ACCOUNTING

Paper 9706/11
AS Level Multiple Choice

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

Key messages

- When considering changes in a sole trader's capital, be clear on the impact of items such as profit, drawings and loans.
- Ensure full understanding of the relationship between sales revenue and the effect of variable and fixed costs when calculating profit.
- Consider the impact of inventory when calculating profit using marginal costing.
- Revise and be clear on the features of various costing methods.

General comments

The mean score was 17 marks. Of the candidates who sat this examination, 47 per cent achieved a score of 17 or more correct answers. **Questions 2**, **4**, **20** and **25** were straightforward with over 80 per cent of candidates identifying the key. **Questions 3, 6**, **15**, **28** and **29** caused candidates some difficulty.

Comments on specific questions

Question 3

Many candidates opted for distractor **D** rather than the key **B**. A delivery note is proof of delivery, and a sales invoice is a request for payment. A sales order does not verify that a sales transaction has taken place.

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Question 6

Few candidates correctly selected the key, which was **A**. Many opted for distractor **B**, overlooking the treatment of receipt of a loan.

Question 15

Many candidates seem to have misread the information about the loan or treated this incorrectly as capital introduced when calculating profit for the year.

Question 28

The key, which was **D**, was selected by 29 per cent of candidates. However, 59 per cent of candidates opted for distractor **B**, ignoring the relationship of variable costs with sales revenue, and simply adding the required profit to the existing variable and fixed costs.

Question 29

Many candidates selected distractor **A**. Those candidates calculated profit based on the budgeted cost provided without making any adjustment for closing inventory. Only one-fourth of the candidates correctly identified the key, **C**.

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

Key messages

- When considering questions about revaluation, ensure a careful reading of the question and calculation of the remaining life of the asset.
- When reviewing questions about reconciliation of a control account with the total of individual ledger balances, try to be clear on the direction of adjustments.
- Revise the treatment of income receivable, and income received in advance.
- In costing questions, be sure to read all details carefully to identify what is to be included in the cost of a job, or total absorption cost.

General comments

Of the candidates who sat this examination, 48 per cent achieved a score of 14 or more correct answers. **Questions 19** and **20** were straightforward with 70-80 per cent of candidates identifying the key. **Questions 7**, **11**, **14**, **24** and **26** caused some difficulty.

Comments on specific questions

Question 7

Less than 25 per cent selected the key, which was **D**. Many selected distractor **B**, which was based on the original useful life, rather than recalculating this at the date in question.

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Question 11

This question required a careful reading of the options to calculate the total of the purchases ledger balances **before** the correction. Some candidates correctly identified the key, which was **D**. There was an even spread of choice of distractors, because of adjusting in the wrong direction, or adjusting the control account balance.

Question 14

More than 25 percent of candidates opted for distractors **A** and **B**, with a similar number correctly identifying the key as **C**. It seemed that candidates were not clear on how to treat the rent deposit refundable at the end of the term, nor how to deal with rent owing but not yet received.

Question 24

Only a few candidates correctly selected the key **D**. Many chose distractor **B** by overlooking the fact that there would be a return journey required.

Question 26

The key, which was **D** was chosen less than 30 per cent of candidates. Those who opted for the distractors either ignored the fixed production overheads or the selling costs.

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Paper 9706/13
AS Level Multiple Choice

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

Key messages

- Be clear on the role of residual value when calculating depreciation using the straight-line method.
- Take care to understand the origin of entries in control accounts when they are part of the double entry system.
- When dealing with inventory valuation, be sure to be clear on the difference between perpetual and periodic methods.
- In general, ensure a careful reading of the question wording to avoid misinterpretation.

General comments

Of the candidates who sat this examination, more than 50 per cent achieved a score of 18 or more correct answers. **Questions 2**, **9**, **15** and **17** were straightforward with 80 per cent or more of candidates identifying the key. **Questions 6**, **14** and **23** were more challenging and there was 1 further question **(Question 13)** where more candidates chose a distractor than the key.

Comments on specific questions

Question 6

The key, which was **D**, was chosen by more than 30 per cent of candidates. However, some candidates opted for distractor **C** because they did not account for the residual value when calculating the original cost.

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Question 13

Many candidates selected distractor **C**, wrongly adjusting for item 3. However, this only affects the individual ledger accounts and not the control account, which is part of the double entry system. More than 40 per cent of candidates correctly identified the key as **A**.

Question 14

Only a few candidates selected the key, **A**. A third of candidates opted for distractor **C**. It seemed that some candidates misread the question, assuming that the cost of the non-current asset on which depreciation was charged was $10 000, rather than the depreciation charge itself. This meant that the adjustment in respect of depreciation should be $2000 rather than $500.

