

PRINCIPLES OF ACCOUNTING

Paper 7110/11
Multiple Choice

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

General Comments

There were 17 713 candidates. The mean mark was 13.20 and the standard deviation was 5.17.

When compared to the target accessibility of 25-80%, one item proved to be slightly more difficult and three items proved to be more difficult than anticipated. No items proved to be easier than expected.

All the items were within the scope of the syllabus.

The statistics for many of the items indicate that there was a considerable amount of guesswork on the part of many candidates. It is important to remember that a thorough knowledge of all topics on the syllabus is required in order to gain high marks on this paper.

Comments on specific items

Item 3

60% understood the double entry required to record the transaction. A lack of understanding of the different ledgers resulted in the key being selected by only 39%.

Item 5

This should have been a relatively straightforward item. It was expected that candidates would know that only cash discount is recorded in the cash book and that this is calculated on the price of the goods after the deduction of trade discount.

Item 6

40% selected the key, D, but the statistics indicate a degree of guesswork. Candidates should have been able to deduce that two items were going *into* the current account – one *from* the deposit account and one *from* the loan – making the key D.

Item 8

Candidates with an understanding of the purpose of the general journal correctly identified C as the key. Other candidates appear to have made a random guess.

Item 9

The key, B, was selected by 44%. The 29% selecting C failed to appreciate that a debit balance on an expense account indicates a prepayment.

Item 10

73% realised that the balance on a ledger account represents an amount owing. Approximately half of these correctly identified that the amount was owed by Shula.

Item 11

Candidates familiar with the errors not affecting the balancing of a trial balance should have been able to identify D as being a compensating error. Approximately half of the candidates selected the other options.

Item 12

66% understood that motor expenses outstanding represent a current liability: 43% also understood that the motor expenses account would have a credit balance.

Item 13

The majority of candidates incorrectly selected option D which represented $5\% \times \$13\,400$. It should be remembered that the provision should be calculated on the trade receivables after writing off bad debts which was $5\% \times (\$13\,400 - \$600)$.

Item 14

Whilst 61% appreciated that the profit was overstated, only 42% also understood that the non-current assets would be overstated.

Item 18

It was expected that candidates would know that inventory is always valued at the lower of cost and net realisable value. 43% incorrectly used the cost price for both products.

Item 19

31% of candidates correctly identified B as the key. The remainder of candidates failed to appreciate that a proportion of the loan was a current liability and a proportion was a non-current liability.

Item 22

Only 17% correctly identified D as the key. Candidates are reminded that depreciation is a non-monetary expense and so should not be included in a receipts and payments account. Subscriptions represent money received by a club rather than money paid.

Item 26

70% incorrectly selected B as the key. These candidates did not take into consideration that there was a minimum wage payable irrespective of the number of units produced.

Item 27

The key, C, was selected by 41%. Candidates were expected to know that owner's equity does not include non-current liabilities. A significant number of candidates failed to deduct the loan interest from the profit before calculating the return on equity.

Items 28 and 29

It was expected that these items would prove relatively easy for candidates with knowledge of accounting principles, but there appears to be a considerable amount of guesswork.

PRINCIPLES OF ACCOUNTING

Paper 7110/12
Multiple Choice

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

General Comments

There were 415 candidates. The mean mark was 15.08 and the standard deviation was 5.10.

When compared to the target accessibility of 25-80%, two items proved to be easier than expected, one item was slightly more difficult than anticipated and three items were more difficult than anticipated.

All the items were within the scope of the syllabus.

The statistics for many of the items indicate that there was a considerable amount of guesswork on the part of many candidates. It is important to remember that a thorough knowledge of all topics on the syllabus is required in order to gain high marks on this paper.

Comments on specific items

Item 3

It was expected that candidates would have a basic knowledge of the difference between computerised accounting and a manual accounting system. The statistics indicate guesswork on the part of a large number of candidates.

Item 4

71% understood the double entry required to record the transaction. A lack of understanding of the different ledgers resulted in the key being selected by only 39%.

Item 6

Only 32% correctly identified A as the key. This should have been a relatively straightforward item. It was expected that candidates would know that only cash discount is recorded in the cash book and that this is calculated on the price of the goods after the deduction of trade discount.

Item 7

53% selected the key, D, but the statistics indicate a degree of guesswork. Candidates should have been able to deduce that two items were going *into* the current account – one *from* the deposit account and one *from* the loan – making the key D.

Item 9

Candidates with an understanding of the purpose of the general journal correctly identified C as the key. Other candidates appear to have made a random guess.

Item 10

The key, B, was selected by 46%. The 36% selecting C failed to appreciate that a debit balance on an expense account indicates a prepayment.

Item 11

82% realised that the balance on a ledger account represents an amount owing. Approximately 60% of these correctly identified that the amount was owed by Shula.

Item 12

Candidates familiar with the errors not affecting the balancing of a trial balance should have been able to identify D as being a compensating error. 36% selected the other options.

