

ACCOUNTING

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

General comments

This paper was taken by 129 candidates. The mean score was 14.8 with a standard deviation of 5.1.

The intended facility of the items was 0.25 to 0.80. Five items proved to be too difficult. These were items 2, 7, 27, 28 and 30. However two items proved to be too easy. These were items 6 and 10.

There were five items where discrimination was below the design limit of 0.25. These were 3, 6, 9, 16 and 28.

Areas of weakness in candidates' understanding were in provision for depreciation, bank reconciliation statements and overhead absorption.

Comments on specific questions

Item 2 was done very badly. The majority of candidates chose option B and disregarded the accumulated depreciation on the asset sold during the year and merely took the difference between the opening and closing balances.

Item 7 indicated that candidates were guessing as roughly equal proportions chose each option. A majority of candidates chose an option which indicated that they did not understand how to deal with a bank reconciliation statement which started with an overdrawn balance.

Item 8 showed that nearly all candidates knew that current assets were overstated but they were less sure of the effect on profit.

Item 10 proved very easy and **item 11** was done well.

Item 13 indicated that candidates were guessing and almost as many opted for replacement cost as for NRV.

Item 16 also indicated guessing and a majority of candidates misunderstood the effect of debentures on net assets.

Items 27 and 28 were both done very badly. In the first case candidates failed to understand how to calculate an under/over recovery of overheads, and in the second how to deal with an under/over recovery given to them.

Item 30 was done exceptionally badly, with the vast majority of candidates failing either to understand the graphs or believing that fixed costs per unit are constant despite a change in output. The use of graphs, however, did not appear to present problems in the previous question.

ACCOUNTING

Paper 9706/12
Multiple Choice (Core)

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

General comments

This paper was taken by 6304 candidates. The mean score was 17.7 with a standard deviation of 6.7.

The intended facility of the items was 0.25 to 0.80. No items proved to be too difficult. However one item proved to be too easy. This was item 15.

There was one item where discrimination was below the design limit of 0.25. This was item 2.

Areas of weakness in candidates' understanding were in bank reconciliation statements and overhead absorption.

Comments on specific questions

Item 2 was done very well, with most candidates understanding the concept of going concern.

Item 3 suggested the possibility that candidates were guessing. Almost half of candidates chose an option which indicated that they did not understand how to deal with a bank reconciliation statement which started with an overdrawn balance.

Item 4 showed that nearly all candidates knew that current assets were overstated but they were less sure of the effect on profit.

Item 8 indicated guessing and almost half of candidates misunderstood the effect of debentures on net assets.

Item 15 was done very well, with most candidates being able to apply the definition of prime cost.

Items 25 and 26 were both on the under/over recovery of overheads. Candidates did not perform as well in these as in the rest of the paper, although they were better able to calculate an under/over recovery than they were to deal with one given to them.

Item 28 was done unusually badly, with a third of candidates apparently believing that fixed costs per unit are constant despite a change in output. Since performance on **item 27** was considerably better than average for the paper it is unlikely that the inclusion of graphs caused the difficulty.

ACCOUNTING

Paper 9706/13
Multiple Choice (Core)

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

General comments

This paper was taken by 1198 candidates. The mean score was 17.6 with a standard deviation of 6.8.

The intended facility of the items was 0.25 to 0.80. No items proved to be too difficult. However one item proved to be too easy. This was item 11.

There was one item where discrimination was below the design limit of 0.25. This was item 16.

Areas of weakness in candidates' understanding were in bank reconciliation statements and overhead absorption.

Comments on specific questions

Items 4 and 7 were done very well, with most candidates understanding the effect of transactions and the concept of going concern.

Item 8 suggested the possibility that candidates were guessing. Almost half of candidates chose an option which indicated that they did not understand how to deal with a bank reconciliation statement which started with an overdrawn balance.

Item 9 showed that nearly all candidates knew that current assets were overstated but they were less sure of the effect on profit.

Item 11 was done exceptionally well, with most candidates being able to apply the definition of prime cost.

Item 17 indicated guessing and almost half of candidates misunderstood the effect of debentures on net assets.

Items 27 and 28 were both on the under/over recovery of overheads. Candidates did not perform as well in these as in the rest of the paper, although they were better able to calculate an under/over recovery than they were to deal with one given to them.

Item 29 was not done well, with over a third of candidates apparently believing that fixed costs per unit are constant despite a change in output. Since performance on **item 30** was considerably better than average for the paper it is unlikely that the inclusion of graphs caused the difficulty.

