

# PRINCIPLES OF ACCOUNTS

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**Paper 7110/11**  
**Multiple Choice**

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

## **General comments**

There were 351 candidates. The mean mark was 16.00 and the standard deviation was 5.22. When compared to the target accessibility of 25-80%, two items proved slightly easier than anticipated and two items proved too difficult. All the items were within the scope of the syllabus.

A significant number of candidates had a good knowledge of the subject and were able to apply that knowledge to the given situations. There is some evidence to suggest that some candidates misread some of the items: candidates are advised to read the items very carefully before selecting their answers. The statistics also indicate a degree of guesswork on the part of some candidates.

## **Comments on specific items**

### **Item 1**

It was expected that the majority of candidates would understand that the capital would increase by the amount of the cash discount received. 64% incorrectly believed that the capital would reduce by the amount paid to the creditor.

### **Item 3**

71% knew the correct double entry for the return of goods, but only 44% could select the ledger in which the accounts would appear.

**Item 5**

It was anticipated that the vast majority of candidates would have sufficient knowledge of business documents to select the key, D.

**Item 7**

This item required a thorough knowledge of trade discount and cash discount. Candidates should be aware 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 8**

53% correctly calculated that the balance on the cash book would be \$3420, but only half of these candidates appreciated that the balance would be a debit balance.

**Item 9**

The statistics indicate a substantial degree of guesswork. It was anticipated that the majority of candidates would appreciate that the income statement would be debited with the business expense for the year (Option A).

**Item 10**

This should have been a relatively straightforward item. It was expected that candidates would appreciate that the trader owed \$5000 to his creditors.

**Items 11 and 15**

These both involved year-end transfers from the ledger to the income statement.

In **Item 11** only 18% selected the key, B. 53% incorrectly selected Option C which represented where the account balances would appear in the ledger and not the entries required to make transfers to the income statement.

In **Item 15** the majority of candidates understood that the double entry would be in the income statement and the provision for doubtful debts account, but only 48% chose the key, B.

**Item 14**

81% recognised that rent accrued represents a current liability, but only 50% understood that the rent account would have a credit balance brought down.

**Item 16**

The correct key was selected by 54% of candidates. The statistics indicate a degree of guesswork on the part of the other candidates.

**Item 17**

It was expected that candidates would understand that only an error of addition would be revealed by a trial balance, requiring a suspense account to be opened.

**Item 21**

76% of candidates correctly calculated that the change in the capital would be \$11 000. 57% correctly identified this as a loss.

**Item 24**

Candidates should appreciate that an income and expenditure account includes only items of income and expenditure relating to that particular year. The correct key was A.

**Item 25**

The correct key was selected by 57% of candidates, but the statistics indicate a degree of guesswork by the other candidates.

**Item 26**

A thorough knowledge of the preparation of limited company appropriation accounts was required for this item. Only 47% correctly identified the key, C.

**Item 28**

Over half the candidates selected the correct key, C. 24% used the total of the opening and closing inventories instead of the average inventory.

**Item 29**

Candidates were expected to understand that the stem described an application of the principle of materiality. The statistics indicate a degree of guesswork on the part of 44% of the candidates.

# PRINCIPLES OF ACCOUNTS

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**Paper 7110/12**  
**Multiple Choice**

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

## **General comments**

There were 16 453 candidates. The mean mark was 13.11 and the standard deviation was 5.37. When compared to the target accessibility of 25-80%, one item proved slightly too difficult. All the items were within the scope of the syllabus.

A significant number of candidates had a good knowledge of the subject and were able to apply that knowledge to the given situations. However, the statistics show that many candidates experienced some difficulty with the items involving double entry. It is essential that candidates have a thorough knowledge of double entry. There is some evidence to suggest that some candidates misread some of the items: candidates are advised to read the items very carefully before selecting their answers. The statistics also indicate a degree of guesswork on the part of some candidates.

## **Comments on specific items**

### **Item 1**

It was anticipated that the majority of candidates would select the correct key, C. It may be that some candidates misread the item and did not notice the word “not”.

### **Item 5**

The correct key was selected by 46%. The selection of the other options may indicate that a significant number of candidates are unsure about the recording of trade discount and cash discount.

