the fraction and some incorrectly added the rent received to the gross profit and used $36 000 in their calculation.

    (ii) The majority of candidates again correctly calculated the net profit percentage as

$$\frac{\text{Net profit (\$12 000)}}{\text{Sales (net of returns) (\$100 000)}} = 12\%$$

However, some candidates again incorrectly used the sales figure before deducting returns ($106 000) in their calculation.

(c) This part of the question required candidates to state the effect on the gross profit percentage and on the net profit percentage of a proposed reduction in expenses in the next financial year.

    1   Many candidates correctly identified that a reduction in expenses would have no effect on the gross profit percentage as the Trading account would not be affected.

    2   A variety of answers were given to this part, but an acceptable number correctly identified that the net profit percentage would increase as expenses would reduce.

A number of candidates gave answers relating to the effect on the actual gross and net profits, not the percentages, and earned no marks.

Question 3

(a) This part of the question required candidates to write up ledger accounts from information given in relation to machinery purchased and depreciated using the reducing balance method over a period of three years.

Although the underlying calculations were often correct, as shown in the space on the question paper for workings, the ledger accounts were very poorly attempted, with only a small minority earning all the available marks.

The accounts should have been prepared as follows:

Machinery account

2001		$			
1 October	J D Engineering	20 000			

Provision for depreciation of machinery account

2002		$	2002		$
30 September	Balance c/d	6 000	30 September	Profit & Loss account	6 000
			1 October	Balance b/d	6 000
2003			2003		
30 September	Balance c/d	10 200	30 September	Profit & Loss account	4 200
		10 200			10 200
			1 October	Balance b/d	10 200
2004			2004		
30 September	Balance c/d	13 140	30 September	Profit & Loss account	2 940
		13 140			13 140
			1 October	Balance b/d	13 140

(A running balance format was also acceptable)

Common errors in preparing the ledger accounts were to include depreciation, or a provision for depreciation, in the Machinery account, and to include a figure for Machinery in the Provision for depreciation account. In each case, marks were lost for the incorrect entries. Many balances were not carried and brought down, or were wrongly calculated.

The balance on the Provision for depreciation account should always be a credit balance, but many candidates failed to understand this and showed varying calculations arriving at debit balances, apparently attempting to show the net book value as well as the provision for depreciation in the same account.

Lack of attention to dates also meant candidates failed to obtain some available marks.

(b) In spite of not being able to correctly prepare the ledger accounts, many candidates were able to give correct answers and complete the Balance Sheet extract:

Fixed assets	*Cost*	*Depreciation to date*	*Net book value*
	$	$	$
Machinery	20 000	13 140	6 860

Common errors included showing the correct net book value, but only the previous year's depreciation and therefore an incorrect figure for cost; reversing depreciation to date and net book value; showing a net book value which was not the difference between the cost and the depreciation to date; and using figures extending into a fourth year of calculations in error.

(c)(i) This part of the question required the calculation of the accumulated depreciation after three years on the straight line method using the given information about the expected useful life and scrap value of the machinery.

Many candidates knew the formula for calculating the annual depreciation charge using this method, and correctly calculated the annual charge, but then failed to apply it to the three year period and show the accumulated depreciation. Instead, many candidates incorrectly showed the annual charge ($3 000) as their answer.

The correct calculation of the accumulated depreciation is as follows:

$$\frac{\text{Cost (\$20 000) less scrap value (£2 000) = \$18 000}}{\text{Useful life (6) (years)}} \times 3 \text{ (years)} = \$9\,000$$

(ii) Very few candidates were able to express the concepts and reasons why the straight line method may be preferable to the reducing balance method of depreciation. Acceptable reasons would include the advantage of a fixed amount of depreciation each year, ease of calculation, the difficulty of choosing a reducing balance percentage, and the value of the machinery not falling heavily in early years but evenly over its useful life.

Candidates should understand the importance of knowing why a particular depreciation method would be suitable for a particular asset and of being able to explain a business reason for the decision.

Question 4

(a) This question required candidates to write up a three column cash book from information supplied, to balance the cash book for the month of July 2004, and to show the totals and balances at the end of the month.

