ACCOUNTING

Paper 0452/12
Multiple Choice

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

Key messages

Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of accounting. Candidates should be prepared to answer questions which involve calculations and those which do not. Using the specimen paper and/or past exam questions will provide useful practice at answering multiple choice questions.

General comments

Some candidates possessed a good understanding of double-entry bookkeeping and were able to select the correct key to many items on the paper. However, some questions were challenging for a significant number of candidates. This indicates that not all candidates were fully prepared for this examination paper.

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

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Comments on specific questions

Question 3

This question asked candidates to identify which transactions would be entered in the nominal ledger. The correct answer was **C**. The transaction which would not be entered in the nominal ledger was transaction 1. A cheque received from a credit customer would be entered in the cash book and the sales ledger.

Question 4

Candidates were required to identify what is represented by a debit balance on an account in the purchases ledger. The correct answer was **C**. Some candidates found this question challenging.

Question 6

This question covered the topic of business documents. Candidates were required to identify what a supplier would use a debit note for. The correct answer was **D**. A supplier uses a debit note received from a customer, to prepare a credit note. Some candidates thought that a debit note would be used to make an entry in the sales journal.

Question 7

Candidates were required to identify the entry which would be made for a sales return. The correct answer was **D**. Some candidates incorrectly deducted cash discount from the amount of the sales return.

Question 9

This question required candidates to calculate the original balance on a suspense account. The correct answer was **B**. The opening credit balance of $750 would be cleared when the drawings of $150 is credited to the suspense account, and the sales journal undercast is debited to the suspense account.

Question 12

This question required candidates to identify which items would reduce the overdrawn balance in a cash book. The correct answer was **A**. Amounts lodged in the bank would reduce the overdrawn balance. Some candidates found this question challenging.

Question 13

This question required candidates to identify the entries which would be made in a trader's purchases ledger control account and sales ledger control account. The correct answer was **A**. Most candidates identified that the purchases ledger control account would be debited and that the sales ledger control account would be credited. However, some candidates incorrectly thought that the amount of the entries would be $155 (i.e. $295 – $140).

Question 14

This question covered the topic of the sales ledger control account. Candidates were required to identify the statements which were correct. The correct answer was **C**. Some candidates incorrectly thought that the sales account was the source of the opening balance in the sales ledger control account.

Question 15

Candidates were required to identify the effect of a book-keeping error on the book value of equipment. The correct answer was **B**. The correct calculation was ($420 – [$420 × 20%]) = $336. A significant number of candidates only calculated the depreciation figure of $84.

Question 16

This question covered the topic of depreciation. The correct answer was **C**. Some candidates found this question challenging. Some may have misread option **B** which related to current assets rather than non-current assets.

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Question 21

This question covered the topic of other receivables (accrued income). Candidates were required to calculate the amount of commission to be entered into a trader's income statement. The correct answer was **B**. The correct calculation was ($18 000 – $1500 + $800) = $17 300. Some candidates deducted the commission owed at the end of the year, instead of adding it.

Question 23

This question covered the topic of partnership. Candidates were required to calculate the credit balance on a partner's current account after the appropriation of profit had been accounted for. The correct answer was **A**. The correct calculation was (–$1800 + $3000 + [$11 100 × 2/3]) = $8600. Some candidates found this calculation challenging.

Question 24

Candidates were required to calculate the amount of equity and of capital employed for a limited company. The correct answer was **D**. Some candidates did not include the retained earnings in their calculation of capital employed and therefore arrived at an incorrect figure.

Question 26

This question required candidates to identify items which would be included in the receipts and payments account for a sports club. The correct answer was **A**. Some candidates incorrectly thought that wages which were owing at the end of the year would be included in the receipts and payments account.

Question 28

Candidates were required to calculate the factory cost of production. The correct answer was **D**. Most candidates found this question straightforward and answered correctly.

Question 29

Candidates were required to identify how a prepayment of insurance would be shown in a trader's statement of financial position. The correct answer was **C**. Most candidates identified that the amount would be shown as a current asset. However, some candidates incorrectly thought that the insurance for one month only would be included as a current asset.

Question 30

This question covered the topic of incomplete records. Candidates were required to identify how credit purchases may be calculated. The correct answer was **D**. Some candidates found this question challenging.