Question 23

Very few candidates selected **A** as the key, with many candidates choosing distractor **B**, overlooking the fact that this calculation was to be done on the periodic rather than the perpetual basis.

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ACCOUNTING

Paper 9706/21
AS Fundamentals of Accounting

Key messages

- Statement of changes in equity must be presented in the accepted format. Labels such as dividends paid, transfer to general reserve, profit for the year etc. should always be written in full and never abbreviated.
- Candidates should always provide clear workings when answering computational questions. Marks will always be awarded for valid workings, but in their absence, will not get any credit.
- When asked to present ledger accounts, labels and dates are very important and incorrect labels in this will result in lost marks. Abbreviations of labels are not acceptable.
- Appropriate layouts are needed for management accounting statements with clear labels which identify figures such as the contribution, fixed costs and profit for the month.

General comments

There was a wide range of responses across the paper. Some candidates performed very well, showing clear understanding and sound application of accounting principles. Others displayed weaker knowledge of the syllabus and struggled with explanations, terminology, and applying techniques to different contexts. Calculation questions were generally better attempted than written tasks, where incomplete reasoning led to lost marks.

Comments on specific questions

Question 1

The question concerned the financial statements of a limited company.

(a) Calculating the revised profit was well done. Most candidates were able to adjust correctly for overstated inventory and taxation. However, the majority did not calculate the adjustment figure for depreciation. Most candidates also did not calculate the correct debenture interest, and the common wrong answer was $8 000. A few candidates included trade payables and trade receivables in their calculation and lost own figure marks for the correct profit figure due to the inclusion of these extraneous items. Some candidates lost marks because of not using brackets or a minus sign to show a negative amount or clearly indicating which items should be added or subtracted.

(b) Candidates generally struggled with the statement of changes in equity although well-prepared candidates were able to gain all marks. Most candidates gained marks for profit for the year and revaluation entries. However, common errors were in the calculation of the balance b/d for share capital, the bonus issue and putting dates instead of account names in the details column. Other errors included using the revaluation reserve to finance the bonus issue. Some candidates did not get the final own figure mark because of wrong calculations and including bonus issue figures in the total column. A few candidates used abbreviations which were not accepted.

(c) The statement of financial position proved challenging for many candidates. Some candidates did not attempt to answer, others used wrong formats. A few candidates recorded accrued interest and prepaid distribution costs separately. A common mistake was recording the debenture as a non-current liability instead of as a current liability. Most candidates did not get the correct figure for trade and other receivables. Some candidates lost marks because of using abbreviations for

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example, NCA and CA, many omitted the taxation from the current liabilities and very few had their total assets to equal the correct total equity and liabilities figure.

(d) Candidates were very confident with their answers when presented with the options of a choice of a new issue of ordinary shares versus an issue of debentures. They displayed knowledge of advantages and disadvantages of each option, however there were a lot of mirror answers. For example, 'there are no interest expenses with shares', 'there are interest expenses with debentures' is just worth 1 mark. A common answer which was not awarded was 'a debenture is a quick source of finance.' A minority of candidates acknowledged the new issue aspect so discussed the potential costs of a prospectus/advertising of share issue.

Question 2

The second question focused on control accounts.

(a) There was some good knowledge demonstrated with the benefits of maintaining control accounts. The most common answers were 'checks arithmetical accuracy 'and helps to prevent fraud'. Most candidates failed to develop the point on checking arithmetical accuracy. However, most candidates were able to explain that control accounts are maintained by different people.

(b) The purchase ledger control account answers varied. Most candidates identified the correct side of the ledger account but then labels were variable. The entry for the refund was frequently labelled as refund instead of the account it is associated with which is the bank account. It is also important to be specific about which discount and returns are involved with discounts received and purchases returns.

(c) (i) A few candidates were able to adjust for the credit note error correctly. Most candidates used wrong calculations to come up with $16850 which is what they knew they should be aiming for.

(ii) Calculating the amended sales ledger control account balance was well answered. Many candidates gained all marks although some incorrectly tried to add in the difference of $90 for the credit note.

Question 3

This question related to ratios and calculating missing figures.

(a) Calculating the opening inventory proved difficult for most candidates. Many candidates were able to successfully calculate the correct cost of sales. They were then unsure of what to do to find the inventory amounts.

(b) There was more success with calculating revenue for the year although again some knew to use the cost of sales figure provided, they were then unsure of what to do with it to move to the revenue.

(c) The majority of candidates were able to calculate the closing inventory.

(d) Candidates were then asked to calculate inventory turnover in days. Common mistakes were not dividing inventory by 2 and not rounding up to the nearest whole-day. Some candidates inverted the calculations and for year ended 31.12.2024 some had three sets of inventory figures then divided by 3 to get their incorrect average. It is important to show workings but, in this question, there were no marks available for the correct formula.