The question was quite well answered, although there was some confusion between credit and debit entries, the treatment of cash withdrawn from the bank for office use, and the correct way to enter the dishonoured cheque received from M Yaveli, a debtor.

The correct entries in the cash book were as follows:

				Discount	Cash	Bank					Discount	Cash	Bank
									Jonah				
									Cash Book				
Date				Discount	Cash	Bank	Date				Discount	Cash	Bank
2004				$	$	$	2004				$	$	$
July	1	Balances	b/d		600	2 500	July	7	Cash (office/contra)				200
	3	H Syde		10		490		10	J Teime		15		385
	7	Bank (office/contra)			200			12	Wages			400	
	14	B Sharp		20		780		17	P Mulder		25		975
	20	Cash (sales)				350		24	Wages			250	
									Electricity				600
	21	M Yaveli				630		29	M Yaveli (dishonoured cheque)				630
								31	Balances	c/d		150	1 960
		Totals		30	800	4 750			Totals		40	800	4 750
August	1	Balances	b/d		150	1 960							

In a question requiring the writing up of a cash book, candidates should be aware that marks are available for the details such as the correct date for an entry, the correct narrative, the correct amount being entered on the correct side in the correct column, and for correctly calculated balances carried and brought down. Attention to these details will earn marks.

(b) This part of the question required the candidate to show the entries in the Discounts allowed and Discounts received accounts on 31 July 2004. This was very poorly answered and most candidates did not seem to know that only the totals of the Discounts columns in the cash book should be transferred to these accounts. The majority of candidates incorrectly showed individual entries for the named debtors and creditors shown in the cash book.

The correct entries in the accounts are as follows:

Discounts allowed account

		$	
31 July 2004	Total for month (July)	30	

Discounts received account

			$
	31 July 2004	Total for month (July)	40

Again, attention to details such as the correct date, correct narrative, correct amount and correct side for the entry is required for the available marks.

Question 5

(a) The first part of this question requires candidates to compile a statement or calculation of Rosie's capital at the beginning and the end of her period of account, using information given in the question. Most candidates were able to do this satisfactorily and earned good marks for their answers. Some candidates lost marks from lack of attention to detail, adding creditors and the bank overdraft to assets in error, or making elementary addition or subtraction errors, and some candidates became confused and calculated Rosie's working capital in error.

The correct calculations are as follows:

At 1 October 2003

	$	$
Fixtures & fittings		12 000
Stock	3 000	
Debtors	5 500	
Bank	1 500	
	10 000	
Less creditors	5 000	
		5 000
Capital at 1 October 2003		17 000

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At 30 September 2004

	$	$	$
Fixtures & fittings			14 000
Motor vehicle			3 000
			17 000
Stock		11 000	
Debtors		1 000	
		12 000	
less creditors	4 000		
bank overdraft	2 000		
		6 000	
			6 000
Capital at 30 September 2004			23 000

(b)   This part of the question, requiring candidates to use their answer to part **(a)** and the additional information given to calculate Rosie's profit or loss for the year, was very poorly answered and was clearly seen by many candidates to be difficult. Many candidates knew the formula which needed to be applied:

Closing capital = Opening capital + Net profit + Additional capital – Drawings

However, they were unable to solve this equation for the term "Net profit" and became very confused in attempting to do so. Equally, most candidates found it very difficult to adjust the net profit for the required depreciation on fixed assets, and many of those who attempted applied depreciation to both the fixed asset headings, fixtures and fittings and the motor vehicle and arrived at a figure of $2 000 instead of the intended answer of $1 000.

Other candidates attempted to prepare a balance sheet at 30 September 2004 – effectively duplicating the work done in part **(a)** and not earning any additional marks – and many attempted to answer the question by showing the capital movement as part of the "Financed by" element of the balance sheet. Those who did this correctly earned marks, but many used the closing capital as the opening capital and became very confused.