Question 31

This question required a calculation which some candidates found challenging. The correct calculation was ([$22 000 + $6000] = $28 000 + $7000 – $4000) = $31 000. The correct answer was **D**.

Question 34

Candidates were required to identify what had happened in a trader's business. The correct answer was **D**. Most candidates found this question straightforward and answered correctly.

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ACCOUNTING

Paper 0452/13
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	A	13	A	25	B
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4	A	16	B	28	D
5	B	17	A	29	C
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8	D	20	B	32	D
9	D	21	B	33	B
10	B	22	A	34	C
11	B	23	C	35	C
12	D	24	C		

Key messages

Candidates should be familiar with all topics on the syllabus and possess a thorough knowledge of accounting. Candidates should be prepared to answer questions which involve calculations and those which do not. Using the specimen paper and/or past exam questions will provide useful practice at answering multiple choice questions.

General comments

Some candidates possessed a good understanding of double-entry bookkeeping and were able to select the correct key to many items on the paper. However, some candidates were challenged by some of the topics and some of the calculations required. This indicates that not all candidates were fully prepared for this examination paper.

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

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Comments on specific questions

Question 1

This question asked candidates to identify the purpose of calculating the profit of a sole trader. The correct answer was **A**. Most candidates found this question straightforward and answered correctly.

Question 4

Candidates were required to calculate the closing balance on the account for a trade payable. The correct answer was **A**. The correct calculation was ($520 – $30) = $490. Ann owed this amount to Cindy. Some candidates found this question challenging.

Question 5

This question required candidates to calculate the amount of a credit note. The correct calculation was [($10 × 2 = $20) – (20% × $20 = $4)] = $16. The correct answer was **B**. Some candidates found this question challenging.

Question 7

This question covered the topic of discounts. Candidates were required to identify the correct statement. The correct answer was **A**. Some candidates incorrectly thought that discount received is recorded on the debit side of a three-column cash book.

Question 9

This question required candidates to calculate the original difference entered in a suspense account. The correct answer was **D**. The opening debit entry of $450 would be cleared when $500 was credited to the suspense account for error 1, and $50 was debited to the suspense account for error 2. Some candidates found this question challenging.

Question 12

This question required candidates to identify the entries which would be made in respect of a standing order for rent. The correct answer was **D**. Most candidates identified that an entry would be required in the cash book. However, some candidates incorrectly thought that an entry would also be made in the bank reconciliation statement.

Question 15

Candidates were required to identify the effect of two book-keeping errors on the profit for the year for a trader. The correct answer was **B**. The correct calculation was ($5000 – $2000) = $3000 understated. Some candidates found this question challenging.

Question 16

This question covered the topic of depreciation. Candidates were asked to calculate the net book value of a motor vehicle. The correct answer was **B**. Candidates could have calculated the depreciation for each year and deducted it from the previous year's net book value. A quicker, correct calculation was ($30 000 × 70% × 70% × 70%) = $10 290. Some candidates found this calculation challenging.

Question 18

This question covered the topic of other receivables (prepayments). Candidates were required to calculate the amount of a prepayment of insurance, and to identify how it would be shown in the ledger account for insurance. The correct answer was **A**. The correct calculation was (8/20 × $9600) = $3840. Most candidates carried out the calculation correctly. However, some candidates incorrectly thought that the balance carried down would be shown on the debit side.

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Question 20

This question covered the topic of inventory valuation. Candidates were required to identify the unit value of the inventory. The correct answer was **B**. Some candidates found this question challenging.

Question 27

This question referred to an income and expenditure account. Candidates were required to identify what the figure arrived at by deducting expenditure from income represents. The correct answer was **D**. Most candidates found this question straightforward and answered correctly.

Question 28

Candidates were required to calculate the total inventory for a manufacturing business. The correct answer was **D**. The correct calculation was ($9990 + $355 000 + $114 850 – $475 000 + $4200 + $1100) = $10 140. Some candidates omitted the figure for work in progress at 30 September 2025 from their calculation.

Question 30

This question covered the topic of incomplete records. Candidates were required to calculate the profit for the year. The correct answer was **A**. The correct calculation was ([$52 000 – $8000] – [$40 000 – $15 000] – $6000 + $3250) = $16 250. Some candidates found this question challenging.