(e) Candidates were very confident with identifying two possible drawbacks of reducing inventory levels. The most common answers being 'cannot meet demand', 'suppliers may not deliver on time' and 'loss of trade discounts for bulk purchases.'

(f) Candidates struggled with suggesting ways to improve inventory turnover. Common incorrect answers were 'use of JIT' and 'purchasing from cheaper suppliers.' Common correct answers were 'offering discounts and advertising'.

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Question 4

The final question involved overhead absorption rates, calculations of selling price and profit and preparing a marginal costing statement.

(a) The majority of candidates did not realise that they had to calculate a general labour hour overhead absorption rate before they could then calculate it for the two products. The common incorrect answers were $3.39 and $2.85 which resulted from candidates dividing the overheads by the total hours for each product.

(b) Fortunately, many candidates were able to carry forward their own figure OAR from **part 4(a)** and gained both marks.

(c) Many candidates were able to state two reasons why overheads may be under-absorbed. However, some completely mixed up their answers and said the opposite to what was required or confused what was happening to the budgeted amount compared to the actual overheads.

(d) There were mixed responses with calculating the total selling price for the order. The issue was most frequently with the incorrect calculation of overheads. A significant amount of candidates were unable to achieve a profit margin of 33 1/3 per cent. Some candidates misread the question and did not realise the order was for 1200 units and not just one unit.

(e) Most candidates gained full marks on this question. It is a calculate question so labels are not essential, but it is good practice and does help the candidates when checking their work to identify the different figures calculated.

(f) There were some very strong answers using the correct format for a marginal costing statement. Common mistakes were using abbreviations and just listing their figures without labelling them. However, some candidates just omitted labelling contribution and profit. It is important that labels make sense so profit for the month rather than profit for the year was required.

(g) Candidates performed well with advising the directors whether or not they should purchase from overseas. They often compared the potential profits of the two options and then brought in non-financial factors such as reliability with the travel involved from overseas and the likely impact of quality. It is important that the recommendation reached is one of the options presented and not an alternative which the candidate is proposing.

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Paper 9706/22
AS Fundamentals of Accounting

Key messages

- Up to date terminology matching the syllabus is expected throughout.
- When asked to present ledger accounts, labels are very important and failure to be accurate in this respect will result in losing credit. Abbreviations of labels are not acceptable.
- Candidates should always provide clear workings when answering computational questions and show whether figures were added or subtracted.
- The differences in layouts for marginal costing statements and absorption costing statements are important and the different labels required.
- The evaluation questions need a balanced approach and a clear recommendation.

General comments

Overall many candidates found this paper challenging. There was evidence of weaknesses in certain aspects of financial accounting. Many candidates struggled with aspects of bank reconciliation, and insufficient attention was paid to the importance of using correction narratives for entries in ledger accounts or financial statements. There were many successful attempts at the two questions requiring an evaluation where there is a much greater awareness of the importance of providing an answer with balanced advantages and disadvantages of the options provided, and a clear decision. However, some candidates do need to recognise it is insufficient to quote points from the information provided. They also need to point out the implications of these points.

Comments on specific questions

Question 1

The question focused on the financial statements of a limited company.

(a) Although many candidates scored at least half of the available marks on this revised statement of profit or loss, it was clear that there was a lack of understanding of how to treat some of the adjustments listed in the question. For example, many candidates did not appreciate that the error concerning goods on sale or return would affect both revenue and the cost of sales. For distribution costs and administrative expenses, very few got the overstated depreciation adjustment correct. There were many instances of just one adjustment appearing for the wages and salaries adjustment instead of two. For finance costs, some candidates calculated 6 per cent × 25000 = $1500 and used this in the calculation instead of the correct adjustment. For taxation, many used the calculation 95 per cent × 18900 to give $17955 instead of $18900 divided by 1.05. However, almost every candidate made use of the space available for workings to set out their calculations of the updated figures. It is essential to show if those workings are to be added or subtracted. There were many instances in the workings of items being added instead of subtracted and vice versa.

(b) The statement of changes in equity presented some difficulty for many candidates who struggled to calculate the opening figure for share capital, the value of the rights issue, and the dividend payments. Some candidates omitted to include their own figure for profit for the year from **Question 1(a).** A minority of candidates used inappropriate descriptions in the detail columns, often stating dates of transactions, rather than the nature of the transaction. It is important that the total column includes all the relevant transactions clearly showing if they are added or subtracted, it is not a running balance column.

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(c) Advising the directors on two different inventory options was generally well answered. Many candidates were able to point out a range of advantages and disadvantages which could arise from the two options and stated the impact on the business's main concern about cash flow. Candidates identified that for the second option the business would be more capable of responding to changes in demand and that, in any event, forecasts might well be inaccurate. Many candidates referred to possible quality and reliability issues for option B.