**Items 6, 9, 11, 12, 16, 18**

These items required candidates to have a thorough knowledge of double entry.

In **Item 6** 69% correctly calculated the balance of \$1390, but only 45% understood that this would be a credit balance when brought down.

In **Item 9** only those candidates with an understanding of double entry were able to interpret the entries in the account correctly

51% recognised that rent receivable due represented a current asset in **Item 11**, but only 29% understood how this would appear in the ledger.

69% of candidates understood that the double entry would involve the income statement and the provision for doubtful debts account in **Item 12**. However, nearly half of these candidates reversed the entry.

In **Item 16** 78% understood that the double entry would involve the income statement and the provision for depreciation account. Once again, lack of a thorough knowledge of double entry resulted in many candidates reversing the entry.

An understanding of double entry was essential in **Item 18**. 58% knew that interest affected the purchases ledger control account, but only 32% chose the key, A.

**Item 7**

The statistics indicate a substantial degree of guesswork and that a significant number of candidates did not understand bank reconciliation statements.

**Item 8**

The key was selected by only 28%. It was expected that candidates would know that a dishonoured cheque does not necessarily mean that the debtor is written off as a bad debt.

**Item 15**

The correct key, B, was selected by only 27%. The majority of candidates incorrectly selected option D. Possibly these candidates either did not understand that market value would not appear in the accounts, or they misread "market value" for "book value".

**Item 17**

All the options were reasons for the preparation of a sales ledger control account, but only option A was relevant to the statement about the account being prepared by someone other than the person who prepared the sales ledger.

**Item 20**

A significant number of candidates selected option A, which was the formula for the calculation of working capital rather than capital employed. It is important to read the items carefully.

**Item 21**

It was anticipated that most candidates would be able to calculate the fees by adding the expenses and loan interest to the profit and deducting the item of income. The statistics indicate a degree of guesswork.

**Item 24**

It was expected that the majority of candidates would know that interest on capital is credited to a partner's current account.

**Item 25**

Candidates were expected to understand that a receipts and payments account shows all money received and paid in the year, irrespective of the year to which it relates. This knowledge should have resulted in the selection of the correct key, D.

**Item 26**

The correct key was selected by 36%. Those candidates selecting option B calculated the cost of sales but did not go on to use this figure, together with the inventories, to calculate the purchases.

**Item 29**

The majority of candidates selected the correct key. A significant number incorrectly believed that a bank overdraft is not included in the calculation of the quick (acid test) ratio.

**Item 30**

It was anticipated that the majority of candidates would recognise that the stem was an example of the application of the principle of accounting entity. The results indicate a degree of guesswork.

# PRINCIPLES OF ACCOUNTS

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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) The majority of candidates responded well to this task clearly identifying that a stock of stationery was held by the business. The fact that this was in effect a prepayment was only identified by a minimum of candidates.
- (b) This question was well answered by most candidates; however, some Centres had not given sufficient coverage of double entry procedures. The essentials of an account, a date, an appropriate narrative and the correct value of the transaction need to be included.

- (c) (i) and (ii) The majority of candidates correctly identified the required documents.
- (d) This varied and reflected the appreciation of (b) above with regard to identifying the appropriate values.
- (e) (i) and (ii) Overall the required sections of the balance sheet was correctly identified.
- (f) (i) The transfer of only the expenses for the period was recognised by the majority of the candidates.
- (ii) Most candidates identified the correct concept.

#### Question 2

- (a) (i) The majority of candidates identified depreciation as a reduction or loss in the value of a non-current asset.
- (ii) The majority of candidates were able to correctly identify the causes of depreciation.
- (b) The basic point, i.e. an equal amount of depreciation for each year of ownership applies, was correctly identified. The type of asset to which this may apply was only recognised by a minority of candidates.
- (c) The comment with regard to the requirement of a thorough understanding of double entry procedure indicated in **Question 1 (b)** applies again here. It was obvious many candidates had not undertaken sufficient practice of account preparation.
- (d) Where part (c) of the question was well done, appropriate marks for this question were obtained.

#### Question 3

- (a) Candidates responded well to this question and provided excellent responses.
- (b) The majority of candidates were able to correctly explain the term 'direct cost'.
- (c) The majority of candidates were able to provide a suitable example.