Question 31

This question required candidates to identify the information required to calculate credit sales when a full set of accounting records had not been kept. The correct answer was **C**. Some candidates incorrectly thought that a total figure for trade discount would also be required for this calculation.

Question 32

Candidates were required to identify two measures which would improve the current ratio of a business. The correct answer was **D**. Some candidates found this question challenging.

Question 34

This question required candidates to identify an application of the materiality principle. The correct answer was **C**. Some candidates found this question challenging.

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ACCOUNTING

Paper 0452/22
Structured

Key messages

Candidate performance continues to be highly varied. Those who achieved the higher grade have demonstrated some knowledge and understanding of how and where transactions are recorded in an accounting system. Those with lower grades have a tendency to rely upon answering written scenario questions with a limited ability to apply the basic accounting skills required.

General comments

The paper differentiated clearly between candidates. Basic accounting skills, such as the correct use of debit and credit entries, and the ability to balance ledger accounts accurately, need regular practice. Discussion questions have to be read carefully, as scenarios include variations that should be considered. Too often candidates over-rely on memorised phrases, with only limited reasoning skills being applied. **Questions 1(c)** and **4(a)** were examples where more marks could have been achieved if this approach had been followed.

Comments on specific questions

Question 1

(a) This question required the updating of a basic cash book using information from a bank statement. Only those items not entered into the cash book by the end of the month had to be entered. Errors that were made were the omission of the opening balance ($825) and/or the addition of the bank statement overdrawn balance (–$1665) which will not appear in the cashbook. This basic error was frequently compounded by including items that have not appeared on the bank statement (unpresented cheques) into the cash book. These are alien items that will corrupt the mark for the balance upon the cash book. The standing order error made by the bank did not require entering in the cash book, but this was often seen incorrectly as a credit entry by many candidates.

(b) The task here was to prepare a bank reconciliation statement that links the cash book balance with that of the bank statement and thus ensures accuracy within the accounting system. The format for the statement is well-established, and candidates could choose to start with either the closing balance on their updated cash book, or balance shown on the bank statement. Many responses did not take this into account and did not recognise the reasoning and purpose behind producing this statement.

Errors to be avoided were:

- including a closing cash book balance (–$935) and treating it as a positive figure
- use of the total cash book figure instead of the balance on the account
- incorrect labelling and or missing labels within the statement
- ad hoc presentation using two columns required for a trial balance or ledger account.

(c) As identified in the General Comments, the key to this question focused upon the advantages of producing a bank reconciliation statement every 3 months against the current situation of every 6 months. Only a minority of answers realised that this process would identify errors, omissions, and unpresented items much sooner and could link the benefits of them to the business. Too often answers were vague and failed to relate to where the errors would occur in the cash book or on the bank statement. Many candidates gave standard answers as to why a bank reconciliation should be undertaken and some marks were obtained for the time required to undertake the process and

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the increased cost that may be incurred. Whilst many responses mentioned the aspect of fraud, it is important to emphasise it will not stop it completely, but it will be identified earlier and therefore reduces losses to a business and acts as a possible deterrence for the future.

(d) This question was answered reasonably well, recognising that a dishonoured cheque was one that had been rejected/refused by the bank. Many responses gave a reason a cheque may become dishonoured rather than stating the meaning of the term 'dishonoured cheque.'

(e) Straightforward journal entries were required here, and whilst there were a reasonable number of correct answers, many had incorrect names (for example, 'dishonoured cheque' and 'Zac') or had reversed the entries completely.

Question 2

(a) (i) This question was well answered with occasional incorrect answers such as 'income statement,' 'journal entries' and 'control account.'

(ii) The majority of candidates thought the suspense account was for the correction of the trial balance. Very few answers recognised that the purpose of the suspense account was to allow 'draft financial statements to be prepared' or to act as a holding account until errors can be discovered.

(b) Candidates were asked to consider five errors that were discovered after the trial balance had been prepared for a business. Only error numbers 1, 3, 4 and 5 would affect the balancing of the trial balance and marks were allocated accordingly. Average marks of between 5 and 7 were seen regularly. Some responses included the use of incorrect names, such as 'bank transfer' rather than 'bank', or 'maintenance' instead of 'property maintenance'.