Question 2

The second question focused on bank reconciliation statements.

(a) Relatively few candidates were able to focus on the key point in their answer to the existence of debit balances in both the cash book and on the bank statement. The key point was that the balances represent an asset either for the business or for the bank. Many interpreted the question as concerning why there may be differences in the two balances so discussed transactions being omitted from the cash book or the bank and timing differences.

(b) It was noticeable that many candidates struggled to decide which of the items listed would need updating in the cash book. As a result, many cash book updates included extraneous items such as the error by the bank which then meant the own figure balance b/d mark was lost. Another weakness was that inappropriate narratives were used for many of the entries. It seems that many candidates are not aware that in recording transactions the name of the other account concerned should be used as the description for the entry. Very few described the dishonoured cheques as P Limited and insurance was often described as direct debit.

(c) There were mixed responses to completing the bank reconciliation statement. As well as the inclusion of irrelevant items, many candidates did not take account of the fact that the opening figure was overdrawn. Marks were lost here for missing out the words 'cheques' and/or 'lodgements' in the reconciliation statement and many candidates mixed up the addition/subtraction of the unpresented cheques/lodgements. Some candidates did not label the concluding figure correctly.

(d) There was a mixed response to this task requiring the identification of features of a direct debit. Strong responses noted that the payment would be made automatically by the bank and that the amount would vary. A few candidates seemed to confuse direct debits and standing orders stating it involved a fixed amount. Some just gave examples of what a direct debit could pay for example, electricity and insurance. Some did not understand the question and were trying to explain the effects of a 'debit' instead.

Question 3

This question was concerned with depreciation and a disposal account.

(a) (i) Many candidates calculated the machine depreciation of $8100 correctly but they only included one year's depreciation of $9000 on machine 1. Some candidates did not add together the depreciation on the 2 machines to give the balance on the account.

(ii) This was quite well answered. Usually, candidates gained at least one mark for $6750 but sometimes they did not add together the $9000 and $6750 to give $15750 for the second mark.

(b) Few candidates seemed familiar with the entries required to record the revaluation of property. In particular, the need to cancel any existing provision for depreciation was entirely overlooked by many candidates. Errors typically stemmed from incorrect calculations of the depreciation component and also incorrect labels. A minority of candidates obtained marks for the entries- debit property account $85 000 and credit revaluation reserve account $253 000.

(c) Candidates were more successful in preparing the disposal account and full marks were awarded quite often including own figure marks for the depreciation figure brought forward from **Question 3(a)(i)**. However, in some cases, marks could not be awarded because some entries had inappropriate narratives. Marks were lost for describing the balancing figure as profit on disposal instead of statement of profit or loss. The bank entry of $20 400 was sometimes described as 'sale proceeds'.

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(d) Many candidates did not identify the correct concept to be applied where a change in an accounting method was being recommended. Strong candidates not only identified the correct concept and were able to describe its meaning, but were also able to describe why the concept was important. Incorrect concepts included matching, prudence and going concern.

Question 4

The final question focused on absorption costing and marginal costing.

(a) Most candidates were able to identify features of absorption costing. Some candidates stated advantages of this costing method, while others focused on some of the processes involved in its application. Some mistakenly gave features of marginal costing instead.

(b) Candidates were required to prepare an absorption costing statement. Relatively few candidates appreciated that a key element was to value the closing inventory, so it was often omitted or incorrect. Cost of sales was often incorrectly labelled or missing a label. Many candidates made an error in calculating a figure for contribution. A few candidates could not be awarded an own figure mark for profit because it was incorrectly labelled as profit for the year rather than profit for the month. Some presented a calculation rather than a statement and so could not be rewarded.

(c) Relatively few candidates were able to identify that the valuation of inventory was the cause of the difference in the profit figures obtained from using marginal costing and absorption costing. Most of them provided very general statements such as fixed overheads are included in absorption and not in marginal costing or discussed over-absorption and under-absorption.

(d) Candidates were more successful in calculating the monthly profit for the first option with the calculation of the fixed costs often proving to be the main weakness. Some candidates counted overtime on all units rather than just on those above 4400 units.

(e) This task required a marginal costing statement to show the total profit for the second option. Many candidates failed to calculate a profit for both products, or did not end their answer with a total profit based on combining the profit for each product.

(f) Many candidates provided a full and detailed response to the final evaluation task. Strong candidates were able to cover a range of possible advantages and disadvantages for each option. Some strong candidates noted the importance of covering both financial and non-financial factors, including, for example, the effect on the workforce of retraining, overtime working, and an increase in the labour rate. Few candidates did not link their recommendations to earlier calculations in **Questions 4(e)** and **4(f)**.