#### Question 4

- (a) (i) to (iv) The responses to this question were variable and in several instances showed insufficient recognition by weaker candidates of the necessary figures to calculate correctly the ratios required.
- (b) The majority of candidates were able to identify that the quick ratio does not contain stock.
- (c) Only a minority of candidates were able to draw an appropriate conclusion from the given figures with regard to the liquidity situation.
- (d) Although the majority of candidates identified one possibility to increase liquidity, i.e. the introduction of additional capital, others were rarely identified.

#### Question 5

As in previous sessions this question was well answered by the majority of candidates. The areas which appeared to create the most difficulty are listed below:

- (a)
- an adjustment to purchases, i.e. plus \$7,500 was often omitted.
  - a decrease in the provision for doubtful debts was treated incorrectly even where a correct calculation had been undertaken.
  - loan interest accrued of \$1,000 was omitted.
  - the depreciation calculation for computers, \$7,000, was frequently incorrect.

(b)

- the accumulated depreciation balances were incorrectly calculated even where correctly shown in (a).
- Trade payables were not updated for the \$7,500 adjustment.
- the accrual of loan interest, \$1,000, was not shown with other payables.
- the 8% loan, \$50,000 was dealt with incorrectly, frequently by adding on the interest for the year.

# PRINCIPLES OF ACCOUNTS

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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.
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- 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) The majority of candidates were able to correctly complete the trial balance with weaker candidates failing to enter a total.
- (b) This was also well answered with the main weaknesses being not crediting the disposal account for the sale of fixtures and the return of goods from Yuen. Very few candidates calculated correctly the effect of transactions on capital.

### Question 2

- (a) The majority of candidates were able to correctly identify the correct debit and credit balances with weaker candidates failing to calculate the balancing figure as required.
- (b) Candidates were generally able to name correctly the types of errors.
- (c) The journal entries for items one and two were well answered. Items three and four caused the most problems with candidates failing to recognise that the figures needed to be doubled to correct the error.

### Question 3

- (a) This was poorly answered with the main benefits of maintaining a full set of double entry accounts not being understood by candidates.
- (b) Several candidates failed to complete this question and generally candidates appeared confused by the requirement to produce a statement of affairs.
- (c) As in (b) this section was also often omitted by candidates the relationship between opening capital + profit - drawings = closing capital not being recognised as the means of calculating a missing profit figure.
- (d) The calculation of wages caused difficulties for many candidates. Where (i) was answered well (ii) was also often correct.

### Question 4

- (a) The responses for this question were of variable standard. Where the key calculation of profit for the year in (i) was correctly calculated the other calculations were done well overall. The main weaknesses were:-
  - (i) Incorrectly calculating the gross profit figure, i.e.  $320000 \times 25\%$ .
  - (ii) Adding the stock figures but failing to divide by two to obtain the average stock i.e.  $25,000 + 65,000/2$ .
  - (iii) Using the cost of sales figure and not the sales figure, i.e. 400,000.
  - (iv) As (iii)
  - (v) Incorrect calculation of the current liabilities figure.
- (b) Increased sales or advertising were the most common responses. The reduction of mark up/selling price was rarely seen.
- (c) The responses to this part of the question reflected the candidates appreciation of (a) (v) above. In many instances where (a) (v) had been calculated correctly candidates were unable to provide a conclusion with regard to the businesses liquidity position.
- (d) The sale of non-current assets or reducing expenses were the most common responses to this question. Introducing more capital and reducing drawing or expenses were seen less often.

### Question 5

Candidates responded well to this question with the main areas of difficulty being:

- (a) Incorrectly including production wages and distribution costs in the factory overheads.  
Incorrectly calculating the depreciation figure for plant and machinery.

- (b)** Omitting the drawings figure from cost of sales calculation.
- Incorrectly calculating the loan interest figure, by omitting the accrued amount.
- Omitting the loss on disposal.
- Including, in error, the depreciation of plant and machinery.
- (c)** Incorrect calculation of the inventory figure
- Omission of other receivables and other payables.
- Omitting the net current assets figure and the loan
- The drawings figure only included one of the required components.