ACCOUNTING

Paper 9706/21
Structured Questions (Core)

Key Messages

Candidates must learn to take time to understand what is required of them. Too often a candidate will read through the question and give an answer telling what they know about the topic, rather than answering the question.

General comments

As this paper was taken by a very small number of candidates it is difficult to generalise in making comments. Candidates appeared to have a reasonable understanding of the questions which were for the most part well answered throughout. There was an excellent response from most centres though it was evident that a few candidates had not taken time to make sure that they had fully understood what was being asked of them.

Comments on specific questions

Question 1

- (a) Most candidates knew how to prepare current accounts. There were some reversals, ie entries on the wrong side, and occasional omissions, but otherwise few problems. Marks were awarded where candidates showed the partners' shares of profit in the correct ratio. A small percentage of candidates calculated the partners' profit shares arithmetically rather than drawing up the current accounts, as requested in the question – this of course gained no marks.
- (b) This was not so well done – about half of the candidates thought that they were being asked to calculate the total of the partners' share of the profit, rather than the partnership profit before taking into account salary, interest on drawings and interest on capital. And of those who understood the question, not many managed to arrive at the correct answer. The problem appeared to be that of working out the method to use, which should have been: Add together the partners' share of profit, the salary and the interest on capital, then deduct the interest on drawings, thus arriving at the partnership profit before appropriation.
- (c) Candidates generally gained at least half marks in this section, which is well documented in all textbooks at this level. However it must be made clear that the examiner asked for the advantages of a partnership over a sole trader – not merely the differences between them.

Question 2

- (a) Most candidates correctly calculated the café profit but around half disregarded the instruction to enter wages in the trading section. However, provided that the remainder of the account was correctly prepared, candidates only lost the two marks allocated to wages.
- (b) There was the usual mixture of calculations regarding subscriptions. Although a subscriptions account was not asked for it is always sensible to prepare one rather than showing them as a list. In some cases no workings were shown for subscriptions: candidates must realise that examiners need to see figures in order to award marks, and calculations made on a calculator should be written on the script to enable the examiner to see how the answer has been arrived at and mark accordingly. Depreciation was often given as \$14 400, which was the provision at 30 April 2011 –

it should have been the difference between the two years' provisions; and interest was frequently entered as \$2000, whilst it should have been for six months, not a year. Note 3 in the question stated quite clearly the date of receipt of the loan and the fact that interest was charged at 10% per year.

- (c) The balance sheet was, in the main, poorly attempted. Once more, subscriptions proved a problem as arrears and prepayments were not understood. Non-current assets and non-current liabilities (loan) were usually correct but little else. And the Surplus was often entitled Net Profit. If the Accumulated Fund was calculated then up to 3 marks could be awarded for it, but most candidates entered a balancing figure for which they were awarded – generously – an own figure mark.

Question 3

- (a) Although the profit for the year was usually correct, many combined the fixed and variable costs, thereby losing a mark for contribution. It was decided, very generously, that candidates who combined the costs would lose only the mark for contribution but would retain the 2 marks available for fixed and variable costs.
- (b) Similarly to (a), costs were often put together but again candidates lost only the mark for contribution.
- (c) Although the break-even point was often correctly calculated, few candidates knew how to work out the margin of safety, which is the difference between the break-even point and the expected activity. Thus if the forecast demand is 700 units, and break-even point is 600 units, then the margin of safety is $700 - 600 = 100$ units (answer for Ojo 2).
- (d) Candidates were asked to use marginal costing, but not many followed this instruction. Very few candidates seemed to understand the difference between marginal and absorption costing.
- (e) Contribution appeared in almost all of the statements, though in absorption costing this is wrong, and perhaps two per cent understood under/over absorption of overheads.

ACCOUNTING

Paper 9706/22

Structured Questions (Core)

Key Messages

Candidates must be taught to read and understand the questions – marks are often lost through candidates glancing at the question and not answering what is asked.

General comments

Most candidates were well-prepared for this examination. However, there were some problems with candidates' approaches to answers. For example, if a series of calculations are requested then it makes sense to list the answers rather than to display them over the page, often without any title or indication of which part of the answer is shown. And if a comparison is to be made, it must be made obvious which of the items is better or worse – to state that one item is greater than another does not show this, as bigger is not always better.

