www.dynamicpapers.com

ACCOUNTING

Paper 9706/12
Multiple Choice

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

Key messages

Candidates should read the questions carefully and eliminate any data which is not relevant. Candidates need more clarity on calculation of depreciation over a given period and also the effect of correcting an error on the balance of an account.

General comments

Overall performance of candidates was satisfactory with almost 60% candidates answering 15 or more questions correctly. A number of questions appeared relatively straightforward from the data: **2**, **8**, **14, 23, 28** and **29**, where more than 70 per cent of candidates identified the correct option. There were five questions which the candidates found challenging. These are reviewed below.

Comments on specific questions

Question 1

Candidates were required to identify the correct accounting concept from the statement given. The key was **B**, materiality. One aspect of the definition of materiality is that it refers to an amount, the inclusion or omission of which in the financial statements would affect the way people read and interpret those statements. This wording is included as part of the question.

© 2019

www.dynamicpapers.com

Question 3

The annual depreciation charge of the asset was $16 000 and at the end of year four a total of $64 000 would have been charged. Thus the net book value of the asset at the end of year 4 was $36 000. It was sold in year five for $5000. The effect on profits in year five was, therefore $(36 000 – 5 000) = $31 000, the key **D**.

Question 7

When the credit note for $200 is corrected in the customer's account the balance on their account will reduce by $400. The total of the balances in the business's sales ledger must have been $400 more than the balance on the control account. The key was, therefore **D**.

Question 13

If the irrecoverable debt had not been incurred then the total profit for the year would have been $176 000, accrued evenly over the year. Meena joined as half way through the year so would be entitled to a half share of $176 000, which is $44 000, the key **C**. Most candidates opted for **B**, which would have meant Meena had shared part of the irrecoverable debt.

Question 30

Such questions require careful reading. The data indicates that most candidates guessed the answer. All the given statements are disadvantages of budgetary control systems, the key was, therefore **A**.

© 2019

www.dynamicpapers.com

ACCOUNTING

Paper 9706/22
AS/A Level Structured Questions

Key messages

Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, where the final answer is incorrect.

In written questions, candidates should make sure that they provide sufficient development to their answers; one- or two-word answers will seldom suffice.

Candidates should remember that the financial statements of a limited company must be presented in the accepted format.

General comments

Candidates performed well on this paper especially on cost and management accounts question.

Candidates also attempted to present written work reasonably well.

Comments on specific questions

Question 1

(a) The question required candidates to prepare an income statement from given data incorporating various adjustments. Few candidates were able to gain full marks though there were some very good responses. Many candidates did not acknowledge that included in the list of balances at the year-end was cost of sales. This had already clearly been adjusted for closing inventory, but a significant number of candidates subtracted this figure again.

Some candidates did not correctly label items in the income statement as per the requirements of limited company financial statements. For example, many candidates referred to debenture interest rather than finance costs.

(b) Preparation of the statement of changes in equity produced very mixed responses. The data supplied gave the closing balance for both share capital and share premium and required candidates to calculate the balance at the start of the year following a rights issue of shares. Only a small minority of candidates were able to do this.

(c) Candidates were required to advise the directors whether to raise additional finance by making a rights issue of shares or issuing debentures. Well prepared candidates made a clear decision and offered well defined advantages and disadvantages of both options. Overall the question was well answered.

(d) Candidates had to analyse the effect that changes in the trade payables turnover and the trade receivables turnover had on liquidity. Although few candidates made reference to the industry averages supplied, most were able to obtain two of the available three marks.

(e) Most candidates were able to offer three ways in which the trade receivables turnover could be reduced.

(f) Most candidates stated three valid drawbacks of increasing the trade payables turnover.

© 2019

www.dynamicpapers.com

Question 2

(a) The majority of candidates were able to offer four valid reasons why a partnership may be dissolved.

(b) The partnership realisation account was very well done by many candidates though less well-prepared candidates paid little heed to the necessity for structured presentation. The most common error was to include the bank balance as part of the realisation account.

(c) The partners' capital accounts were not well produced on the whole. A number of candidates did not enter the loss on realisation correctly into the accounts and often did not enter the motor vehicle retained by one of the partners.

(d) Production of the partnership bank account was not well attempted. The opening balance was frequently omitted, and many candidates carried forward the closing balance rather than distributing it to the partners.

(e) Many candidates were able to suggest two reasons why trade receivables did not pay the full amount due.

Question 3

(a) The first four tasks required candidates to calculate figures to appear in the income statement. General expenses and insurance accounting for prepayments were well answered. However, candidates had difficulty calculating the amount of rent receivable in part **(iii)** and very few candidates were able to correctly calculate the value of closing inventory.

(b) Most candidates correctly identified the concepts of prudence and accruals as being applied to the provision for doubtful debts.

(c) Calculation of the increase in the provision for doubtful debts produced very mixed responses. Well-prepared candidates were awarded the full five marks though many candidates showed only basic knowledge of the operation of the provision. The most common error was a failure to correctly calculate the opening provision being the trade receivables multiplied by 5/95 – most opting to simple take 5 per cent of the trade receivables.