To the extent that any layout arrived at a correct answer or showed how the answer offered was derived, some or all of the marks available were earned, but those candidates who just showed a list of figures without explanation did not earn any marks even if the figures may have been correct. It is necessary in an accounting examination to show to what any figures relate in order for the answer to be awarded marks.

The correct answer may be shown as follows:

Capital at 30 September 2004			23 000
Less: capital at 1 October 2003			17 000
			6 000
add: Drawings			8 000
			14 000
less: Additional capital		3 000	
Depreciation adjustment		1 000	
			4 000
Net profit for the year			10 000

(c) The final part of the question required a reason why Rosie's business had a bank overdraft at 30 September 2004. Many candidates did not realise that the question required a business reason, and just explained that an overdraft arose when withdrawals exceeded deposits and the balance in a bank account. Answers explaining that unpresented cheques and uncleared deposits caused an overdraft were equally incorrect. Where a business reason was given, it was often superficial. Answers stating that Rosie needed the bank overdraft to buy the motor vehicle did not earn marks as the question specifically stated that the additional capital had been introduced to finance this purchase.

Acceptable answers included:

- the purchase of additional fixtures and fittings
- the purchase of additional stock
- reduction in creditors
- excessive drawings
- cash flow problems
- increased or additional business expenses.

The best prepared candidates who were able to answer each part of **Question 5** correctly, earned good marks and showed an understanding of accounting theory and practice.

> **Paper 0452/03**
>
> **Paper 3**

General comments

This paper was designed to discriminate between candidates obtaining Grades A to C. The syllabus recommends that only those candidates who have studied the Extended Curriculum, and who are expected to achieve at least a Grade C, should be entered for this paper.

All the questions were compulsory, and were set mostly on the Extended Curriculum. As usual, some of the marks were relatively easy to earn, but other marks could only be gained if candidates showed a greater degree of knowledge and understanding.

Candidates should be reminded of the importance of reading each question carefully before attempting to answer the question. The importance of showing calculations should also be emphasised. An incorrect answer to a numerical calculation cannot be awarded any marks where no calculations are shown. If a candidate shows how the figure has been calculated, it may be possible to earn some of the available marks.

Some candidates also lost marks through a lack of attention to detail. Examples include the omission of dates, inaccurate descriptions and failure to bring down balances on ledger accounts using the "T" format (or failure to up-date the balance column on three column running balance ledger accounts).

Comments on specific questions

Question 1

This question concentrated on books of prime entry and ledger accounts.

(a) Candidates were required to state one reason why a business uses a purchases journal. It was disappointing to find a significant number of candidates stating that the purchases journal records *all* the purchases (both cash and credit), or that it records the accounts of creditors.

However, there were a number of candidates who correctly stated that the purchases journal records credit purchases. Other acceptable reasons included explanations of the following:

- fewer transactions are recorded in the purchases account
- provides information for the purchases ledger control account
- book-keeping can be spread between several people
- purchases can be analysed into products/areas etc.

(b)(i) The entries in a trader's purchases journal and purchases returns journal for a month, together with extracts from the cash book were provided.

Candidates were required to write up the ledger accounts of two creditors. Many marks were lost because of basic errors such as the omission of dates, inappropriate descriptions (such as "goods" instead of "purchases"), and failure to bring down a balance (or up-date the balance column) on the account of Perez.

It was disappointing to find that a large number of candidates failed to recognise the fact that trade discount should *not* appear in the personal accounts.

(ii) The purchases and purchases returns accounts in the nominal ledger had to be written up using the information in the books of prime entry. It was very surprising to find a large number of candidates gaining no marks for this section of the question.

The total of the purchases journal should have been debited to the purchases account and the total of the purchases returns journal should have been credited to the purchases returns account. It was very disappointing to find many candidates listing the individual purchases from named creditors and the returns to a named creditor.

Another common error was to omit the double entry in the purchases account in respect of cash purchases shown in the cash book.

Once again marks were lost because of lack of attention to detail.

(c) Using given data, candidates were required to write up the capital account of a trader as it would appear in the ledger.

A few candidates provided an arithmetic calculation of the trader's closing capital or an extract from the Balance Sheet showing the capital section. No marks could be awarded in these cases.