Comments on specific questions

Question 1

- (a)(i) The purchases ledger control account was frequently correct. Control accounts appear to be well covered in the classroom and candidates have rightly taken full advantage of this. Occasionally opening balances were entered on the wrong side but this was a relatively rare occurrence.
- (a)(ii) Similarly the sales ledger control account was well answered.
- (b) In contrast to part (a), this was rarely completed correctly. Although it was relatively easy to obtain good marks in section (a) this was counterbalanced by the difficulty of part (b). Candidates often confused mark-up with margin. Many took no account of the need to work out the cost price of some goods, whilst others mistakenly assumed that the figure for goods sold in the clearance sale had to be re-calculated for inclusion in their workings. Sales to staff were often wrong, and fewer than half of candidates began their calculations with the opening inventory, as asked for in the question. A common error was to try to compute the answer by drawing up a trading account. One of the best and clearest answers was as follows:

| | \$ |
|-----------------------------|-----------------------------------|
| Inventory 1 March 2010 | 33 000 |
| (add) purchases | 95 600 |
| (add) sales returns at cost | 6 133 |
| (less) sales at cost price | 66 133 [(128 900 - 29 700) x 2/3] |
| (less) sales to staff | 8 600 |
| (less) clearance sales | 29 700 |
| (less) destroyed goods | <u>9 700</u> [calculation] |
| Inventory 30 April 2011 | 20 600 |

- (c) Many completed this correctly but showed the wrong sales figure. This should have been the figure calculated in part (a)(ii) but candidates wrongly added on the clearance sales and the cash sales to staff. The figure for stock lost in the fire was rarely included and many candidates went beyond gross profit.

Question 2

- (a)(i) This was frequently correct, or at least gained three marks out of a possible four. Many miscalculated the purchases figure, which should have been:

| | |
|-----------------------------------|-----------|
| | \$ |
| Cash purchases | 240 |
| Add cash paid to credit suppliers | 60 |
| Add amount due at 30 April 2011 | 55 |
| Less amount due at 30 April 2010 | <u>15</u> |
| | 340 |

- (a)(ii) Again, usually correct though a small number of candidates deducted other payables as well as operating expenses from the gross profit. Full marks were given if \$120 was deducted from the candidate's own gross profit figure.
- (b) Very well attempted with many candidates scoring full marks. Most candidates have a good grasp of the ratios needed at this level. The only common error was in calculating the rate of inventory turnover in days, despite the example being given in times.
- (c) A few candidates believed that they were comparing this year's performance with last year's, and lost all marks. And many marks were lost through not making it clear that one division's performance was better or worse than the other. In ratios, bigger or greater is not necessarily better.

Question 3

- (a)(i) Almost always correct, though a very small number misunderstood the application of fixed overhead absorption.
- (a)(ii) Again, almost always correct, though a small number calculated unit rather than total fixed costs. Also, a minority calculated the fixed costs for each product but did not go on to add them together for the total forecast fixed cost, thereby losing a mark.
- (a)(iii) About a quarter of candidates used the total fixed costs instead of the product fixed costs here. This lost them 3 marks. However if they used their wrong (unit) answers as a basis for the calculation in dollars, then they were awarded 3 own figure marks.
- (b) Nearly all candidates gained full marks here.
- (c) A marginal costing approach was asked for but a large minority split the fixed costs. Under marginal costing the two contributions of \$96 000 and \$75 000 should have been added together (\$171 000) and then total fixed costs of \$147 500 deducted, giving a profit of \$23 500. About half of the candidates who correctly calculated this figure went no further, though the question asked for the effect on total profit which was an increase of \$7500, attained by deducting the old profit of \$16 000 from \$23 500. Marks for this section were extremely varied – most got as far as calculating the 2 contributions, which gave a total of 4 marks.

ACCOUNTING

Paper 9706/23
Structured Questions (Core)

Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions.

General comments

The overall candidate performance was reasonably good. Candidates from a number of Centres displayed an excellent understanding of both financial and management accounting and some managed to score the full 90 marks. Those Centres are to be congratulated on their candidate's performance. Some candidates obviously did not pay full attention to what was being asked of them and require to read the questions more thoroughly.

