

PRINCIPLES OF ACCOUNTS

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

Key Messages

Many candidates had a good knowledge of the subject and were able to apply that knowledge to the given situations. Some candidates did not appear to have a thorough knowledge of double entry which is a basic requirement for this subject. Candidates are advised to read each item very carefully before selecting their answers. The statistics indicate a degree of guesswork on the part of some candidates.

General Comments

There were 54 candidates. The mean mark was 16.78 and the standard deviation was 5.58. When compared to the target accessibility of 25-80%, two items proved to be slightly easier than anticipated, two items were slightly more difficult than expected, and one item proved to be too difficult. All the items were within the scope of the syllabus.

Comments on Specific Items

Item 2

The correct key was selected by 54%. The number of candidates believing that cash sales are recorded in the sales ledger indicates that there is a lack of understanding of the topic of division of the ledger.

Item 5

It was expected that this would be a relatively straightforward item. 54% selected the correct key. 31% incorrectly added the cash and trade discount together and calculated 35% of \$2000.

Item 6

72% of candidates correctly calculated that the bank balance would be \$327, but only 59% correctly identified this as a credit balance.

Item 7

A total of 76% of candidates understood that the total of the purchases journal would be entered in the purchases account. Lack of knowledge of double entry resulted in 24% incorrectly selecting Option C as the key.

Item 8

It was anticipated that the majority of candidates would know that the cash book acts as ledger accounts for cash and bank. The discount columns act as memo columns: they do not represent ledger accounts.

Item 9

A popular incorrect answer was \$620. These candidates understood that the cash book would show \$150 less than the bank because of un-presented cheques: they failed to appreciate that the difference of \$590 (\$740 - \$150) represented the cash book balance after adjustment for the bank charges. The bank balance to appear in the balance sheet should have been \$590 (Option A).

Item 10

52% of candidates understood that entries had to be made in the sales account and Abdul's account. Once again, a lack of knowledge of double entry resulted in some candidates incorrectly selecting Option B as the key.

Item 11

The key was selected by 50% of candidates. The statistics indicate a lack of knowledge of double entry as some candidates omitted the opening balance and the discount, or treated discount as a debit entry instead of a credit entry.

Item 14

A lack of understanding of the entries for creating a provision for doubtful debts resulted in a number of candidates not selecting the correct key, A. It was expected that candidates would know that the provision does not affect the accounts of trade receivables.

Item 15

44% of candidates correctly selected the key, D. The statistics indicate a degree of guesswork. Treating revenue expenditure as capital expenditure results in both the profit for the year and the non-current assets being overstated.

Item 17

A total of 48% of candidates correctly calculated the balance on the suspense account of \$7700. 20% of candidates incorrectly decided that this would be a debit balance. The statistics indicate a substantial degree of guesswork on the part of some candidates.

Item 24

It was anticipated that candidates would know that a receipts and payments account contains all money received and paid during the year. Depreciation and subscriptions prepaid at the start of the year would not appear in the receipts and payments account. The correct key was C.

Item 25

The key was correctly selected by 31% of candidates. Most candidates understood how to calculate the cost of sales from the information provided, but 20% used only the closing inventory in the calculation. 28% of candidates believed that the cost of the sales (\$32 000) equalled the purchases. 13% of candidates treated the two inventories incorrectly in the calculation of purchases.

Item 28

The key was correctly selected by 43% of candidates. It would appear that 24% of candidates assumed that the profit for the year (\$24 000) represented 20% of the sales. 26% of candidates appear to have deducted the expenses from the profit for the year and multiplied the answer by 20%.

PRINCIPLES OF ACCOUNTS

Paper 7110/12
Multiple Choice

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

Key Messages

A significant number of candidates had a good knowledge of the subject and were able to apply that knowledge to the given situations. Some candidates did not appear to have a thorough knowledge of double entry which is a basic requirement for this subject. Candidates are advised to read each item very carefully before selecting their answers. The statistics indicate a degree of guesswork on the part of some candidates.

General Comments

There were 5352 candidates. The mean mark was 18.27 and the standard deviation was 6.23. When compared to the target accessibility of 25-80% two items proved to be slightly easier than expected and two items proved to be slightly harder than expected. All the items were within the scope of the syllabus.

Comments on Specific Items

Item 4

The correct key was selected by 48% of candidates. The selection of the other options indicates a degree of guesswork on what was expected to be a straightforward item.

Item 5

73% of candidates understood that the total of the purchases journal would be entered in the purchases account. Lack of knowledge of double entry resulted in 19% incorrectly selecting Option C as the key.

Item 6

A total of 81% of candidates understood that the transaction involved discount received. Again a number of candidates were unable to select the correct double entry.

Item 7

The key was selected by only 24%. A total of 58% correctly calculated the bank statement balance to be \$8900 but only 24% were able to correctly identify this as a debit balance.

Item 8

The correct key was A. The majority of candidates correctly calculated the amount at \$10 800, but a few were unable to determine who was the debtor. 35% selected Options B and D: it may be that these candidates did not read the question carefully and believed that the amount of \$10 000 was before the cash discount was deducted.

Item 9

59% of candidates understood that entries had to be made in the sales account and Abdul's account. Once again, a lack of knowledge of double entry resulted in some candidates incorrectly selecting Option B as the key.

Item 11

The correct key was selected by 38% of candidates. The statistics indicate a substantial degree of guesswork. The majority of candidates did not appear to have a thorough understanding of year-end adjustments.

Item 13

It was expected that candidates would understand that the cost of delivering a non-current asset is regarded as capital expenditure. The items of revenue to be transferred to the income statement would be fuel and insurance (Option D).