Error 3 was the most difficult part of this question, with weaker answers stating just a single entry, or if two were given, a lack of understanding that this type of error will generate a need to enter the difference of $190 into a suspense account.

(c) Most candidates obtained both marks here, requiring textbook knowledge of two from the six possibilities of names of errors not revealed by the trial balance.

(d) This task required candidates to complete a table showing the effect of the error on the profit for the year if left uncorrected. Most candidates could achieve some marks if an entry were made in the correct overstated or understated column. A further mark was awarded if the correct figure was entered. It is important to emphasise that candidates read the question instructions carefully, as there were examples of multiple entries being made for each error.

Question 3

(a) The theme for this question was depreciation. It required an accurate calculation of this expense and also included how depreciation and the disposal of a non-current asset are entered into the books of account of a business.

The first exercise was to calculate the depreciation charge for each year of the vehicle's working life using the reducing balance method. It was encouraging to see many correct calculations that were well presented and could then provide the information clearly to be entered into the accounting system. However, mistakes were made either by applying a straight-line basis of calculation, or at year 2, depreciation was calculated using a percentage of the total of the provision for depreciation calculated at year 1. Please emphasise again the need to read the question carefully as a number of candidates only calculated depreciation for three years instead of four years.

(b) Most candidates could identify one disadvantage of using the reducing balance method, such as 'time consuming' or 'more difficult to calculate.' Advantages of this system were not as easily answered; many identified the aspect of accuracy, but it was rare to see 'matches costs with revenue' or the application often to motor vehicles where benefits are obtained from the non-current asset during its use in the earlier years.

(c) This question required a calculation of the profit or loss upon disposal of the vehicle at a specific date (1st February 2025). Only three years depreciation would need to be taken into consideration.

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Many answers incorrectly took the fourth year into their calculation, resulting in a final profit of $2232. Weaker responses would often use the residual value of $30 000 that would corrupt their answer, or simply used the cost price ($80 000) less the cash received ($35 000). These errors underlined the lack of understanding and the methodology to calculate profits or losses accurately by using the date of disposal and the amount of depreciation accumulated on the non-current asset.

(d) (i) Candidates were asked to prepare the motor vehicles account on the basis that the owner had disposed of the vehicle on 1st February 2025. There appeared to be a gap in understanding that the non-current asset account is maintained at cost and brought forward until it is disposed of and transferred into a disposal of motor vehicles account. Entries, if they were made here, often had incorrect narratives and dates.

(ii) The disposal of the motor vehicles account is prepared to determine and record any profit or loss upon disposal into the accounting system. There is a clear link to the calculations made in **3(c),** but many answers were unaware of how the entries should be made. Common errors were to record the proceeds of the disposal into the bank instead of cash, incorrect entry of residual value, an account closed off with a transfer to the income statement and a balance carried down simultaneously.

The disposal of a non-current asset, such as a motor vehicle, is a common event in any dynamic business. It is essential that bookkeepers and accountants are able to calculate and record these events accurately in order to rely upon any final income statement produced.

(e) This discussion question enabled candidates to recover some marks as the advantages and disadvantages of buying a larger recovery vehicle offered the opportunity to increase income, own a new vehicle, and reduce existing hire costs.

Weaker responses acknowledged that there would be a six month wait for delivery of the new vehicle, but assumed the business would not function effectively and losses or reduced profits would be the outcome during this waiting period. Few references were made to the reduced risk of buying a new vehicle as it had been previously trialled in the business. Developmental points regarding the bank loan (beyond the need to be repaid) could have been explored further.

Question 4

(a) The candidates were asked to consider two years of key performance indicators (ratios) for a limited company. They then had to identify firstly if they had improved or deteriorated, and secondly, interpret the ratios and give reason for their possible changes. Most candidates could identify the initial changes, but the opportunity to give detailed reasons for them were frequently missed. Often this was due to responses simply describing the ratio rather than providing a reason for the change. Answers were not specific enough; for example, the change in gross margin was due to a change in gross profit. Similarly, the change in the liquid ratio referred to current assets which was incorrect as inventory is excluded from this ratio.

