

# ACCOUNTING

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<b>Paper 9706/01</b>
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<b>Multiple Choice (Core)</b>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>C</b>	16	<b>C</b>
2	<b>C</b>	17	<b>A</b>
3	<b>A</b>	18	<b>A</b>
4	<b>B</b>	19	<b>A</b>
5	<b>A</b>	20	<b>B</b>
6	<b>B</b>	21	<b>D</b>
7	<b>D</b>	22	<b>A</b>
8	<b>B</b>	23	<b>A</b>
9	<b>B</b>	24	<b>C</b>
10	<b>D</b>	25	<b>C</b>
11	<b>A</b>	26	<b>D</b>
12	<b>A</b>	27	<b>A</b>
13	<b>B</b>	28	<b>D</b>
14	<b>D</b>	29	<b>B</b>
15	<b>C</b>	30	<b>B</b>

## General comments

The 6500 candidates taking this examination performed well. The mean and median marks were 16, and the standard deviation was around 6 marks. The results show an elongated profile with 21% of candidates getting 10 marks or less, and 32% earning 20 marks or more.

Several questions had high success rates, but there was a slackening off of correct answers to the management accounting questions, indicating that more teaching needs to be put into this area of accounting.

Questions with high success rates included **Questions 1, 3, 7, 12, 15, 18, 23** and **25**. Many of these were questions involving basic double-entry accounting.

## Comments on specific questions

Only three questions were done badly:

**Question 8** – a credit balance in the cash book will usually mean a debit balance at the bank which indicates an overdraft.

**Question 21** – if a business increases its sales volume by a percentage, its gross profit ratio is likely to stay unchanged or slightly decline (reduced prices), but the net profit ratio will increase as many of the costs in the profit and loss account will be fixed costs like rent and advertising. Many candidates went for B which says that both gross and net profits ratios would increase.

**Question 22** – when a company revalues its properties the value of the properties will generally increase, but the asset use ratio (sales/capital employed) will decrease as the denominator is increased.

# ACCOUNTING

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**Paper 9706/02**  
**Structured Questions**

## General comments

Performance varied greatly between centres. Many candidates scored fairly good marks but there were fewer than usual excellent scripts seen this year. Well-prepared candidates achieved good marks, but the poorly prepared candidates did not find many easy marks on the examination paper and may have wished that they had studied harder.

## Comments on specific questions

### Question 1

- (a) Despite this being a fairly straight-forward question, only a minority of candidates achieved the full eight marks. Purchases returns and carriage inwards were usually correctly entered, but the other six necessary adjustments were rarely all discovered. The most common error was to charge a full year's interest on the loan, even though it had been taken out halfway through the year.
- (b) The debtors figure was frequently incorrect as candidates did not deduct the bad debt before applying the provision. Capital, which should have been calculated, was often assumed to be a balancing figure. Working capital (Net current assets) was often untitled.
- (c) Careless presentation lost candidates marks in this part question. The suffix (:1, %, times) was often omitted. In addition to this, many candidates used the original sales figure, before deduction of returns, in calculating the profitability ratios.
- (d) This part was usually fairly well attempted. In (i), however, the idea of comparison was sometimes not understood and in (ii) candidates appeared to think that user groups meant different sizes of business.

### Question 2

- (a) This question was very poorly answered. Few candidates correctly calculated the depreciation figure and almost all included the sales returns which in fact made no difference overall, but had merely been entered in the wrong account. Many candidates did not indicate when items were to be deducted or added; others added when they should have deducted.
- (b) This part was generally reasonably well answered, although some candidates did include cash sales, and only a few found the discount allowed of 200.
- (c) This was well done by most candidates.

### Question 3

- (a) For most candidates this part presented an easy five marks.
- (b) The Examiners saw many varied attempts at this part question. Those candidates who had some idea of an approach usually scored reasonably well. Some attempted it using the additional sales, some used the completely new sales figure, some used the unit sales, some began with the original contribution figure and some used a mixture of methods from one option to the next. Marks were awarded where the Examiners could follow the candidates' attempts. One common error was to have different sales figures for each option – as 10 000 tables were to be sold for \$1100 each this was difficult to understand.

- (c) Few candidates managed to get beyond the fact that an option “made more profit”, and several candidates neither chose the most profitable option nor gave a reason for so doing.

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**Paper 9706/03**  
**Multiple Choice (Supplement)**

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

## General Comments

Results on this paper for the 4000 candidates who sat it, were very good. 48% of candidates got 20 marks or more. The mean and median were 20 marks and the standard deviation was 6.5. The management accounting questions were well done. 236 candidates achieved 29 or 30 marks.

Questions with a high success rate were **Questions 1, 4, 7, 8, 11, 12, 13, 16, 17, 18, 22, 23, 24, 26** and **30**. Thus half the questions proved easy to a majority of candidates.

## Comments on specific questions

**Question 2** – many candidates did not read the question carefully and failed to notice that operating profit was given before depreciation, and therefore it was not necessary to add back depreciation.

**Question 21** – the responses indicate an element of guessing plus an inability to separate actual figures from budgeted figures.

# ACCOUNTING

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**Paper 9706/04**  
**Problem-Solving (Supplement)**

## General

Candidates seemed to have found the paper to be accessible and there was little evidence that time was an issue. There seems to be continuing improvement in the standard of work presented by candidates.