Comments on specific questions

Question 1

- (a) Candidates were required to prepare a statement of corrected net profit. This is a common question at this level but some candidates produced a full balance sheet instead. This proved both time consuming and largely irrelevant. The candidates who did so would realise their error when they turned to page 4 part (b) which asked them to prepare the corrected balance sheet at 30 April 2011. Candidates should be advised to thoroughly read through each question from beginning to end before starting to write out their answer. Generally there were some very good answers with a large number of candidates scoring full marks. Common mistakes included the inclusion of a full year's depreciation on motor vehicles; taking \$8000 as the adjustment for inventory rather than the difference between cost and net realisable value of \$7000; adding items rather than deducting them and neglecting to adjust for the \$1000 wrongly charged to depreciation.
- (b) The better candidates realised that the net book value of motor vehicles had been overstated by \$9000 (cost \$10 000 less depreciation of \$1000) to get the adjusted NBV of \$321 000. The adjustments for the inventory and the trade receivables were often correctly calculated but the loan interest of \$8000 was often omitted from the liabilities section.
- (c) This caused some problems. Many candidates linked net realisable value with depreciation and seemed to confuse net book value with net realisable value. Only the best candidates provided a definition of cost and of net realisable value in part (i) and showed an awareness in part (ii) that valuing inventory at the lower of cost and NRV observes the principle of prudence.
- (d) These were straightforward calculations of the current and the acid test ratios and many candidates scored full marks. Some candidates incorrectly used the total net asset figure in their calculations. Candidates should be advised that the answer should be expressed as a ratio, for example, 1.24:1 and not as 1.24.
- (e) Few candidates scored full marks. There was a clear confusion between working capital and cash flow. Many candidates concentrated on inappropriate adjustments to elements of the working capital calculation rather than what would be necessary to improve the overall working capital figure.
- (f) This was well answered with many candidates scoring full marks.

Question 2

- (a) This question involved a common application of ratio analysis found in accounting examinations. Many candidates scored full marks in this section though some ignored the instruction to provide a detailed income statement going no further than calculating the gross profit and the expenses for the year. Candidates from some centres did not attempt this question at all, indicating perhaps that this topic requires to be given more time and emphasis in their course.
- (b) This was often done well with interest on drawings being properly added to the net profit. Liza's salary of \$1250 per month was often included rather than the annual salary of \$15 000. A minority of the candidates misread the question and divided the profits equally and some wrongly included the capital and/or the current account balances. A more common mistake was to produce two separate current accounts rather than the appropriation account requested.
- (c) This was generally well done though the weaker candidates often could not remember what a cash book looked like and mixed up their debit and credit entries. Some candidates included all of the adjustments in both (i) the updated cash book and (ii) the bank reconciliation statement. However, many candidates clearly understood this topic and scored full marks for **section (c) (i)** and **(ii)**.
- (d) This was well taught and well understood. Many candidates showed a full understanding of the reasons why the cash book balance often differs from the bank statement balance and gained full marks here.

Question 3

Candidates from some centres did not attempt this question at all but the majority of candidates showed some understanding of this management accounting topic and did reasonably well. A large number of candidates managed to score full marks in this question.

- (a) (i) Many candidates did not adjust for the 80% capacity basing their answers on 2,400 car washes per month rather than 1,920 car washes.
- (ii) There was sometimes confusion over what figures were to be included as variable costs but generally answers were correct.
- (iii) Answers were generally correct though quite a few candidates listed only the fixed costs and neglected to add these to their answer for part (ii) to calculate the total costs.
- (iv) The average cost per car was usually correct with candidates taking their total operating cost from (iii) and dividing by the total number of cars washed per month in (i). A fair number of candidates, however, wrongly divided their total operating cost by 2 to obtain the average cost per cash wash.
- (v) This was poorly done with many candidates adding 20% to the total unit cost to get the selling price when they should have added 25%. This is quite a common calculation at all levels of accounting and it would be worthwhile for some Centres to revise their approach to the learning and teaching of the relationship between mark-up and margin.
- (vi) A common mistake was for candidates to calculate the total income correctly but forget to subtract the total costs to obtain the total monthly profit.
- (b) (i) Candidates were helped by the application of the own figure (OF) rule and generally understood how to calculate the contribution per car.
- (ii) Again the calculation of the break even point was well understood though some candidates incorrectly used the sales figure or the total costs figure as the numerator in their calculation.
- (iii)/(iv) Both **sections (iii)** and **(iv)** were poorly answered. Many candidates had no clear understanding of margin of safety and some resorted to subtracting variable costs from total costs and then multiplying the answer by 0.8 in (iii) and 0.6 in (iv). Some additional time in learning and teaching in this topic area may well be rewarded in the future.

- (v) Some candidates ignored the information that the car wash was working at 80% capacity. There were a lot of correct answers but teachers should insist on percentage answers for this calculation rather than presenting the ratio as a decimal.
- (c) Some candidates scored very well in this section. In part (i) the application of the c/s ratio required the candidate to apply 40% to the price of the car calculated in **section (a)(v)** to work out the contribution if the c/s ratio was 40%. Instead many incorrectly used the contribution calculated in **(b)(i)** instead. Others used the fixed cost figure from **(a)(iii)** instead of the revised fixed cost figure given in **section (c)**.

Part (ii) gave problems to the weaker candidate who tended to ignore the fact that the suburban car wash was working at 70% capacity.