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Paper 9706/23
AS Fundamentals of Accounting

Key messages

- All financial statements must be presented in the accepted format using the latest terminology as reflected in the syllabus. Labels such as gross profit, cost of sales etc. should always be written in full and never abbreviated.
- Candidates should always provide clear workings showing what is to be added or subtracted when answering computational questions. Marks will always be awarded for valid workings, but in their absence, will not get any credit.
- When asked to present ledger accounts, labels and dates are very important and failure to be accurate in this respect will result in lost marks. Abbreviations of labels are not acceptable.

General comments

There were some very well-prepared candidates who had strong answers. Candidates need to ensure that in the ledger accounts labels must be aligned with the corresponding entry in the other ledger account. There is evidence of use of old terminology which needs improving.

Comments on specific questions

The question concerned the accounts of a partnership.

Question 1

(a) The statement of profit or loss for the partnership was well done by most candidates. Some candidates did not get credit due to inaccurate labels rather than incorrect calculations. For example, when there is a change in the allowance for irrecoverable debts it needs to be clearly stated if it is an increase or a decrease in the allowance. Some candidates struggled with calculating the interest for the partner's loan and charged for a full year rather than 3 months. Occasionally, extraneous items were included such as the partners' capital or current accounts, and this resulted in the loss of the own figure mark for loss of the year.

(b) Most candidates confidently completed the current account but there were few complete reversals. The main error was in not adjusting the loss for the year from **Question 1(a)** for the 5 per cent interest on drawings and the partner's salary. Interest on loan was sometimes omitted. Extraneous items such as the capital account balances meant the loss of the own figure mark for their balances b/d.

(c) The statement of financial position proved difficult for many candidates. The equity section needs to appear above the liabilities and just needs to contain the final balances of each account rather than all the detail. The partner loan was sometimes missing and candidates struggled to include all three current liabilities.

(d) (i) The change in profit was successfully made by most candidates to reflect the potential change of supplier with most gaining the two marks.

(ii) Candidates struggled with the adjustment for the move of premises. Although most correctly calculated that expenses would increase by $1260, they then incorrectly used the revenue rather than the gross profit to show the potential increase in demand. Candidates need to remember that

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if demand is increased, cost of sales will need to increase as well in order to provide the items to sell.

(e) There were some strong responses with the discussion of the two options available to the partnership. Candidates understood the key issues and demonstrated their knowledge of both advantages and disadvantages of the options. They compared potential profit increases of the options and provided balanced answers.

Question 2

The second question focused on accounting concepts and correcting errors.

(a) There were mixed responses to the accounting concepts. The stronger candidates identified all four correctly and then gave suitable descriptions. Others managed consistency and business entity but struggled to identify going concern and realisation. Going concern was sometimes referred to as the continuity concept and the matching concept was frequently given rather than realisation.

(b) Calculating the revised profit for the year proved difficult for many candidates. Sometimes they calculated the correct change in depreciation but then subtracted it rather than adding it. The drawings in inventory were usually dealt with correctly although some showed the selling price rather than the adjusted correct cost of $700. Some thought error 3 would have no impact on the profit when it would actually improve it. For the order placed at the end of the year, sometimes adjustments were made only to sales or just the cost of sales rather than both, to show the overall impact.

(c) Money measurement was often correctly identified as the concept concerned. Incorrect answers included materiality, prudence and matching.

Question 3

The question concentrated on the equity of a limited company.

(a) Candidates were very confident at calculating the number of issued ordinary shares and the vast majority gained full marks here. A small number found two thirds of 840 000 instead which was 560 000. Occasionally, just the first step was performed of 720 000 which gained one mark.

(b) Candidates struggled to complete the ledger accounts to show the transactions made. Often incorrect labels were used and therefore did not get credit. It is essential to state the name of the other account involved in the transaction not a description. For example, a dividend payment involves the bank account rather than dividends. Sometimes the ledger accounts were completely reversed.

(c) The majority of candidates could state factors considered when deciding on the final dividend. The most common answers concerned the amount of profit for the year, cash available and shareholder expectations. Vague responses such as financial stability or current performance of the business were not awarded.

Question 4

The cost and management accounting question focused mainly on absorption costing.

(a) The differences between marginal and absorption costing were largely understood by most candidates. Stronger responses often discussed long-term versus short-term decision making and provided relevant examples. Common incorrect answers compared how easy they were to calculate. Often candidates mixed up the two methods.

(b) Candidates performed well when reapportioning the service department overheads. Vast majority gained the full four marks. Any errors were largely down to miscalculations rather than misunderstanding the process involved.

