Key messages

Candidates should read the question carefully before attempting to answer.

A label for an item in the ledger must always be the name of account, e.g. cash, not cash on hand.

Candidates should not use abbreviations such as BBD or BD or CD for indicating balance brought down or carried down in a ledger account. Ideally Balance b/d or c/d should be used.

It is important to label items when preparing income statements or statements of financial position. Abbreviations such as COGS for cost of goods sold or GP and NP for gross or net profit or profit for the year are not acceptable.

General comments

Overall the paper was well attempted by a number of candidates.

Comments on specific questions

Question 1

This question comprised ten multiple choice items. There were only a few instances where candidates made no attempt at a particular answer.

Candidates found two questions more challenging than others. These are discussed below.

(b) This was an error which required an adjustment of double the amount. The discount allowed should have been an expense rather than income which was the way it had been treated. Thus, when correcting it the profit for the year would have reduced by $400, rather than $200.

(g) Candidates were asked which statement correctly defined ‘net realisable value’. The correct key was C, as selling expenses also have to be adjusted. Most candidates went for B.

Apart from these, the rest of the questions was generally well attempted by a majority of candidates.

Question 2

(a) Candidates were asked to complete a sentence by inserting the appropriate word. This was well attempted. The most common error was to consider that capital introduced should be deducted when it should be added to arrive at the final capital figure.

(b) This question required the completion of a table identifying the double entry for a series of transactions. Again, this was well attempted. Apart from some candidates reversing the entries, the most common error was the credit entry relating to the purchase of the delivery van, which would have required two entries, rather than one to match the debit entry. Often the wrong amount of the delivery van was entered.
(c) Candidates had to identify which transaction decreased the owner’s capital. The correct answer was transaction 3, which very few identified. It reduces the capital because it relates to an expense and therefore a loss.

(d) This question required stating the transaction which increase the owner’s capital – transaction 4 – which most identified. Few candidates stated the correct amount of the increase, which was the profit element of $360 and not the full amount of the transaction.

(e) Almost all candidates correctly identified the transaction which was a contra entry.

(f) Candidates were required to identify how capital employed is calculated. This was not very well done. The most common error was in stating the formula for return on capital employed.

(g) Most correctly identified that it is in the cash book where capital introduced in the form of cash is first recorded.

(h) Only some candidates correctly identified that it is in the general journal where the introduction of an owner’s vehicle introduced into the business is first recorded. The most common error was to state the Purchases Journal.

(i) The completion of the table identifying whether a particular item was an asset, liability, expense or income was generally well done.

**Question 3**

(a) Candidates were required to complete a table using ‘true’ or ‘false’ against four comments relating to a statement of account. This was reasonably well done. What became apparent was that candidates who were unsure wrote either true of false against all four statements.

(b) In relation to documents relating to a sale of goods, candidates were required to complete a tick box for each document to indicate which party would receive it. This was well done.

(c) This was not done well. Common errors were to state sales and purchases journals rather than the respective returns journals. Also common was the error referred to in the key messages of not adding journal or day book to the name of the book listed.

(d) Candidates were asked when an invoice, credit note and statement of account would be sent. Most correctly identified that an invoice is sent when the sale is made. However, a common error with the credit note and more so with the statement of account was to explain why each is sent rather than when.

(e) This question required the preparation of a customer’s account in the seller’s ledger. The most common error were not to properly label each transaction. It is the name of the account where the opposite entry will be recorded which is the correct label. This was particulary true of discount allowed, where ‘cash discount’ was often used. When entering the date, the year should also be included and was often left out. The used of BBD or BD instead of b/d has already been referred to in the Key Messages above.

(f) This part was reasonably well done.

(g) Candidates were asked to state why the customer received a cash discount. This was not well done. The most common incorrect answer was for prompt payment. This could simply mean that payment was made on, say the last day of the month after the sale in line with usual credit terms. The reason is because the amount due is paid early: before, or often well before the due date.
Question 4

(a) Candidates either had to state which accounting principle or policy was defined by a statement or to define the principle or policy. This was generally well done. The most common error was in defining consistency, where often statements such as ‘the method chosen should be used all the time’. This was not specific enough. Candidates should have talked about an accounting method, or identified one such as the method of depreciation. There also needed to be some reference to it being used more than one accounting period. This was also true of going concern, where there needed to be some mention of the business continuing for the foreseeable future. Continuing until the assets are used up or a specific objective is achieved were wrongly stated here.

(b) Candidates had to identify why business owners might find it difficult to compare their financial statements. Some answers were not specific enough. Candidates needed to state specifically why they are different, such as because they sell different products or different sizes.

(c) Candidates were asked to give one reason why nominated users of financial statements might use them. Many candidates made general rather than specific comments. The bank manager will use the data to decide whether or not to give the loan or assessing the security for it; not to decide the rate of interest or whether or not it could be repaid which were common answers. With the investor candidates talked about seeing whether or not the business was making profit rather than the return the investor could expect or whether or not they should invest.