There were many correct answers in **section (c)** and many candidates should be congratulated on their sound knowledge of the topic and careful attention to detail.

ACCOUNTING

Paper 9706/31
Multiple Choice (Supplement)

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

General comments

A total of 76 candidates took this paper. The results were quite poor, with 64% of candidates achieving a score of less than 15 out of 30. The median score was 13, with the mean slightly higher.

Few questions proved easy to candidates, although **Questions 1, 6 and 8** earned very high scores with candidates. These types of questions are, though quite common on the paper and it would have been surprising if candidates failed to attempt them well. There only appeared to be one **Question, 19**, where candidates guessed at the answer. There was, however evidence that in some questions candidates lacked the basic knowledge of certain topics. A good example here would be **Question 28**, where candidates included 1 hour of overheads rather than 4. This led to many respondents stating C as the answer rather than **D**, the correct response.

Specific questions

Question 7

Here candidates were unsure of the impact on net assets of the takeover position. If the company taking over the business pays \$100 000 to acquire the assets then they must acquire net assets of \$100 000. The difference in this case was the goodwill acquired by Ess. Most candidates ignored this and wrongly responded to **B**.

Question 10

This is an example of changes occurring as a result of IAS1 and the impact of dividends paid and payable. Under IAS1 only dividends actually paid in the accounting year are included in the financial statements for the year. It does not matter to which year they relate. They can be interim dividends paid in the current financial year or, as in this case the final dividend in respect of the previous financial year payable in the current year. Any **proposed** dividends are ignored under IAS1 and shown in the accounts **by way of a note**. This is an important change, which effectively means that dividends are treated on a cash basis rather than an accruals basis. Teachers need to take note of this change as it is something which may well occur in future structured questions.

Question 11

Here most respondents went for **D** as the correct response. The correct answer was **A**. If the 15 000 shares have a book value of \$50 each then their total value is \$750 000. Their nominal value must, therefore be $\$750\,000 - \$420\,000 / 15\,000 = \$22$.

Question 13

This was an example of the way in which ratios are interlinked, with the net profit ratio equal to $20/2.5 = 8\%$.

Question 16

Here again is a ratio question which seemed to prove difficult. The majority of respondents wrongly answered C, simply dividing the profit (\$300 000) by the equity (\$1 200 000). The correct solution was $\$400\,000 / (\$1\,200\,000 + \$800\,000)$.

Question 21

Costing is an area which seems to cause problems to candidates, and process costing in particular is a difficulty. The error here was candidates not taking away the quantity scrapped and sold. Normal loss is credited to the process account, which has the effect of reducing both the quantity of good production (1000 – 50) in this case and the value (\$5415 – \$95)

Question 27

Most candidates correctly calculated the budgeted fixed costs at \$40 000 ($\$1600/4\%$), but then forgot to deduct the variance of \$1600 from their answer.

Areas for improvement

The multiple choice questions are designed in such a way that all four answers (in numerical questions) are possible from the data given. There are some very able candidates who can identify which answer is correct and which answer is a distracter (possible to calculate but incorrect). Costing is still an area which requires work, especially the treatment of fixed overheads.

As IAS comes more into the examination process teachers should ensure that their candidates are shown their impact on the way accounts are presented. They should also review the changes to the syllabus for 2012, where some items have been moved from A level to AS. This can affect candidates who are sitting in October/November this year, but who will be re-sitting in June 2012.

ACCOUNTING

Paper 9706/32
Multiple Choice (Supplement)

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

General comments

A total of 4226 candidates took this paper. The results were quite encouraging, with only 44% of candidates achieving a score of less than 15 out of 30. The median score was 15, with the mean slightly higher.

Questions 8, 9, 13, 23 and **29** earned very high scores with candidates. These types of questions are, though quite common on the paper and it would have been surprising if candidates failed to attempt them well. There appeared to be three **Questions, 15, 20** and **30** where candidates guessed at the answer.

The paper introduced some new elements into the paper, testing candidates on elements of the IAS.

Specific questions

Question 10

Here most respondents went for **D** as the correct response. The correct answer was **A**. If the 15 000 shares have a book value of \$50 each then their total value is \$750 000. Their nominal value must, therefore be $\$750\,000 - \$420\,000 / 15\,000 = \$22$.

Question 11

This is an example of changes occurring as a result of IAS1 and the impact of dividends paid and payable. Under IAS1 only dividends actually paid in the accounting year are included in the financial statements for the year. It doesn't matter to which year they relate. They can be interim dividends paid in the current financial year or, as in this case the final dividend in respect of the previous financial year payable in the

current year. Any **proposed** dividends are ignored under IAS1 and shown in the accounts **by way of a note**. This is an important change, which effectively means that dividends are treated on a cash basis rather than an accruals basis. Teachers need to take note of this change as it is something which may well occur in future structured questions.