(c) The calculation of overhead absorption rates was also well done with many gaining all marks. Errors were often due to not rounding correctly to two decimal places or not stating machine or

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labour hours. A minority of candidates used both machine and labour hours for both departments. This was not awarded as it shows a lack of understanding and is inviting the Examiner to select the correct answer from several options rather than providing the final answer.

(d) Some candidates struggled with which figures they should be using to calculate the over-absorption or under-absorption of overheads. Once they had made a calculation, they were sometimes unsure what they should be comparing their answer with to know whether there was over-absorption or under-absorption of the overheads. A minority tried to use both the labour and machine hours as they were presented in the additional information rather than just using the labour hours.

(e) This was well-answered with most candidates gaining 3 or 4 marks. Some candidates found it challenging to move from the total cost they had calculated to the selling price by applying a gross profit margin of 40 per cent. Some calculated 40 per cent of the total cost instead. They could still gain the final own figure for selling price if there were no extraneous items included.

(f) There were mixed answers with calculating the profit or loss on the order from the overseas customer. It appeared to be a straightforward calculation but there were numerous errors made with the different components involved. Some missed subtracting the variable costs involved and other candidates calculated a loss by including the fixed costs which would be covered anyway.

(g) Candidates performed well advising the director with whether or not to accept the order from the overseas customer. They used their calculation from **4(f)** and then potential issues such as the reduced price becoming known to other customers, potential additional sales in the future from this customer and perhaps the wider market and the further spreading of the fixed costs which would occur. There was a good balance between advantages and disadvantages and then a justified recommendation made.

(h) The key principle of Just in Time is when the inventory is received rather than when it is ordered which was a common misunderstanding of some candidates. Most did know that storage costs could be minimised and potential wastage. Some candidates were confused with the first in first out method or made statements about how inventory should be valued.

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ACCOUNTING

Paper 9706/31
A Level Financial Accounting

General comments

Performance was acceptable with question three being the best answered question and question one the least well answered.

Comments on specific questions

Question 1

(a)(i)(ii) Many candidates identified that the statement of profit or loss entry represented the write-off of an expense, but very few were aware that the balance carried down represented an amount to be treated as capital expenditure.

(b)(i)(ii) Some candidates stated that the ordinary share capital had been used to fund a bonus issue of shares. Fewer could state that the statement of profit or loss entry arose due to a loss with a significant number stating that it arose because the business made a profit.

(c) Few candidates demonstrated their understanding of International Accounting Standard (IAS) 36 and were able to enter the correct recoverable amount and impairment loss for each of the three vehicles. Many, though, showed little understanding of IAS 36 and entered a range of incorrect figures.

(d) There were a few fully correct statements but overall, the statement was poorly presented and there were a range of errors. Many candidates omitted the decrease in inventory of finished goods and consequently provided an incorrect cost of sales figure. Some candidates presented the statement as a list of expenses without attempting to group the expenses as distribution costs and administrative expenses. Relatively few candidates entered the given loss for the year of $12 200 in their statement.

(e) Nearly all candidates provided the required decision and most gave relevant justification points which were balanced.

Question 2

(a) Most candidates provided general points relating to subscriptions and life membership but very few discussed the membership changes and the effect on the club's funds by considering the given ledger accounts.

(b) The income and expenditure account was prepared to a good standard with some fully correct accounts. Common errors included the incorrect derivation of the life membership fees and the incorrect calculation of the profit from tournaments.

(c) There were few correct calculations of the accumulated fund. The most common error was the omission or incorrect derivation of the life membership fund entry.

(d) Nearly all candidates provided the required decision, and a high number supported their decision with a range of valid comments which highlighted the advantages and disadvantages of operating the shop.

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Question 3

(a) Few candidates were able to identify why the statement starts with profit.

(b) The calculation was well attempted with a significant number of fully correct calculations. Common errors included the incorrect adjustment of the debenture interest paid and the omission or incorrect treatment of the transfer to general reserve.

(c) The cash flow question was well answered with some candidates able to correctly explain the effect that all the actions would have on the statement of cash flows. Some candidates, however, failed to explain the effect as they merely stated that there would be an effect without indicating the direction.

(d) Although some candidates suggested one method of funding, very few gave two valid methods.

(e) Many responses stated ‘to give a true and fair view’ but few considered compliance and the audit report.

(f) A high number of candidates provided a correct difference, but some failed to answer regarding the financial statements and a few stated that the auditor prepared the financial statements.

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ACCOUNTING

Paper 9706/32
A Level Financial Accounting

General comments

Overall performance was satisfactory with all questions being answered to a reasonable standard.

Comments on specific questions

Question 1

(a) Most candidates suggested an appropriate reason which was invariably related to expansion/growth.