(d) Candidates were asked to state how prime cost is calculated. This was not well done. Many only referred to direct materials and did not add direct labour. Very few candidates mentioned the inclusion of direct expenses as part of the calculation.

(e) This question was well done, with many achieving full credit for identifying whether particular items appear in the manufacturing account of income statement of a manufacturing business.

(f) Many candidates were correctly able to state what is meant by the term ‘work in progress’.

(g) A reasonable number of candidates identified the correct reason as the time taken to build a boat which is likely to cross over a financial year end.

Question 5

(a) Candidates were asked to prepare an updated cash book from a trader’s bank statement details. The most common error was to label the insurance payment as standing order. There is no account called standing order and it should have been labelled insurance. A number of candidates also rewrote the entire given cash book and then entered the insurance. This was not required and those who used this approach would have lost valuable time.

(b) This question required the preparation of a bank reconciliation statement from given data and was generally well done. The most common errors were to adjust the unpresented cheques and uncleared deposits in the wrong direction and not to state the names of the payees of the unpresented cheques and the uncleared deposit.

(c) Candidates were asked to prepare a statement of affairs from the data provided. While this is not a formal statement of financial position, clear and accurate labelling of items was required. This was reasonably well attempted with most identifying a capital figure. Common error included miscalculation the prepaid amounts for rent and insurance. A full year’s depreciation was included rather than for one month. Finally most candidates missed out the corrected bank balance figure from part (a), or indeed any bank balance figure at all.

(d) Finally, using the information from part (c) and the opening capital figure, candidates had to calculate the profit or loss made for the month. This was not particularly well done. Many candidates did not identify whether the final figure was a profit or loss for the month. Some also tried to prepare an income statement from the data given.
Question 6

(a) Candidates were required to calculate the number of years depreciation had been charged on a particular asset. This was well attempted, with most correctly identifying three years.

(b) This was generally well attempted by most candidates. Cost of sales was sometimes not identified or abbreviated to COS. Gross and profit for the year, or net profit were also abbreviated. This has been referred to in the Key Messages at the start.

Other common errors were to include both the depreciation charge for the year and the accumulated depreciation as an expense. In a significant number of cases depreciation for the year was often not included in the income statement at all.

(c) Candidates were required to prepare the appropriation account for the year. This was quite well done. The common errors were candidates introducing the balances on the partners’ capital and current accounts and, especially including partners’ drawings into the appropriation account. On the plus side, candidates who identified a residual profit or loss to split invariably used the correct proportions in which to split it between the partners.

(d) Candidates were asked to calculate one of the partners’ total income entitlement from the business for the year. This was not well done. The correct solution was simply the particular partner’s salary minus (or plus) their share of the residual loss or profit. Many included the partner’s drawings as well or the balance on the partner’s current account.

(e) Most candidates correctly stated the reason why interest on partners’ drawings is sometimes charged.

(f) Most candidates correctly calculated the gross margin.

(g) Candidates had to recalculate the value of closing inventory using a different gross margin. This was not well done. Often an incorrect percentage was used. Some candidates correctly calculated a revised cost of sales figure but then wrongly applied the opening inventory and purchases figures with it.

(h) Candidates were asked to state a reason why the closing inventory value may be lower than that calculated in part (g). This too was not well done. Many gave suggestions which would have resulted in a higher inventory figure, such as lower sales activity or more purchases.
ACCOUNTING

Key messages

Overall, the paper was well attempted by a number of candidates. There were some good scripts where candidates presented well laid out legible answers. Candidates should note that where a question asks for an account to be provided, they should show debit and credit sides of the account along with dates, details and amounts, together with the balances carried down and brought down.

Most candidates provided supporting calculations where appropriate. This ensured that they were able to achieve some of the available marks, even though the final answer was incorrect.

It is important that financial statements are presented in an acceptable format. Candidates should avoid using abbreviations.

The spaces 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 provide another answer elsewhere. It is important that the candidate indicates to Examiners that this has been done. A note “please see page …” would ensure that this additional work is not overlooked.

General comments

All the questions on the paper were compulsory and covered various topics on the syllabus.

It is important to read through a question carefully before attempting an answer.

Comments on specific questions

Question 1

Generally (b), (c), (d), (e), (f), (g) and (j) were well answered. Candidates found (a), (h) and (i) more challenging so these are discussed here.

(a) It is the opening capital which needs subtracting and not the closing capital which is option A.

(h) Inventory should be valued at the lower of cost or net realisable value. In this case the only option available is cost so, answer A.

(i) There were several stages here to obtaining the correct answer of D. Benjamin’s salary needed to be deducted from the profit first and then then the remainder split which gave Benjamin $21,000. However, the question asks for total allocation so then his salary needs adding on to his share of profit giving $31,000.