Question 14

This was an example of the way in which ratios are interlinked, with the net profit ratio equal to $20/2.5 = 8\%$.

Question 15

Here again is a ratio question which seemed to prove difficult and one where respondents seemed to guess at the answer. The majority of respondents wrongly answered C, simply dividing the profit (\$300 000) by the equity (\$1 200 000). The correct solution was $\$400\,000 / (\$1\,200\,000 + \$800\,000)$.

Areas for improvement

The multiple choice questions are designed in such a way that all four answers (in numerical questions) are possible from the data given. There are some very able candidates who can identify which is correct and which answer is a distracter (possible to calculate but incorrect). Costing is still an area which requires work, especially the treatment of fixed overheads.

As IAS comes more into the examination process teachers should ensure that their candidates are shown their impact on the way accounts are presented. They should also review the changes to the syllabus for 2012, where some items have been moved from A level to AS. This can affect candidates who are sitting in October/November 2011, but who will be re-sitting in June 2012.

ACCOUNTING

Paper 9706/33
Multiple Choice (Supplement)

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

General comments

A total of 669 candidates took this paper. The results were encouraging, with only 37% of candidates achieving a score of less than 15 out of 30. The median score was 17, with the mean slightly lower.

Questions 5, 7, 13, 21, 23, 24, 25, 29 and 30 earned very high scores with candidates. These types of questions are, though quite common on the paper and it would have been surprising if candidates failed to attempt them well. The responses to **Questions 6, 10 and 15** appeared to indicate that respondents had guessed at the answers.

Specific questions

Question 6

Here candidates were unsure of the impact on net assets of the takeover position. If the company taking over the business pays \$100 000 to acquire the assets then they must acquire net assets of \$100 000. The difference in this case was the goodwill acquired by Ess. Most candidates ignored this and wrongly responded to **B**.

Question 9

This question introduced candidates to the statement of changes in equity for the first time. A third of respondents answered correctly. This is a topic which could well feature more as IAS is brought into the syllabus. Candidates need to be aware that proposed dividends are **not** included in the financial statements. Rather they are included by way of a **note**. Dividends which are included are those paid during the year. This could include dividends in respect of the current year (an interim dividend), or a final dividend in respect of the last financial year. This means that in effect dividends are now treated on a cash basis rather than an accrual basis. Teachers need to take note of this change as it is something which may well occur in future structured questions.

Question 10

Here most respondents went for **D** as the correct response. The correct answer was **A**. If the 15 000 shares have a book value of \$50 each then their total value is \$750 000. Their nominal value must, therefore be $\$750\,000 - \$420\,000 / 15\,000 = \$22$.

Question 12

This was an example of the way in which ratios are interlinked, with the net profit ratio equal to $20/2.5 = 8\%$.

Question 15

Here again is a ratio question which seemed to prove difficult. The correct solution was $\$400\,000 / (\$1\,200\,000 + \$800\,000)$.

Areas for improvement

The multiple choice questions are designed in such a way that all four answers (in numerical questions) are possible from the data given. There are some very able candidates who can identify which is correct and which answer is their as a distracter (possible to calculate but incorrect). Costing is still an area which requires work, especially the treatment of fixed overheads.

As IAS comes more into the examination process teachers should ensure that their candidates are shown their impact on the way accounts are presented. They should also review the changes to the syllabus for 2012, where some items have been moved from A level to AS. This can affect candidates who are sitting in October/November 2011, but who will be re-sitting in June 2012.

ACCOUNTING

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| <p>Paper 9706/41 Problem Solving (Supplement)</p> |
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Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions. The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

General Comments

The majority of candidates made good attempts at all of the questions and there was no evidence of time pressure to complete the examination.

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

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a pass grade.

When preparing for the examination candidates are advised to work through relevant questions on previous past examination papers and appropriate exercises in textbooks.

It is important to remember that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect. The presentation of work continues to improve and most candidates showed their workings clearly but those who produced figures without supporting evidence often lost unnecessary marks.

A clear knowledge of layouts aids candidates' presentation, which was particularly important in **Question 3**.

Comments on Specific Questions

Question 1

This question was well answered although some candidates had difficulty selecting the right information to be used in part **(a)**

Part **(a)** was well answered. The most common errors were the omission of debts written off and the miscalculation of the depreciation charge.

Part **(b)** was satisfactorily answered, although a significant number of candidates used the original retained earnings of \$29 520 or omitted the retained earnings altogether.

