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ACCOUNTING

Paper 9706/12
AS Level Multiple Choice

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

Key messages

- For questions involving customers and suppliers, be careful that you know from whose perspective the question is being asked.
- Suspense account debits and credit entries can be confusing. Thinking carefully about the opposite side of the double entry correction may help.
- For questions involving bank statements and cash books, try to test your answer with a bank reconciliation if you have time.

General comments

Of the candidates who sat this examination, 52 per cent achieved a score of 15 or more correct answers. The mean score was 15 marks. **Question 1** was straightforward with 74 per cent of the candidates identifying the correct key. No questions were very difficult but those where more candidates chose a distractor than the key are considered below.

Comments on specific questions

Question 2

Many candidates opted for distractor C. But this is a complete reversal of the correct answer. The candidates were asked to consider what the credit customer's account would look in the books of the supplier having been written up after the payment has been received. A credit customer would have an opening debit balance in the supplier's books. Therefore, the key was **A**.

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Question 3

This was not a particularly demanding question, but some candidates opted for distractor C. Checking the bank statement for errors and omissions, however, could be carried out without keeping a full set of double entry books of account. The only option where they are necessary is for the correct answer **A**.

Question 8

Over one-third of the candidates opted for distractor A and an equal number opted for the key **C**. Both answers correctly ignore item 1 in the question. To derive distractor A, candidates debit the suspense with $48 300 and credit it with $960. With item 2, too much depreciation has been charged so the depreciation charge needs to be credited requiring a debit to the suspense account rather than a credit. With item 3, the incorrect debit balance firstly needs to be credited and, secondly, re-created as a credit. So the full debit is 2 × $48 300. In total, $960 + $96 600 = $97 560. Therefore, the key is **C.**

Question 10

Candidates found this question challenging as responses were almost evenly spread across the key and the three distractors. The bank balance of $12 697 should first be adjusted for the unpresented cheque (+$2400) and the unpaid standing order (–$450). This gives an interim figure of $14 647. The remaining two items will be deducted from the cash book figure before it reconciles with the bank so they need to be added to the bank figure i.e. $14 467 + $540 + $642 = $15 829. Therefore, the key is **D.**

Question 11

Just over one-third of the candidates opted for distractor C and an equal number opted for the key **D**. Distractor C includes a reference to errors of commission, i.e. an item for one credit customer posted in error to another credit customer's account. A control account would not pick up this type of error so distractor C is incorrect.

Question 15

Whilst one-third of the candidates chose key **A,** many chose distractor B. Both A and B include 'carriage inwards' which is part of cost of sales. However, trade discounts received reduce the cost of purchases and so also affect the gross profit. So items 1 and 4 were relevant**.** Perhaps candidates were confusing trade and settlement discounts.

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ACCOUNTING

Paper 9706/22
AS Level Fundamentals of Accounting

Key Messages

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- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings.
- In written questions, candidates should make sure that they provide sufficient development to their answers. One, or two-word answers will seldom suffice. A lack of developed answers was particularly noticeable in the examination.
- All financial statements must be presented in the accepted format. Labels such as gross profit, cost of sales etc. should always be written in full, never abbreviated.
- Candidates must learn the acceptable formats for both financial statements and management accounting statements such as marginal costing statements.

General Comments

The examiners noticed some excellent work from well-prepared candidates in this examination. There is a continued improvement in the format and presentation of financial statements – a very important aspect of financial accounting. An increasing number of candidates are now producing the well-presented workings to support their financial statements that the examiner refers to in each report. However, there is the apparent lack of basic double entry skills that must be remedied to achieve success in any accounting examination.

Comments on Specific Questions

Question 1

The question concentrated on the financial statements and accounting records of a partnership.

(a) Required candidates to prepare the statement of profit or loss for the partnership. Although there were very few totally correct statements produced, most candidates made a good attempt. The most common errors were a failure to make the correct calculation and treatment of the allowance for irrecoverable debts and an incorrect calculation of the interest on the loan. Generally, the presentation of the statement showed an improvement though some candidates are still abbreviating headings which is always unacceptable in financial statements.

(b) Required candidates to prepare the appropriation account for the year. This task was very well answered by the majority of candidates.