(b) The adjustment to the provision for doubtful debts is an annual exercise in the accounting calendar. It is important that candidates are familiar with the method of calculation and, as with depreciation, be able to record the adjustment accurately into the accounting system. The closing balance upon the trade receivables is the basis for calculating the provision for the year at 3 per cent. The increase in the provision in this question is therefore reflected by a debit entry into the income statement and a credit entry to the provision for doubtful debts account. A common error was to enter the opening and closing balances for trade receivables into the provision account. This resulted in alien items that corrupted any transfer made to the income statement.

(c) (i) The meaning of the term ‘provision for doubtful debts’ was generally well-understood and answered. A common misconception was to refer to an amount of money being set aside which is technically incorrect.

(ii) Textbook knowledge was generally well-answered.

(d) In this scenario, the directors had to consider whether to delay payments to trade suppliers in order to pay for a new piece of equipment on a cash basis and benefit from a reduction of 15 per cent on

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the cost price. Many answers focused upon the negatives of this approach, such as the damage to the relationship with suppliers and the potential loss of cash discounts from them.

Some responses seemed to be confused between the supplier of the equipment and the trade payables and that 15 per cent would not be available on supplies. It is also important that candidates do not quote from the stem of the question and understand and explain the impact that the discount would have in this question would lead to a reduction in the cost of the equipment.

Question 5

(a) The production of a manufacturing account is a popular and well performed routine for most candidates. It is important that candidates can distinguish between direct and indirect costs in order to arrive at an accurate prime cost, before listing the factory overheads. Common errors can be listed as follows:

- inclusion of revenue at the commencement of the account
- incorrect order of items in cost of raw materials and missing labels
- aliens included in prime costs e.g. supervisor salaries
- aliens included in the indirect costs (overheads) e.g. office salaries
- incorrect narratives for inventory and depreciation
- deducting direct costs or overheads, rather than adding them
- omission of the work in progress adjustment.

(b) The last question followed on from the preparation of the manufacturing account and required the completion of the trading section of the income statement for GH Company. The structure of the statement was generally well-presented and above average marks were achieved. Common errors were:

- items omitted from cost of sales such as the cost of production (own figure from **5a**)
- carriage in being deducted rather than being added
- label omitted for cost of sales.

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ACCOUNTING

Paper 0452/23
Structured

Key messages

It is important that candidates study and understand all the topics on the syllabus. A thorough understanding of double entry is vital as this is the basis on which all the topics in the syllabus are based. It is important that candidates understand and are able to define and understand the basic terms used in accounting.

Candidates should be able to apply their knowledge to various scenarios and make suitable recommendations. Working through questions on past examination papers and suitable questions in accounting textbooks is recommended.

Candidates are advised to read each question carefully before attempting an answer. It is important to read all the data provided and be aware of exactly what each question requires.

The handwriting of some candidates was difficult to read. Candidates should pay attention to the presentation of their answers. It is important that all words and figures are legible.

The spaces provided for answers should be adequate, but candidates can make use of blank pages if additional space is required. However, candidates should indicate that an answer is repeated, or continued, by putting a note to state where the additional work can be found.

General comments

All the questions on the paper were compulsory, so it is essential that candidates are familiar with, and have an understanding of, all the topics on the syllabus.

Candidates are reminded of the need to use correct terminology within accounts and within financial statements. For example, in ledger accounts ‘bbd’ is not acceptable in lieu of ‘Balance b/d’, and in financial statements ‘NP’ is not acceptable in lieu of ‘profit for the year’. A number of candidates used unacceptable abbreviations within accounts and statements such as ‘D R’ for ‘Discount received’ ‘L & B’ for ‘Land and buildings’ , ‘B O/D ‘ for ‘Bank overdraft’ etc.

As usual, the paper included three five-mark questions in which candidates were required to discuss a given scenario giving points for and against and then recommending a course of action. Many answers clearly listed the advantages and disadvantages and provided a recommendation. Other answers could have been improved by planning the answer so that the points could have been collated in a suitable order. A few candidates did not give clear recommendations.

Comments on specific questions

Question 1

(a) A petty cash book had to be prepared. This should have been a straightforward question, and many candidates did earn high marks. A common error was to add up the total paid column after inserting the balance carried down, so there was no attempt to cross-check that the total of the analysis columns equalled the total paid. Another common error was to insert incorrect details. It is not necessary to write ‘bought’ and ‘paid’, but it is necessary to specify why the payment was made, e.g. ‘office cleaning’. Some candidates did not show the restoration of the imprest.