Part **(c)** was again well answered with the majority of candidates using the correct layout and presentation. The main error was to record the cash and cash equivalents as a current asset. Candidates must remember to state the full details on the statement of financial position. This includes the break down of the non-current assets, namely cost, depreciation and net book value; and the description of the ordinary shares within the equity section.

Part **(d)** was also well answered.

Part (e) was satisfactorily answered with the majority of candidates knowing the difference between capital reserves and revenue reserves.

Question 2

It was very important that candidates had a logical presentation for this question and showed their workings clearly.

Part (a)(i) was satisfactorily answered with the most common error being the omission of the rent saved, so only the original profit was appropriated. All the workings for the rest of the question were therefore given own figure marks.

Part (a)(ii) was also satisfactorily answered but again the original profit was often used as the most common errors were the omission of both rent saved and loan interest. Most candidates correctly allocated the dividends solely to Chinedu, although a few omitted the interest on savings.

Candidates often lost marks in parts (a)(i) and (a)(ii) if their answers were not laid out logically and so their workings were confused.

Part (b) was answered well with candidates focusing on risk. A clear indication of which option is preferable must be stated to answer the question completely.

PART B

Part (a) was answered well but candidates must show their workings. For example there are two adjustments to the retained earnings but if the candidate only adjusted for one part they would achieve a mark only if they showed a working. The same applied to the net assets, share premium and capital redemption reserve.

Part (b) was not well answered and showed limited knowledge.

Part (c) was again not well answered.

Part (d) was well answered with most candidates knowing the difference between a rights issue and a bonus issue.

These parts illustrated that candidates' knowledge of the movement of reserves is limited to bonus and rights issues whereas any other reason for the capitalisation of reserves was less well understood.

Question 3

This question was well answered with the majority of candidates using neat layouts.

Part (a) was predominantly correct with very few reversals of the bank account. Common errors were the omission of tax paid, dividends paid and interest paid. The debtors were often stated as one figure with no breakdown of the different periods. Clear workings were again required.

Part (b) was clearly laid out by the majority of candidates, however the main errors were the incorrect treatment of discount allowed, the miscalculation of the profit on the sale of equipment and depreciation. Profit from operations had to be stated as well as profit for the year. Finance charges and tax had to be recorded in the right place.

Part (c) was again well answered and most candidates used a clear layout. Common errors included the omission of prepaid rates and insurance and tax, as well as recording the debentures as a current liability rather than as a non-current liability.

ACCOUNTING

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| <p>Paper 9706/42 Problem Solving (Supplement)</p> |
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Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions. The application of the International Accounting Standards (terminology and layouts) is now expected at this level.

General Comments

The majority of candidates made good attempts at all of the questions and there was no evidence of time pressure to complete the examination.

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

Candidates are reminded that questions can be asked on any aspect of the syllabus and that a thorough knowledge of the subject is necessary in order to achieve a pass grade.

When preparing for the examination candidates are advised to work through relevant questions on previous past examination papers and appropriate exercises in textbooks.

It is important to remember that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect. The presentation of work continues to improve and most candidates showed their workings clearly but those who produced figures without supporting evidence often lost unnecessary marks.

Although at times there were obvious gaps in candidate knowledge, most produced reasonable answers to each question with some excellent scripts. The best answered questions were clearly laid out and showed all workings. This was especially important for **Question 3** where many candidates did not show their workings or appeared unsure of the approach to be used for process costing.

Comments on Specific Questions

Question 1

This question was well answered although it was surprising how many candidates did not use the format under IAS 7. Some credit was given if the format under FRS 1 was used.

Part **(a)** was quite well answered with several different approaches and layouts used. Although a few candidates combined parts **i** and **ii** and did not clearly distinguish between the profit for the year and profit from operations. A few confused profit from operations with net cash flow from operating activities.

Part **(b)** was satisfactorily answered. Candidates must remember to use all of the subheadings for the statement of cash flows and to include the cash and cash equivalents section at the end of the statement. It is also recommended that all workings are shown especially for the calculations of interest paid and depreciation. The amortisation of the patents was often omitted and a common error was to refer to net cash flow from operating activities as profit.

Part (c) was again well answered with the majority of candidates being able to clearly distinguish between a rights issue and a bonus issue. Although some candidates stated that a bonus issue was given to the shareholders as a reward instead of dividends.

Part (d) was also well answered with most candidates knowing that the main reason is to keep the reserves in the most flexible/distributable form.

Question 2

Despite this question containing an AS topic, many candidates had forgotten the terminology of a not-for-profit organisation.