(c) Candidates were told that there was a partnership agreement in force and they were asked to calculate one partner's current account balance if no partnership agreement had existed. Most candidates found this task very challenging. Many candidates showed little idea of how to tackle the question with many failing to make adjustment for the change in the profit for the year. However, well-prepared candidates who addressed the question in a structured way were able to gain full marks.

(d) Asked to state one reason for including interest on drawings in a partnership agreement produced very good responses from majority of candidates.

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(e) Candidates were asked to state the double entry for recording interest on drawings. As with other questions requiring knowledge of double entry, the responses were variable with many candidates processing the entries through either the drawings account or the cash/bank account.

(f) Candidates were required to advise the partners of the most suitable option of financing their planned expansion. The options were to arrange a bank loan or for one of the partners to sell some personal investments and introduce additional capital. Whilst there were a few well-constructed responses, several candidates addressed one option only and their advice was frequently lacking sufficient justification.

Question 2

The second question focused mainly on capital expenditure and depreciation.

(a) Required preparation of the kitchen equipment account. Once again, a weakness in basic double entry principles was very apparent. Common errors were incorrect details given and a failure to carry down the closing balance on the account.

(b) Candidates were asked to state two reasons why the reducing balance method of depreciation may be chosen to depreciate non-current assets. Most candidates were able to gain one mark though in many cases, a second reason was not provided.

(c) Preparation of the journal entry to record the depreciation charge was very poorly answered with many candidates struggling to gain any marks at all. Incorrect calculation of the depreciation charge and a lack of structure to their workings was the main reason for failure in this task.

(d) Candidates were asked to define (i) capital expenditure and (ii) capital receipts. Most candidates answered the question well though some struggled to give a cohesive answer for capital receipts.

(e) Provided with a list of payments and receipts, candidates were asked to calculate the total amount for (i) capital expenditure and (ii) capital receipts. Whilst the calculation of capital expenditure was generally well answered, many candidates struggled to identify the capital receipts.

Question 3

The question concentrated on accounting ratios.

(a) Required candidates to calculate three accounting ratios from given data to two decimal places:

(i) Acid test ratio.
(ii) Trade receivables turnover (days)
(iii) Trade payables turnover (days.

Most candidates were able to gain full marks for each calculation though less well-prepared candidates failed to abide by the instruction of two decimal places. Candidates must also remember that the latter two efficiency ratios must aways be rounded UP to the next full day.

(b) Candidates were required to explain the importance of the acid test ratio to a business. The explanation was often quite poor with commonly only one of the two marks achieved for the ability to pay short-term debts.

(c) Asked to explain two ways in which a business could improve the acid test ratio was generally not well answered. There were very few correct responses, with many candidates suggesting selling more goods at a higher price or simply increasing credit sales and reducing trade payables.

(d) Required candidates to discuss the changes that had occurred in the trader's trade receivables turnover (days) and the trade payables turnover (days). The majority of responses lacked sufficient discursive comment or development to warrant more than one or two marks. Many candidates repeated the same point more than once.

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Question 4

The question focused on marginal costing.

(a) The first task required candidates to define three marginal costing terms:

(i) Contribution per unit
(ii) Stepped costs
(iii) Margin of safety.

Whilst most candidates offered good definitions of contribution and margin of safety, many found stepped costs difficult and had little understanding that it related to the activity level.

(b) Asked to state two benefits of marginal costing produced few correct responses. Many candidates stated that it is useful for decision making, but the key point is short-term decision making.

(c) Candidates were required to calculate the monthly breakeven point in units from data provided. The task was generally well answered by the majority of candidates. The only weakness was a minority of candidates not being aware that the breakeven point should always be rounded up to the next whole number of units.

(d) Candidates were required to prepare a marginal costing statement to identify the forecast profit. Most candidates made a good attempt at the question although only a minority provided a totally correct statement.

(e) The question identified problems with machinery that needed urgent repair and offered two options to overcome the problem. Candidates were required to calculate the profit that would result from both option. Well-prepared candidates were able to assimilate all the data and produce two correct answers whereas others often made no attempt to answer the question.

(f) The final question asked candidates to advise the directors which of the two options should be selected. Responses were quite variable though well-prepared candidates were able to score high marks by considering both options as required and offering good justification and development of their decision. Other candidates often identified relevant points but failed to offer the necessary development to maximise their marks.