(b) The realisation account was well prepared by most candidates with a significant number of fully correct accounts. Common errors included the omission of the purchase consideration, the incorrect treatment of the motor vehicles taken over and the omission of the legal fees and/or redundancy pay.

(c) This was not answered well with very few fully correct calculations. Common errors included the omission of the capital and/or current account of the partners, the omission or incorrect treatment of the profit on realisation and the treatment of some or all the entries in the incorrect direction.

(d) There were a few fully correct bank accounts, but most candidates failed to make the correct entries. Many entered the legal fees and redundancy pay correctly but few entered the amounts payable to the partners from **part (c)**. The cash consideration was often entered on the incorrect side of the account with some entering the total consideration amount.

(e) Most candidates recommended the better option for the partners, but a few answered from the point of view of QW plc rather than the partners. There were some well-developed answers. Some candidates just reproduced the given data and provided little or no assessment.

(f) Although a significant number of candidates referred to International Accounting Standard (IAS) 37 very few demonstrated their understanding in relation to the director's statement. There was often confusion between a provision and a contingent liability along with their treatment in the financial statements.

Question 2

(a) Most candidates were able to correctly calculate the dividend per share. A high number of candidates were able to calculate the dividend cover, too. A few candidates disregarded the requirement to give their answer to two decimal places.

(b) Although many candidates did describe the type of investor the reason was often superficial.

(c) Most candidates calculated the interest to be paid on the long-term loan, but many did not use the calculation to derive the interest cover. There were relatively few comments on gearing and the investor's risk.

(d) Nearly all candidates were able to suggest one ratio. A high number of candidates did provide two correct ratios. A few suggested dividend per share and dividend cover despite those ratios being specifically excluded by the question requirement.

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(e) This was well answered with nearly all candidates giving the required advice. Most provided appropriate justification points which fully addressed the question.

(f) There were few responses which related the external auditor to the ratios of the business. However, many candidates appeared to be uncertain of the role of the external auditor.

(g) Performance was varied with some candidates able to state two differences. However, some candidates demonstrated a lack of knowledge of both internal and external auditors, and some provided valid points for both but they did not match these points to give a difference.

Question 3

(a) Very few candidates were able to state a valid reason why a business should treat some research and development costs as revenue expenditure.

(b) Most candidates named one correct item with a significant number able to name two items which were intangible assets.

(c) There were very few fully correct statements but generally the layout and presentation were acceptable. Depreciation, disposals and working capital changes were treated correctly by most candidates. Common errors included the omission or incorrect treatment of the amortisation of intangible assets, the incorrect treatment of tax and interest and the omission from the investing activities of the expenditure on research and development.

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Paper 9706/33
A Level Financial Accounting

Overall, candidates performed well on this paper and question three was the best answered question.

Comments on specific questions

Question 1

(a) Most candidates identified a reason to account for factory profit and some satisfactorily developed their response.

(b) Although most candidates had the knowledge of the provision, some did not address the question and did not explain the recording in the statement of financial position.

(c) This was very well answered with a high number of fully correct calculations. The most common error was the incorrect treatment of the increase in work in progress.

(d) The profit for the year calculation was also well answered with many correct calculations. The most common error was not to correctly adjust for the change in the provision for unrealised profit.

(e) Most candidates selected a few appropriate factors to be considered and then did support their answer by looking at ways to fulfil the order. Some answers, however, were not well structured and did not clearly show two ways as was required by the question.

Question 2

(a) The profit calculations for the periods and for the year were carried out to a high standard with some being fully correct. Most candidates derived the revenue and cost of sales figures correctly. The most common errors were within the expenses section of the table.

(b) Most candidates raised several valid points, and the responses were generally well presented.

(c) There were relatively few correct total income calculations. Common errors included the failure to start the calculation with the profit for the second six-month period and the omission of the interest on capital earned from the total income figure.

(d) Nearly all candidates gave the required decision with most justifying their answer by giving valid points and providing a balanced argument.

Question 3

(a) A high number of candidates calculated all three ratios correctly and there were no common errors.

(b) The expected annual profit from operations was calculated correctly by nearly all candidates and there were no common errors.

(c) There were a limited number of fully correct calculations of both ratios for both options. Most candidates made a reasonable attempt with many making at least two correct calculations with the two correct invariably being the dividend cover ratio calculations. The most common error was the failure to add the profit for the year and/or deduct the dividend from the denominator when calculating the gearing ratio for both options.

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(d) This was well answered with nearly all candidates giving the required decision and most justifying their answer by giving valid points which did support their decision.

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Paper 9706/41

A Level Cost and Management Accounting

General comments

The overall performance of candidates was satisfactory, with question **one** having more well-answered responses than question **two**.