Item 15

79% of candidates understood that the transaction would affect the sales ledger control account, but 25% incorrectly believed that this would be a credit entry. Those candidates who had a thorough understanding of double entry correctly selected Option D.

Item 18

Inventory should be valued at the lower of cost and net realisable value. A significant number of candidates only considered the cost of the actual goods and failed to appreciate that the cost of carriage inwards should be regarded as part of the cost of the items.

Item 22

Candidates were expected to understand that the total amount received from subscriptions, \$1800, would appear in the receipts and payments account. It was also expected that they would understand that subscriptions relating to the particular financial year (whether received or not) amounting to \$2100 would appear in the income and expenditure account.

Item 25

56% of candidates correctly selected B as the key. It was expected that candidates would be able to calculate that the issued capital was \$480 000. Half of that was paid immediately and the other half was to be paid in a year's time, so it was expected that candidates would select \$240 000 as the called-up capital.

Item 27

The majority of candidates understood that a credit entry would be made in the bank account. About half of these candidates incorrectly took the statutory deductions for the month away from the opening balance on the account. The total amount paid should have been \$4500 (the opening balance plus the amount due for March).

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.

Specific questions

Question 1

- (a) Candidates did not provide the correct double entry in the account. Narratives were often incorrect and dates omitted.
- (b) Varied answers. Even where (a) was not done well many candidates drew the correct conclusion, i.e. Rent was owing/accrual.

- (c) The comments for **(a)** above also apply to this part of the question.
- (d) Again, even if **(c)** was not done well many candidates stated that a prepayment was involved.
- (e) Good answers by the majority of candidates.
- (f) A reasonable response, the distinction between capital and revenue expenditure was well understood.
- (g) Very good answers, the nature of the expenditure was identified correctly by many candidates.

Question 2

- (a) The comment on the need for an adequate grounding in double entry again applies with this part of the question. Only a few candidates were able to identify the correct source document and accounts involved; the effect on profit was rarely correct.
- (b) Good answers regarding the provision of a discount.
- (c) The calculation of the ratio was not appreciated by many candidates.
- (d) Where answered, only one valid point was often given, e.g. the ratio had fallen.
- (e) Again the comment for **(d)** applies, i.e. one comment only - this often being, to compare with previous years. In both **(d)** and **(e)** very few candidates were not able to provide any further development.

Question 3

- (a) Many correct calculations of the working capital figure.
- (b) **(i)** and **(ii)** Answers varied, but it was evident, that some candidates were unable to calculate the required ratios.
- (c) Responses were often minimal i.e. only one or two points being identified.
- (d) As per **(c)** above, minimal development by many candidates.

Question 4

- (a) A good response overall, the required journal entries were identified correctly.
- (b) Again a lack of double entry appreciation was in evidence, Only a minimal number of candidates recorded the transfer to the disposal account correctly.
- (c) The answers to this section, i.e. the Disposal Account, reflected **(b)** above.
- (d) Good answers, most candidates identified alternative methods of depreciation.

Question 5

This question was well answered by the majority of candidates. The most common errors were:

- failing to adjust the factory heat and light, i.e. by the \$860, prior to apportioning the figure,
- including the managers salaries in direct costs,
- errors in calculating the loan interest and heat and light,
- the wages figure not adjusted for the managers salaries,
- omitting items of inventory in current assets,
- including the bank overdraft in current assets,
- including the loan in the capital calculation,
- adding or subtracting the loan interest to/from the loan figure.

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", "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.

Specific questions

Question 1

- (a) Very well answered, except for the narrative, which was usually omitted.
- (b) and (c) A poor response. The entries in the ledger accounts often showed a minimal understanding of basic double entry. The entries were incorrect, narratives were wrong and dates were often omitted. Also, the balances were not brought down.

- (d) Well answered overall.
- (e) Answers varied, although many excellent answers were seen. The point of confusion for some candidates was, having explained capital receipts adequately, was a lack of appreciation of revenues receipts.
- (f) Very well answered by the majority of candidates.

Question 2

- (a) Generally well answered. Marks were lost for not indicating the commission was received. Similarly for using the narrative: 'sales returns journal'.
- (b) Many candidates gained full marks for this section. The double entry treatment of errors was well understood.
- (c) Very well done, with good examples given of the named errors. A point of confusion arose with regard to the errors of principle and commission with some candidates.

Question 3

- (a) Good answers overall, however, a number of candidates included the employers social contribution in the deductions.
- (b) Many correct answers, but where an incorrect figure was included in the calculation the mark for the total was lost.
- (c) Varied answers. The term, non-statutory deduction, was not well understood.

Question 4

- (a) (i), (ii) and (iii) were well answered.
- (b) As per (a) very well answered.
- (c) A very good response. Many candidates obtained full marks for an excellent description of the implications of the change in ratios for the two years.
- (d) Candidates often did not develop the points adequately in the section, e.g. to say simply, lower the price or advertise, was not taken further to say compete and increase sales, or, attract potential customers to buy and increase sales.

Question 5

This was a very answered by most candidates with the most common errors being:

- deducting the \$800 cash drawings from purchases,
- calculating the provision for doubtful debts without deducting the bad debts,
- calculating the depreciation for fixtures and fittings without taking into consideration the adjustment of \$2000,
- omitting the loan interest,
- fixtures and fittings were not adjusted for the \$2000 in non-current assets,
- the provision for doubtful debts was incorrectly treated,
- the heading for the loan was omitted,
- the loan interest was incorrectly added or subtracted to/from the loan,
- the loan was incorrectly added to capital with net profit prior to drawings being subtracted.