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(b) Candidates were required to name the system used to maintain petty cash books. A number of candidates correctly identified the imprest system. A wide variety of incorrect answers were provided.

(c) One advantage of maintaining a petty cash book was required. The majority of candidates incorrectly stated the function of a petty cash book, rather than an advantage of maintaining such a book.

(d) The question required two reasons for the difference between the petty cash book balance and the money in the petty cash box. This appeared to be something with which candidates were not familiar and most found this a very difficult question. Suitable answers included:

- overpayment (or underpayment) by the petty cashier
- petty cash voucher not recorded
- error in recording an entry in the petty cash book
- fraud or theft.

(e) Candidates were required to record two transactions in the general journal. This should have been a straightforward question, but many responses did not identify the correct accounts to debit and credit. Many answers incorrectly debited car parts or motor vehicles, instead of purchases for the second transaction. Some candidates incorrectly entered the gross amount or the trade discount, rather than the net cost of the goods.

Question 2

(a) Using data provided, candidates were required to prepare a sales ledger control account. Most candidates earned more than half of the available marks. Common errors included:

- incorrect details, such as bank transfer instead of the name of the account
- inclusion of cash sales
- inclusion of the contra on both sides
- omission of dates
- not bringing down the closing balance.

(b) Candidates were required to state one advantage of maintaining a sales journal. This proved to be an extremely difficult question. Very few responses offered a suitable answer. Many answers incorrectly referred to keeping track of how much was owed by trade receivables. Some incorrectly referred to providing the total of the sales, rather than the total of the credit sales.

(c) A table had to be completed to name two source documents and whether those documents were received or issued. Many candidates found this challenging and gave the names of books of prime entry or the names of ledger accounts.

(d) (i) The term ‘cash discount’ had to be defined. It was expected that the majority of candidates would understand that this is an allowance given when an account is settled within a specified period of time. Many incorrect answers assumed that it is an allowance given when an account is paid in cash.

(ii) The term ‘trade discount’ had to be defined. It was anticipated that the majority of candidates would be able to explain that this is an allowance to encourage bulk buying. Many answers incorrectly referred to a discount for trading or a discount given to trade payables.

(e) Candidates were asked to name the document a trader would send to her supplier when returning goods. Some correctly identified a debit note, but many responses incorrectly suggested credit note or invoice.

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(f) Advice had to be given on whether a trader should create and maintain a provision for doubtful debts. Some candidates identified at least one advantage and one disadvantage and provided a clear recommendation. A large number of answers did not understand the nature and purpose of a provision. Common incorrect statements included:

- a provision is actual money set aside
- a provision reduces the amount of irrecoverable debts
- a provision identifies which trade receivables will not pay their accounts
- a provision affects the relationship with trade receivables
- extra employees will be required to maintain such a provision.

Question 3

(a) Using data provided, five ratios had to be calculated. Many candidates found this question difficult.

When calculating the return on capital employed, the numerators should represent the profit for the year adjusted for loan interest. The denominator should represent the total funds employed, which can either be calculated using the total assets minus the current liabilities, or the closing capital plus the non-current liabilities. Many responses used incorrect values for either, or both, the numerator and the denominator. The answer should have been expressed to two decimal places and accompanied by a percentage sign.

The rate of inventory turnover should be calculated using the cost of sales divided by the average inventory. Many candidates knew the formula, but did not calculate the cost of sales correctly, often including the sales and reversing the opening and closing inventories.

The calculations of the trade receivables turnover and the trade payables turnover were often correct, but some candidates did not round their answers up to the next whole day.

The current ratio was often correctly calculated, but the answer was often incorrectly displayed without ‘:1’.

(b) (i) Candidates were required to suggest two ways in which a trader might improve his return on capital employed. Some candidates found this challenging. Acceptable answers included increasing the profit for the year, increasing the drawings (to reduce capital) and repaying the long-term loan.

(ii) Two ways in which a trader might increase his inventory turnover ratio were required. Many candidates found it difficult to provide suitable answers. It was expected that answers would suggest such actions as reducing inventory, reducing selling prices to stimulate demand, and efficient inventory control.