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ACCOUNTING

Paper 9706/32
A Level Financial Accounting

General comments

This was the first examination of the revised syllabus. Performance for **Questions 1** and **2** was generally satisfactory and better than that for **Question 3**.

Comments on specific questions

Question 1

(a) Although most candidates demonstrated a knowledge of factory profit, few were able to give an appropriate explanation of two reasons for the application of the profit.

(b) The provision for unrealised profit account was well prepared with many correct accounts and the most common error was the reversal of the entries.

(c) The manufacturing account was prepared to a high standard with some candidates being awarded full marks. Errors included the incorrect adjustment of the factory overheads and the incorrect treatment of the work in progress.

(d) The statement of profit or loss was also prepared to a high standard and there were a limited number of fully correct statements. Candidates who had performed well in part **(c)** invariably produced a good statement of profit or loss. The most common errors were the omission of the factory profit and / or the finance costs.

(e) This was well answered with most candidates providing the required advice along with two points to justify the decision. It was rare to award full marks however as the question asked for the answer to be supported with relevant calculations and this instruction was frequently disregarded.

Question 2

(a) Performance was variable on the calculation of the four ratios. Many candidates did not add the correct dividend paid to the retained earnings. This resulted in an incorrect earnings per share and consequently an incorrect price / earnings ratio. The dividend yield calculation was made correctly by many candidates, but marks were often lost on the gearing ratio calculation due to the inclusion of the bank overdraft. Few candidates added the finance costs to the profit for the year and this resulted in there being few correct return on capital employed calculations. A limited number of candidates did not give their answers to two decimal places.

(b) (i) The analysis of the performance of the company in respect of the price / earnings ratio was not well answered with very few candidates providing more than two valid points.

(ii) The analysis of the performance of the company in respect of the gearing ratio was answered to a higher standard with some candidates being awarded three marks and a small number were awarded all four marks.

(c) Many candidates received the mark for the advice and then were able to provide two valid justification points but very few gave sufficient development to receive more than three of the five available marks.

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Question 3

(a) (i) Most candidates correctly identified the relevant standard. Many explained that there was an impairment loss as the recoverable amount was less than the carrying value. Some candidates were awarded full marks but marks were often lost for an incorrect calculation of the impairment loss and for an unclear explanation of the recoverable amount.

(ii) Most candidates correctly stated the relevant standard, but some did not state that a provision should be made.

(b) The adjusted retained earnings statement was prepared to a reasonable standard with a few candidates being awarded six marks. The most common error was the incorrect treatment of the depreciation and repairing contract adjustments. Some candidates subtracted the proposed dividend and revaluation loss from the draft retained earnings.

(a) The preparation of the statement of financial position was less well answered. Very few candidates derived the correct property, plant and equipment figure and although most were awarded the available mark for the revaluation reserve relatively few candidates completed the current assets and current liabilities sections correctly.

(d) Many candidates were able to state one responsibility of an external auditor, some could state two responsibilities but very few could state three.

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ACCOUNTING

Paper 9706/42

A Level Cost and Management Accounting

General comments

This was the first examination of the revised syllabus. Performance on **Question 2** was better than that on **Question 1**.

Comments on specific questions

Question 1

(a) Nearly all candidates prepared the cash budget in an acceptable format and there were some fully correct budgets. A majority of candidates derived the January and February trade payables correctly but there were often errors in the calculations for March and April. Some candidates omitted the opening balance and a few treated the months separately without carrying the balances forward.

(b) The revised cash budget was not answered as well with considerably less fully correct budgets. Many candidates applied the discount correctly and consequently received the marks for the cash purchases but relatively few candidates derived the correct trade payables entries.

(c) This was generally well answered with nearly all candidates providing the required advice and then most supplying at least three valid justification points.

Question 2

(a) A significant number of candidates answered this question well and were awarded the available mark.

(b) The profit or loss calculations for the two products were completed to a high standard with many fully correct calculations. Most candidates split the overheads correctly. The most common error was the miscalculation of the scrap.

(c) The revised profit or loss calculations were also completed to a high standard with many fully correct calculations. The most common error was the incorrect calculation of the revenue.

(d) This was well answered with nearly all candidates providing the required advice and most gave at least three appropriate points to justify their answer.

(e) Some candidates did not attempt this part of the question and although a few candidates were awarded both marks the general performance was below the standard achieved for the rest of the question.

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