It was pleasing to find that a large number of candidates were able to gain high marks for this section of the question. Unfortunately some again lost marks because of lack of attention to details such as dates, descriptions and balancing.

Question 2

This question was concerned with the working capital of a trader, and the current and quick ratios. Four reasons why a trader should not compare her results with those of another business were also required.

(a) Candidates were provided with a list of the assets and liabilities of a trader and were required to calculate the working capital. It was pleasing to find a large number of correct answers. Most candidates also showed calculations and so were often able to gain some, if not all, of the available marks.

It was disappointing to find that a significant number of candidates failed to recognise that the bank loan, which was repayable within four months, should be regarded as a current liability. A few candidates incorrectly deducted the current liabilities from the total assets rather than the current assets.

(b) Using their answer to part **(a)**, candidates were required to calculate the current and quick ratios. It was pleasing to find many correct own figure answers. Once again, many candidates showed their calculations and so were often able to gain some of the available marks.

It is important that candidates understand that both these ratios should be expressed as ratios – *not* as number of times, and *not* as fractions. A few candidates failed to follow the instruction to express the answers correct to two decimal places.

(c) Two ways in which a trader could improve her working capital had to be given. Acceptable responses included the following:

- injecting capital

- obtaining long-term loans

- selling surplus fixed assets

- reducing drawings.

Many answers to this question were very disappointing. Some candidates provided very vague answers such as "increase current assets" and "reduce current liabilities", without explaining how such actions could actually be achieved. Of the suggestions offered by other candidates, many did not affect the working capital. For example "pay the amount owing to creditors" has no effect on the working capital. The working capital can only be increased from sources outside the current assets and current liabilities.

The management of working capital is obviously an area where many candidates would benefit from further study.

(d) Details of a partnership business were given. Candidates were required to state and explain four reasons why it would not be appropriate for the sole trader (about whose business details were given earlier in the question) to compare her business with that of the partnership.

It was pleasing to find that many candidates gained good marks on this section. A few candidates lost marks, however, because they failed to give complete answers. For example, the statement "Sarah is a sole trader" is not regarded as a complete answer to a question in which candidates are asked to "state and explain …………".

Question 3

This question concerned the topic of control accounts.

(a) Candidates were required to select the relevant items from the given data and to prepare a sales ledger control account.

There were a large number of satisfactory answers, but some candidates incorrectly included extraneous items such as cash sales and provision for doubtful debts. Once again, a lack of attention to detail often resulted in marks being lost. A small number of candidates incorrectly "set off" figures such as the two opening balances; the credit sales and the returns from credit customers; and the amounts received from debtors and the dishonoured cheque.

(b) Candidates were required to select one of the items in the given data which should not be included in the sales ledger control account and to explain *why* that item should not appear.

Most candidates correctly selected either the cash sales or the provision for doubtful debts. Only a relatively small number, however were able to offer a suitable explanation of why that item should not appear. The double entry for cash sales is a debit in the cash account and a credit in the sales account. These sales are not entered in a debtor's account and consequently do not appear in a sales ledger control account. The provision for doubtful debts on 1 September 2004 is the balance of the provision at the start of the month to cover future bad debts. This does not appear in a debtor's account and consequently does not appear in a sales ledger control account.

(c) Candidates were informed that the balance on the sales ledger control account disagreed with the total balances in the sales ledger because the dishonoured cheque had not been recorded in the personal account of the debtor. The total of the list of balances in the sales ledger was required.

The error would have resulted in the balance of the sales ledger control account being $280 less than the total of the balances in the sales ledger. Only a small number of candidates produced the correct answer. Many candidates incorrectly deducted $280 from either the *total* or the *opening balance* of the control account.

(d) This question was concerned with the sources of information for items appearing in a purchases ledger control account.

Many candidates correctly stated that the figure for credit purchases would be obtained from the purchases journal and the figure for discounts received would be obtained from the cash book. Only a small number of candidates stated that the figure for refunds from credit suppliers would be obtained from the cash book.

(e) Candidates were required to state two advantages of preparing control accounts.