(c) (i) The question asked why damaged inventory was included at a reduced value in the inventory valuation. This proved to be challenging. Many responses repeated the information given in the question (by stating that the goods were damaged). It was expected that candidates would know that inventory is always valued at the lower of cost or net realisable value.

(ii) Many candidates were able to correctly identify prudence as the accounting principle applied in the valuation of inventory.

(iii) A table had to be completed by placing a tick to indicate the effect on the gross profit of including damaged inventory at a reduced value. The majority of candidates correctly indicated that the profit would decrease.

(d) Advice had to be given on whether a trader should allow a cash discount to his credit customers if they paid their account within 21 days. Most candidates correctly identified one or two advantages and one or two disadvantages and also provided a clear recommendation. Candidates are reminded that two marks cannot be awarded for making a positive and a negative statement about the same aspect. For example, a statement that irrecoverable debts might be reduced earned a mark, and a statement that cash discount does not necessarily reduce irrecoverable debts earned a mark; but, if both these were included in an answer, only one mark was awarded as they are converse statements.

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Question 4

(a) An income statement for a hairdresser was required. This should have been a straightforward question, but proved difficult for many. A few responses outlined details for a trading account section, not realising that this was a service business. Common errors included:

- miscalculating the adjustment on rent received, insurance and property tax
- treating salaries as income
- treating rent received as an expense
- deducting the income from the expenses
- omitting or incorrectly labelling the profit for the year.

(b) Candidates were required to suggest two courses of action for a trader to maintain the current profit after an increase in the cost of electricity. They also needed to suggest the impact of these actions. This question had a mixed response, with some candidates earning full marks. Some suggestions involved actually increasing the expenses and some of the impacts were positive rather than negative. Popular correct responses centred around increasing the rent for the tenant and reducing the employees' salaries.

(c) Advice had to be given on whether a hairdresser should accept payment by credit and debit cards. Many candidates were able to provide two acceptable advantages, but the disadvantages proved to be more problematic. Common errors included:

- believing that accepting credit cards implied credit customers and a possible increase in irrecoverable debts
- believing that the transaction fee was paid directly by the customer
- confusing capital expenditure and revenue expenditure and stating that the purchase of a cash register would reduce profit
- stating that the profit would be affected, but not how or why.

(d) Two advantages of forming a partnership were required. Many candidates were able to earn at least two of the available marks. Some incorrectly suggested sharing profits, sharing liabilities, and sharing expenses. Whilst share workload/cover for holidays and sickness etc. may apply in many partnerships, it was not appropriate in this case as the partners had completely different skills.

(e) Candidates were required to suggest three clauses (apart from profit/loss shares) which may appear in a partnership agreement. Many responses incorrectly listed disadvantages of partnership businesses. Correct answers included rate of interest allowed on capital, rate of interest charged on drawings, limit on drawings and partners' salaries.

Question 5

(a) (i) Candidates were required to define capital expenditure. Many answers incorrectly referred to expenses of non-current assets, or provided an example rather than a definition.

(ii) Revenue expenditure had to be defined. The answers were slightly stronger than those of **part (i)**, with some candidates managing to explain that these were daily expenses. Some provided only examples, for which no mark was awarded.

(iii) A definition of capital receipts was required. Some candidates found this challenging. Many answers incorrectly referred to a receipt provided as proof of a cash purchase. Examples alone did not earn a mark. A capital receipt is money received from a source other than normal trading activities.

(iv) Revenue receipts had to be defined. Some candidates referred to a receipt provided as proof of a cash purchase. An example alone was not regarded as adequate.

(b) A table had to be completed by placing ticks to indicate whether four items were capital or revenue expenditure or capital or revenue receipts. There was a wide range of responses.

(c) The retained earning column from a statement of changes in equity was required. Responses showed uncertainty regarding the correct wording to use. However, some candidates earned two or three of the available marks.

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(d) A statement of financial position of a limited company had to be prepared. Candidates should have been familiar with this type of question, and it was expected that they would earn reasonable marks. Common errors included:

- omission of the headings for the money columns when the non-current assets were presented horizontally
- omission of section headings
- omission of a sub-total for each section
- complete omission of the equity section
- not showing the provision for doubtful debts as a deduction from the trade receivables
- incorrect classification of items, e.g. provisions for depreciation and doubtful debts shown as current liabilities and debentures included in the equity section.

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