However, Centres should remind candidates of the following points:

- Workings should always be shown. Many marks are lost through an absence of workings. Sometimes there was a lack of clarity in workings which probably caused the candidate to lose marks because the logic of their workings was unclear to the Examiner.
- Neatness is important. It helps the candidate to see the progress of their own work, and to check anything of which they are unsure. It also helps the examiner to clearly identify the different components of an answer. Some scripts were extremely untidy and this made it difficult for the Examiner to follow the answer and therefore could have cost the candidate valuable marks. Candidates should be encouraged to clearly cross out incorrect work and to re-write it rather than to try and over-write incorrect figures. In some cases, Examiners were unable to distinguish figures. For example, in a number of cases it was difficult to determine whether the candidate had written 4 or 7 and also 6 or 0.
- Balances should always be brought down. Candidates should be reminded that balances must always be brought down on any account if the account is to be complete.
- Accurate headings and descriptions should be given. This indicates a candidate's awareness of good practice in accounting procedures.

## **Question 1**

Generally there were some very good answers to this question. These good answers were well laid out and supported by clear comprehensive workings.

- (a) The capital accounts were in the main well done. Most candidates were able to calculate the opening balances by referring to the interest on capital given in the question.

Most candidates were able to calculate the goodwill adjustments accurately, although, a significant number debited the credit entries and vice versa. The revaluation of assets proved to be more problematic with a large number of candidates using the incorrect 3:2:1 rather than an equal split. Some candidates wrote off the revaluation along with the goodwill.

The largest single error was the failure by the majority of candidates to carry down the closing balances. Candidates should be aware that an account is incomplete if this process is not carried through. No balance brought down means no liability.

Many candidates included interest on capital in their capital accounts; others included all appropriations of profit.

- (b) The profit and loss appropriation account proved to be a good discriminator. Only the better candidates scored maximum marks. Many candidates used only the profit figure of \$115 500 as their starting point and did not add back the incorrect appropriations deducted by the finance manager. A significant number of candidates used \$38 500 as their starting point for the calculation. It was essential that candidates showed workings when calculating the profit for the year. Many candidates did not score any marks for the profit before appropriations because of their failure to show how their figure had been arrived at. Most candidates did not split the financial year into two parts. This was essential in order to arrive at an accurate account. Most candidates treated interest on drawings correctly but the partnership salaries were often calculated for a full

year. Similarly interest on capital was usually calculated for a full year or the second half of the year's interest was calculated on the opening fixed capital balance. In most cases, the profit share scored at least one mark.

- (c) Current accounts were, as usual, very well done. The less good candidates included the goodwill adjustments and the asset revaluation. Once again, too many candidates did not bring their balances down and this error cost them three marks.

### Question 2

This question proved to be a very good discriminator with only the best candidates scoring over 30 marks.

- (a) The prime cost section of the manufacturing account was, in the main, well done. However, a significant number of candidates were unable to make adjustments for royalties and direct wages.

Many candidates included all opening and closing stocks in their manufacturing account. The majority of candidates worked out their own transfer price based on a mark-up of either 29% or 37% rather than use the transfer price given in the question.

- (b) The trading account was generally well done. A mark was allocated to the heading and very few candidates scored the mark mainly due to the use of unacceptable abbreviations. Few candidates scored all eight "accounting" marks. The main error was the use of \$12 300 as opening stock. Candidates used their own transfer price although, surprisingly, a good number of candidates used the purchase price for raw materials. Some candidates used the transfer price rather than the sales revenue.

- (c) Only the better candidates scored high marks for the provision account. Many candidates produced another trading account or profit and loss account. Candidates who produced a provision account generally scored more than half marks. Additional marks could have been awarded if the figures had been backed up by workings. Very few candidates balanced the account and brought down the closing balance. This cost them a mark.

- (d) There were many good attempts at the margin of safety calculation although it was clear that this concept was misunderstood by a large number of weaker candidates. Many candidates calculated the margin of safety using the sales figure rather than the transfer price as required by the question. This was not a disastrous error as this was only worth one mark. In many cases lack of workings meant that Examiners were unable to trace the source of figures used in answers. This was the most common cause of low scoring candidate answers.

- (e) This part was in the main well done although many candidates recalculated their data rather than using the information they had already calculated in **part (d)**.

- (f) This part was well done. Most answers referred to quality control and customer confidence.

### Question 3

- (a) This was very well done. Less good candidates were unable to calculate the correct amounts of cash to be received from debtors and the payments to be made to creditors each month. Many candidates included the cash to be received from the share issue as a payment. A number of candidates included a payment for the new folding machine although payments were not due to be paid until after the period covered by the budget.

- (b) This was, in the main, well done although very few candidates scored all 14 marks. Only a handful of candidates were able to accurately calculate either of the discount amounts. The depreciation calculation was usually incorrect as was the interest due for the 3 months. Many candidates identified their final figure on the trading and profit and loss account as "net profit/(loss)" – this is not acceptable as a label and therefore the "figure" mark was lost.

- (c) This part was generally well done with most candidates identifying that a cash budget was a forecast while a cash flow statement was an historical document. Many candidates also dealt with the requirement for a cash flow statement to conform to accounting standards while, a cash budget is for management purposes only.