Item 14

The majority of candidates incorrectly selected option D which represented $5\% \times \$13\,400$. It should be remembered that the provision should be calculated on the trade receivables after writing off bad debts which was $5\% \times (\$13\,400 - \$600)$.

Item 16

38% correctly identified B as the key. It was expected that candidates would appreciate that depreciation for the year is debited to the income statement and credited to the provision for depreciation account.

Item 19

It was expected that candidates would know that inventory is always valued at the lower of cost and net realisable value. 48% incorrectly used the cost price for both products.

Item 20

32% of candidates correctly identified B as the key. The remainder of candidates failed to appreciate that a proportion of the loan was a current liability and a proportion was a non-current liability.

Item 23

Only 22% correctly identified D as the key. Candidates are reminded that depreciation is a non-monetary expense and so should not be included in a receipts and payments account. Subscriptions represent money received by a club rather than money paid.

Item 25

The key, C, was selected by 40%. The statistics indicate a degree of guesswork on the part of the other candidates. It was expected that candidates would understand that shareholders' funds consist of capital, reserves and retained profits.

Item 27

71% incorrectly selected B as the key. These candidates did not take into consideration that there was a minimum wage payable irrespective of the number of units produced.

Item 28

The key, C, was selected by 39%. Candidates were expected to know that owner's equity does not include non-current liabilities. A significant number of candidates failed to deduct the loan interest from the profit before calculating the return on equity.

PRINCIPLES OF ACCOUNTS

Paper 7110/21

Paper 2

Key messages

- The question paper contained a mixture of theory, practical application and some higher skills and in order to score well it is necessary to prepare topics across the syllabus.
- When preparing accounting records such as ledger accounts or journal entries the proper account names should be used and not descriptions of the transaction.
- Where questions require a written answer, the sense of the answer should be clearly stated and will earn marks even if the grammar or spelling is incorrect.

General comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work through questions on previous past examination papers and appropriate exercises in textbooks.

It was very noticeable that a large number of candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provided another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example, a note "Please refer to Page..." or "Continued on Page..." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations such as "bbd" for "balance brought down", "E over E" for "excess of income over expenditure" are not acceptable.

The following comments should be read in conjunction with the question paper and the published mark scheme.

Question 1

- (a) A good understanding of double entry procedures is essential when responding to this type of question. Candidates are reminded that where a question asks for an account to be provided then the following should be shown: debit and credit sides, dates, details and amounts. Accounts should be balanced and the balance carried down.
- (b) The majority of candidates were able to identify the correct journal.

- (c) The trial balance was correctly prepared by many candidates, but the comment on double entry above is also pertinent. It was evident that some candidates had only a minimum appreciation of the construction of a trial balance.
- (e) The identification of the correct trade receivables/debtors was completed by the majority of candidates.
- (e) The distinctions between the trial balance and the balance sheet were identified by the majority of candidates.

Question 2

- (a) The majority of candidates were able to identify correctly that the document was a credit note.
- (b) The majority of candidates were able to identify correctly that this was an error of commission.
- (c) The journal entries were not prepared correctly by many candidates. Again the weakness in underpinning double entry knowledge was in evidence.
- (d) The minimal attempts at the suspense account once more reinforce the comments on the required double entry knowledge as stated above.
- (e) As a result of the weakness in attempts in (c) and (d) above only minimal success was achieved in this part of the question. The start point of the original balance was not picked up by many candidates.
- (f) The majority of candidates were able to correctly identify two benefits of ICT.

Question 3

- (a) When calculating the accumulated fund the bank figure \$105 and subscription in arrears \$270 were often omitted.
- (b) The construction of the trading account was well understood by the majority of candidates.
- (c) It was obvious that insufficient practice at the construction of an income and expenditure account had been undertaken by many candidates. The trading account was often represented with the inclusion of additional items. Where reasonably presented the subscriptions were incorrectly calculated and capital expenditure items included. Additionally, the surplus was described as net profit.
- (d)(i) Good answers overall, current liabilities and a creditor situation being identified.
 - (ii) Capital expenditure or use over more than one accounting year was correctly identified by the majority of candidates.

Question 4

- (a)(i) The calculation of purchases was correctly completed by the majority of candidates.
 - (ii) The calculation of expenses was also well done.
- (b)(i) and (ii) The two ratios were calculated correctly by the majority of candidates.
- (c) The key point that inventory may be difficult to sell and convert to cash was the key point identified by most candidates. However, comments such as, "more purchases" did not make the point.
- (d) This proved to be less well answered, with only one good point being made, for instance 'invest more capital'.

Question 5

As in previous examinations this was the best answered question, candidates achieving good marks. The problem aspects were:

- (a) In the trading section carriage outwards was included with carriage inwards. The stock figures were often transposed.

In the profit and loss section the main errors were only entering loan interest for six months and incorrectly calculating the increase in the provision for doubtful debts.