Comments on specific questions

Question 1

(a)(i) (ii) The net present value calculations for both the new machine and the upgraded machine were made correctly by many candidates. A few did discount at 14 per cent despite the question clearly stating that the company's cost of capital was 10 per cent.

(b)(i) (ii) The internal rate of return calculations were made correctly by a significant number of candidates. Generally, candidates who knew the formula were able to apply it and arrive at the correct answers. A few candidates did not give their answers to two decimal places which was a requirement of the question.

(c) Most candidates provided the required advice and then many gave relevant points of justification for their decision. Overall, the question was answered to a reasonable standard.

(d) This question was **not** answered well. Most candidates did not assess the impact of making Product P by calculating the profits which would have been made by using the new machine and the upgraded machine. Some candidates did calculate the accounting rate of return for the new machine and the upgraded machine and were rewarded accordingly.

Question 2

(a) Most candidates mentioned cost pools and cost drivers and the stronger answers explained the calculation of a cost per unit and the subsequent allocation of the cost to the product.

(b) (i) There were some correct calculations, but a significant number of candidates were unable to correctly determine the amount of overhead costs to be allocated to each product.

(ii) There were a higher number of fully correct calculations than **(b)(i)** with most candidates able to correctly calculate the overhead costs to be allocated to each product using activity based costing.

(c) Most candidates provided the required advice, and many did justify their decision with relevant comments. Generally, the responses were generic with relatively few candidates referring to the scenario while providing their points of justification.

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Paper 9706/42

A Level Cost and Management Accounting

General comments

Overall performance was acceptable with room for improvement.

Comments on specific questions

Question 1

(a) (i) A few candidates stated two benefits of preparing a cash budget, but the majority gave general benefits of preparing a budget which was not answering the question.

(ii) A similar number of candidates stated two benefits of preparing a production budget but, as for **(a)(i)**, the majority did not address the question.

(b) Only a few candidates prepared fully correct production budgets, as only a small number accounted for the fact that production occurred one month prior to sale. Most candidates, however, did adjust the opening and closing inventories correctly.

(c) This was inadequately answered with very few fully correct payment calculations for all three months. There were hardly any correct payments for April and very few candidates made the base inventory adjustment as was required.

(d) The cash budget was prepared to a reasonable standard. A high number of candidates calculated the receipts correctly for the three months. The most common errors were the posting of payments to the incorrect month and the calculation of an incorrect closing balance due often to arithmetical error(s).

(e) Nearly all candidates gave the required advice and then many did provide appropriate comments regarding both options which justified their decision. Overall, this question was well answered.

Question 2

(a) This was well answered with many fully correct fixed budgets being submitted. The most common error was the incorrect calculation of the fixed overhead.

(b) The explanation was **not** well answered. Many did identify a reason, but development of the reason was invariably poor.

(c) There were relatively few correct calculations of the fixed overhead variances with more correct fixed overhead expenditure variance calculations than fixed overhead volume calculations.

(d) (i) Few candidates explained that the total variance only related to the usage variance as the actual price paid was the same as the standard price.

(ii) Some candidates identified that the total variance arose due to the adverse nature of the rate and efficiency, but some demonstrated a lack of knowledge and merely explained the meaning of adverse and favourable.

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(e) Nearly all candidates gave the required advice and then many did support their decision with appropriate comments. Some candidates stated that the overseas supplier might charge a higher price, but this information was given in the question and some answers were not balanced.

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Paper 9706/43

A Level Cost and Management Accounting

General comments

Performance throughout the paper was very good with question two being the better answered question.

Comments on specific questions

Question 1

(a) The flexible budget was prepared correctly by a high proportion of candidates and there were no common errors.

(b) The variance calculations were made to a high standard with many candidates making all four calculations correctly. There were no common errors, but the labour efficiency variance calculation had the highest number of incorrect answers.

(c) This question was less well answered with some candidates struggling to provide an appropriate explanation.

(d) The reconciliation statement was prepared to a high standard by most candidates with a significant number of fully correct statements. Presentation was generally good and the most common error was not being able to deal correctly with the selling price variance.

(e) Nearly all candidates gave the required advice with most providing appropriate comments and justification in a balanced manner.

Question 2

(a) The selling price calculation was made correctly for both products by majority of candidates. Where the calculation was not correct it was invariably due to the incorrect apportionment of the manufacturing overheads.

(b) Many candidates were able to state two valid conditions, and some provided three conditions.

(c) This was very well answered with many fully correct calculations using activity based costing. There were no common errors.

(d) Although most candidates were aware that the differences arose due to the difference in the apportionment of the manufacturing overheads the explanations were often not clear.

(e) Nearly all candidates gave the required advice and most justified their decision with some relevant comments. Many answers were purely generic and not in context of the given scenario information.

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