A large number of candidates correctly identified at least one advantage. The most common correct responses were that they provided total figures for debtors and creditors, assisted in the location of errors and helped reduce fraud.

Some candidates incorrectly stated that control accounts assist in calculating "missing" figures such as sales/purchases and amounts paid to creditors/amounts received from debtors. Where a full set of double entry records is maintained (as in the question), control accounts are not used to assist the calculation of "missing" figures, but as a check on the accuracy of the ledgers they control and to provide a summary of the transactions relating to debtors and creditors.

Question 4

This question concentrated on the accounts of a non-trading organisation.

(a) Candidates had to select the appropriate figures from the given data and prepare a Snack Bar Trading Account. It was pleasing to find a number of candidates gaining high marks.

It was, however, disappointing to find many candidates introducing extraneous items such as subscriptions and barbeque ticket sales. Common errors included failing to adjust the purchases for the amount still owing to creditors and omitting to include the wages of the snack bar staff.

(b) Using the information provided, candidates were required to prepare an Income and Expenditure of a sports club.

Once again, many candidates earned high marks.

A small number of those candidates who elected to produce an account in horizontal format reversed the account and showed the income on the debit side and the expenditure on the credit side. Even the more able candidates often failed to set off the barbeque expenses against the revenue from barbeque ticket sales.

Some candidates included the sales and purchases of the snack bar in the Income and Expenditure Account (sometimes duplicating the items already entered in the Trading Account).

The surplus for the year was occasionally labelled "net profit" or left without any indication of what the figure represented.

(c) Two ways in which a sports club could raise a sum of money to reduce the bank overdraft and pay for the purchase of a clubhouse were required.

Acceptable responses included the following:

- organise fund-raising activities
- obtain long-term loans
- sell unwanted fixed assets
- increase income from members
- obtain donations and sponsorship.

Many candidates were able to offer acceptable answers. A small number of candidates, however, limited their response to a list of different fund-raising activities.

Question 5

This question was concerned with the accounts of a partnership business.

(a) The Balance Sheet of a partnership, prepared by an inexperienced book-keeper, was provided, together with a list of errors which had been discovered. Candidates were required to prepare a corrected Balance Sheet using an acceptable format.

Many candidates successfully displayed the fixed assets, current assets and current liabilities sections of the Balance Sheet. Some, however, failed to include suitable wording for the depreciation of equipment, the provision for doubtful debts and the working capital.

It was extremely disappointing to find that a large number of candidates were unable to provide a suitable presentation for the capital section of the Balance Sheet. It was not uncommon to find one figure for capital, one for net profit and one for drawings. This is, of course, not acceptable in a Balance Sheet of a partnership. It is important that candidates are made aware of the importance of showing a separate figure for the capital account of each partner and also a separate figure for the current account of each partner.

A suitable presentation of the capital section of the Balance Sheet is as follows:

	Ruth $	Lucy $	Total $
Capital accounts			
Balance	30 000	20 000	50 000
Current accounts			
Share of profit	8 000	4 000	
Drawings	4 000	4 400	
	4 000	(400)	3 600
			53 600

(b) This question was concerned with the treatment of Goodwill on the admission of a new partner. Using given data, candidates were asked to complete tables to show the accounts to be debited and the accounts to be credited in order to make the necessary adjustments in the ledger of a partnership business.

The responses to this section of the question were extremely disappointing and many candidates failed to gain any marks. A few candidates stated the correct entries in the Goodwill account. Some also stated the correct entries in the accounts of the partners, but failed to distinguish between the capital accounts and the current accounts. Adjustments for Goodwill should be made in the capital accounts and *not* the current accounts of the partners.

The correct entries were as follows:

(i) To enter Goodwill on the books

account(s) to be debited	$	account(s) to be credited	$
Goodwill	9000	Ruth Capital	6000
		Lucy Capital	3000

(ii) To write off the Goodwill

account(s) to be debited	$	account(s) to be credited	$
Ruth Capital	4500	Goodwill	9000
Lucy Capital	2250		
Paul Capital	2250		