The appropriation section was well done but weaker candidate's erroneously added interest and salary to the profit for the year.

- (b) In the balance sheet where the provision for doubtful debts had been correctly calculated and shown, the net figure for trade receivables was omitted.

The loan interest was added or subtracted to/from the loan figure.

The current accounts were well done by most candidates.

PRINCIPLES OF ACCOUNTS

Paper 7110/22

Paper 2

Key messages

- The question paper contained a mixture of theory, practical application and some higher skills and in order to score well it is necessary to prepare topics across the syllabus.
- When preparing accounting records such as ledger accounts or journal entries the proper account names should be used and not descriptions of the transaction.
- Where questions require a written answer, the sense of the answer should be clearly stated and will earn marks even if the grammar or spelling is incorrect.

General comments

All the questions on this structured examination paper were compulsory and covered various topics on the syllabus. It was expected that candidates would be able to attempt all the questions.

It is important to remember that a question can be set on any section of the syllabus and a thorough knowledge of all the sections of the syllabus is necessary in order to achieve a pass grade.

Candidates are advised to work through questions on previous past examination papers and appropriate exercises in textbooks.

It was very noticeable that a large number of candidates lost marks because they provided an incorrect figure without supporting calculations. If calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates should make sure that they read through each question very carefully before attempting an answer. Marks may be lost if instructions are not followed.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out part or all of the answer and provided another answer elsewhere on the question paper. It is important that candidates indicate to Examiners that this has been done. For example, a note "Please refer to Page..." or "Continued on Page..." would ensure that this additional work is not overlooked when the paper is being marked.

Candidates are reminded that the use of inappropriate abbreviations may result in the loss of marks. Abbreviations such as "bbd" for "balance brought down", are not acceptable

The following comments should be read in conjunction with the question paper and the published mark scheme.

Question 1

- (a) A good understanding of double entry procedures is essential when responding to this type of question. Candidates are reminded that where a question asks for an account to be provided then the following should be shown: debit and credit sides, dates, details and amounts. Accounts should be balanced and the balance carried down.
- (b) Candidate responses were generally good, although weaker candidates confused trade discount with cash discount.

- (c) Good responses overall; with weaker candidates confusing the purpose of debit/credit notes and invoices.
- (d) The majority of candidates identified the required ledgers.
- (e) Responses were variable with many candidates not understanding the accounting equation.

Question 2

- (a) The main error in this question was to describe the balance as trade receivable.
- (b) Candidates responded well to this question.
- (c) Again it was evident that many candidates did not have a sufficient knowledge of double entry to respond to this section of the question adequately.
- (d) The required provision calculation was answered well by most candidates.
- (e) Poorly answered with the weakness of many candidates with regard to the requirements of double entry in evidence.
- (f) Many candidates correctly stated the required principles, but, a lack of appreciation was in evidence where, for instance, types of error were given.

Question 3

- (a) The appropriation account for limited companies was again only partially understood. Marks were often obtained for the four appropriation items but the treatment of the retained profit, \$8,000 was nearly always incorrect thus corrupting the required layout of the account.
- (b) There were many excellent answers where the difference between authorised and paid up share capital was clearly indicated. Some candidates however confused shares with reference to partnerships.
- (c) The key point that reserves are essentially obtained from undistributed profits was not stated by some candidates. Where correctly identified, an assumption that this was in a monetary form was a point of confusion which occurred frequently.
- (d) Generally well answered overall. The requirement of reserves for future expansion was often seen.
- (e) Where candidates had been given a good grounding in principles this section was answered well. However, where not attempted this showed a lack of coverage and often coincided with no attempt at **Question 2 (f)** where principles were also the point of the question.

Question 4

- (a) (i) and (ii) The calculation of cost of sales and the ratio produced a good response.
- (b) (i) The required ratio was calculated correctly by the majority of candidates.
 - (ii) The analysis of the change in the ratio was less than satisfactory. A basic point, i.e. an increase in the cost of purchases was only indicated by a minority of candidates.
- (c) The current ratio was correctly calculated by the majority of candidates.
- (d) The need to understand the impact of movements upon working capital and the subsequent changes was shown not to be well developed by the majority of candidates.

Question 5

As usual this was the best answered question on the paper, candidates achieving high marks. The problem aspects were:

- (a) A failure to include the name in the heading and the use of abbreviated information, e.g. Y/E is not adequate for year end.

In the trading section the returns were transposed. The carriage adjustments were either incorrect or not done.

In the profit and loss section the profit on disposal was often missed or treated as an expense. The building costs, i.e. capital expenditure, were included as an expense. Also, the loan interest was entered as a whole year outstanding.

- (b) The land and buildings were often incorrectly shown as two figures and depreciation of the other fixed assets was miscalculated. The overdraft was shown as long term liability. The interest on the loan was added to or subtracted from the loan.