Question 4

(a) Many candidates gained full marks by correctly calculating budgeted contributions and profits.

(b) This required candidates to re-calculate the revised unit contribution and revised budgeted profit should the directors choose to take a particular course of action. Many candidates did not read the question carefully and calculated the revised total contribution rather than unit contribution. The same candidates had difficulty calculating the revised fixed costs and as a result were often awarded only three of the available nine marks for calculations based on their own figures.

(c) Asked to advise the directors which of the two available options they should choose resulted in many good financial arguments being put forward though very few candidates commented on non-financial factors as required by the question.

(d) Few candidates were able to relate unit contribution to a limiting factor situation – many simply commented on prioritising on those products with the highest unit contribution.

(e) The final task required candidates to state two other uses of marginal costing and whilst there were a large number of good answers, many were often quite vague and lacked the necessary focus to be rewarded.

© 2019

www.dynamicpapers.com

ACCOUNTING

Paper 9706/32
AS/A Level Structured Questions

General comments

Overall performance was reasonable. Numerical questions were much better answered than those questions requiring a written response. There was no evidence of the time constraint affecting candidate performance.

Comments on specific questions

Question 1

(a) The income and expenditure account was prepared to a high standard by most candidates with some producing a fully correct account and being awarded all available marks. The most common errors were the miscalculation of subscriptions and the incorrect treatment of the loan interest.

(b) Nearly all candidates provided one acceptable difference and a significant number did submit two correct differences.

(c) Although some candidates did produce a fully correct statement there was a range of errors. The net book values of the non-current assets were often incorrect and the surplus for the year was often omitted. A limited number of candidates reversed the position of subscriptions in arrears and subscriptions in advance.

(d) There were relatively few correct solutions with many not addressing the changes in inventory, trade payables and accruals.

(e) Most candidates made a reasonable evaluation by providing a decision with reasonable justification.

Question 2

(a) Most candidates were able to calculate the working capital cycle with many fully correct answers. The most common error was not rounding the days correctly.

(b) The liquidity analysis was answered to a reasonable standard with candidates generally recognising that paying before receiving would lead to poor liquidity.

(c) The analysis of the change in the net working assets to revenue ratio was less well answered with many candidates indicating that the increase was beneficial.

(d) Although there were many lengthy responses the overall quality was not satisfactory. Marks are not awarded for merely restating the given information but for an analysis and evaluation of the information. Therefore, comments such as ‘higher’ or ‘lower’ tell the user little but ‘better’ or ‘worse’ provides the required analysis.

© 2019

www.dynamicpapers.com

Question 3

(a) This was well answered with most candidates calculating the value of the closing inventory correctly.

(b) (i) The consignment account was well prepared with many fully correct accounts. The most common errors were the incorrect calculation of the commission and not bringing down the closing inventory value.

(ii) The Maureen account was also well prepared with the most common error being the failure to bring down the closing balance.

(c) Although many candidates made the calculation correctly a significant number erroneously divided the profit by thirty.

(d) This was well answered with most candidates providing an appropriate explanation.

(e) This was also well answered with the majority of candidates able to explain two of the required differences.

Question 4

(a) (i) Most candidates answered this question correctly.

(ii) Although many did correctly state revaluation or goodwill there were a significant number of incorrect answers.

(b) Although some candidates did provide a fully correct schedule overall performance was not satisfactory. Despite the question clearly stating that 'A total column is required' many did not produce a schedule with this column.

(c) This was answered well but again some candidates did not produce the required total column. Common errors included an incorrect calculation of the profit for the year and the incorrect inclusion of debentures in the statement.

(d) Responses were generally reasonable with most giving the appropriate advice. Some candidates limited their response to a cash budget without addressing a statement of cash flows.

Question 5

(a) Most candidates performed the calculation correctly and were awarded the three available marks. A limited number made an error on the direct labour component and consequently only scored two marks.

(b) Although there were some reasonable responses, generally candidates struggled to explain the meaning of the term.

(c) This was well answered with most candidates being awarded four or five marks.

(d) This was also well answered with many candidates being awarded all of the eight available marks. Some candidates did make errors in the calculation of the overheads but such candidates often scored five marks provided that they included the direct costs and determined a final cost per unit for both products.

(e) Nearly all candidates calculated the selling price of both products using both methods correctly and those who had made errors in parts **(a)** and **(d)** were still able to receive the available marks. The explanation of the different answers was generally poor with very few using suitable calculations as was requested in the question.

Question 6

(a) This was well answered with many candidates calculating the four variances correctly and being awarded full marks. A few candidates lost marks for giving the incorrect direction.

© 2019

www.dynamicpapers.com

(b) This was also well answered with most candidates who had calculated the variances correctly being able to suggest appropriate causes. Those who had made errors calculating the variances invariably could provide acceptable possible causes.

(c) The overhead variances calculations were not so well answered. There were a limited number of fully correct calculations but it was also noted that some candidates did not attempt the calculations.

(d) Responses were not satisfactory with very few explanations being awarded more than two of the available five marks invariably for identifying fixed overhead efficiency and fixed overhead capacity.

(e) This was generally well answered with many candidates being awarded at least three of the four available marks.

© 2019