Part (a) was satisfactorily answered although very few candidates scored full marks. One of the errors was to not state the correct heading for the income and expenditure account. The name of the club must be given and the correct period of time- "for year ended" not at. Within the account only a few candidates correctly calculated the cafe loss with the majority separating the income from the cafe from its expenditure. The other main error was to refer to the deficit/surplus as a loss or profit. Once again candidates are reminded of the need to use correct headings.

Part (b) was well answered. The answer was correctly presented in good format by the majority of the candidates. The main areas of difficulty were the treatment of the bank and the different subscription balances, which were often reversed. Many candidates referred to capital instead of accumulated funds or omitted this section.

Part (c) was not answered well as most candidates did not read the question clearly. General comments were given on the differences between not-for-profit organisations and public limited companies without any reference to the financial statements.

Part (d) was answered satisfactorily with many candidates identifying a few of the contents of the published report such as the principal activities and directors' remuneration. However fewer candidates could identify the number of contents required by the question.

Question 3

The most important consideration with this type of question is that ALL workings must be shown. If an error is made early on within the question, i.e. with the calculation of the number of units or in process one, which is carried forward, then own figure marks will be awarded if the candidate shows all workings. But if a mistake is made and there are no workings then very few marks will be given as it will be unclear where the figures have come from!

Part (a) was predominantly calculated correctly with answers clearly stated as \$, % or units.

Part (b)(i) was answered correctly by the majority of candidates however the main error was to omit the work in progress.

Part (b)(ii) was answered well with many candidates showing workings or alternatively using a process account as a form of working. Clear workings must be shown for this type of question.

Part (b)(iii) was answered well. The main error was to include fixed overheads within the calculation. Interestingly a few candidates worked backwards from the process 2 account by using the total figure from the account and subtracting the finished goods value from process 1 in part (b) (ii).

Part (c) had mixed responses. Many candidates included a balancing figure and did not include the variable or fixed overheads. Obviously the majority of the marks for this part of the question were own figures, as long as clear workings were shown. These workings can be included within the process account in brackets. Very few candidates reversed the process account.

ACCOUNTING

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| <p>Paper 9706/43 Problem Solving (Supplement)</p> |
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Key messages

Candidates should be encouraged to pay more attention to detail when reading and answering the computational questions. In addition, candidates would gain higher marks if they spent more time developing their explanations and discussions in the discursive questions.

General comments

The majority of candidates made good attempts at all of the questions and there was no evidence of time pressure to complete the examination.

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

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It is important to remember that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect. The presentation of work continues to improve and most candidates showed their workings clearly but those who produced figures without supporting evidence often lost unnecessary marks.

Comments on specific questions

Question 1

- (a) Most statements of financial position were well presented and in the correct format.

A significant number of candidates scored full marks for the assets but the calculation of the liabilities proved to be problematic. Many candidates did not attempt to calculate the current liabilities total. The equity components were generally calculated and presented to a reasonable standard but many candidates omitted the capital redemption reserve and there were a range of errors and omissions from the retained earnings. Candidates achieved partial credit for their entries provided that workings were shown and most were therefore able to achieve reasonable marks.

- (b) Most candidates were able to distinguish between capital and revenue reserves correctly.

- (c) Candidates were generally able to explain when the right should be exercised but very few applied this to the given situation.

Question 2

- (a) The majority of candidates treated the goodwill correctly but only a limited number were able to deal with the revaluation as required. The less well prepared candidates entered current account items and were penalised accordingly.

- (b) There were very few fully correct profit calculations. Most candidates scored some marks but there was a tendency to add back incorrect items such as salaries.
- (c) Candidates generally produced two reasonable appropriation accounts as required. The less well prepared candidates produced just one and were therefore limited in the number of available marks. Some weaker candidates entered annual salaries and interest on capital in six monthly appropriation accounts. Overall, the layouts were acceptable.
- (d) Most candidates scored high marks and generally those candidates who made errors in the appropriation account were able to bring their own figures forward correctly.
- (e) The reason given by most candidates was appropriate.

Question 3

- (a) This was a straightforward task and many candidates scored full marks.
- (b) This was also well answered with many candidates (including many of those who had lost marks for the production budget) also scoring full marks.
- (c) Few candidates were able to make this calculation correctly. Most candidates computed the amount owing from the July sales correctly but made errors relating to the August sales.
- (d) There were very few fully correct budgets produced. The layouts were often poor and few candidates carried their monthly closing balances forward and consequently marks were lost. Many candidates did not deal with the discount correctly.
- (e) The majority of candidates were aware of the advantages of using budgets.
- (f) Well answered with most candidates able to identify a correct item.