Question 2

(a) This was very well answered and the most common answer was “capital = assets – liabilities” but some candidates also gave the alternative of “capital + liabilities = assets” which was accepted. The most common error was to mix up the plus and minus signs. Abbreviations were not accepted.

(b) This required the candidates to state the posting of cash being taken out of the business by the owner. This was well answered. A common error was to write bank instead of cash. In all questions
it is important to read if the bank account was used or the cash account. Some candidates used the word Saeed instead of drawings showing a lack of understanding of the double entry process.

(c) Candidates had to choose from whether the transaction increased or decreased the owner’s capital and most correctly chose decreased.

(d) Drawings by the owner were asked for here (other than in cash or from the bank) and most candidates gave inventory or goods for own use or purchases. A common incorrect answer was loan which was not awarded as this would be in the form of cash or bank which it states in the question is not acceptable.

(e) Candidates were required to state how capital employed is calculated. This was not well answered. A common error was for candidates to write the formula for return on capital employed which shows the importance of reading the question carefully. Common alternatives to the mark scheme which were accepted were “non-current assets + net current assets”.

(f) Candidates needed to state what is meant by the term book-keeping. Many candidates wrote about recording transactions but the word financial was needed or a link to source documents, books of account or recording accounting information.

(g) One advantage of maintaining books of prime entry was required and some candidates gave the incorrect answers of checking or finding errors or avoiding fraud.

(h) Candidates needed to identify source documents. Only some candidates were able to identify all four source documents correctly. Some answers were partially correct i.e. invoice but then they did not specify sales or purchase.

(i) This part was not answered well. Some answers were insufficient or vague, for example sale or purchase of non-current assets needed to be on credit or just drawings was too vague as drawings of goods were needed. The most common correct answers was depreciation or bad debts.

(j) The accounting principle applied when double entry is used needed to be stated and was well answered with most candidates stating duality.

Question 3

(a) A definition of an income statement was required. The two key areas needed in the answer involved the revenues and expenses and then a specific period i.e. for the financial year. A definition was required rather than why it is prepared.

(b) The reason why a business owner prepares an income statement was well answered.

(c) This was well answered. Owner was not allowed as it was stated in the question and shareholders were also not allowed as they are the owners of a limited company. Some candidates could not provide a relevant reason. The most common users were banks and the government.

(d) Why a book-keeper prepares a trial balance was poorly answered. Although arithmetical accuracy was often given as the reason, candidates often then omitted to state “of the double entry”. Again, discovering errors was used incorrectly.

(e) Candidates had to tick whether the account would appear on the debit or credit side of a trial balance. This was very well answered.

(f) (i)(ii) Following on from part (e) candidates then needed to categorise the accounts into assets or liabilities. The main error here was that some candidates felt all entries from (e) needed to be classified as either debit or credit.

(g) This was very well answered with the majority of candidates able to identify the suspense account.

(h) Two errors which would not affect the balancing of the trial balance was well answered with a minority of candidates unaware of the errors. Some explanations were vague such as for error of principle “wrong account”, when “wrong class of account” was needed. Examples on their own were not acceptable but some candidates used them well to demonstrate their understanding.
Question 4

(a) Candidates were required to calculate depreciation for two years using the reducing (diminishing) balance method and then add these together. Answers varied with some calculating the two correct answers but then not adding them together and others getting one correct and then one wrong. It is important to read carefully the depreciation policy, for example, here there was no charge in the year of disposal.

(b) Candidates were required to prepare three ledger accounts, motor vehicles, provision for depreciation and disposal accounts. There were many errors regarding the labelling of entries and including extraneous figures. A common one was to include the amount of cash the disposal achieved in the motor vehicle account. Some candidates found preparation of both the motor vehicle and depreciation accounts challenging but then managed to get the disposal account completely correct. There was often an incorrect balance brought down on the provision for depreciation even if it had been correctly calculated in (a).

(c) This was a straightforward question where provision for depreciation had to be placed in the correct financial statement and section. The majority of candidates incorrectly chose the income statement, mixing up depreciation and provision for depreciation. Some candidates who did identify statement of financial position then chose the incorrect section mainly current liabilities.

(d) Candidates had to state how providing depreciation is an application of the principle of accruals. This was not answered well with most giving a general definition of accruals with no real link to depreciation.

(e) Many candidates correctly identified prudence as another principle applied when depreciation is provided.

(f) Most candidates identified non-current assets as being suitable for the revaluation method of depreciation and many went on to identify loose tools or similar. Some candidates incorrectly thought inventory used this method.

Question 5

(a) This question related to limited companies and the first part asked for three reasons why a sole trader might wish to convert into a limited company. Some candidates gave very general answers which could apply to any sort of business organisation, for example, growth. Many candidates achieved at least two of the three reasons with the most common being to have limited liability and to raise capital by selling shares.

(b) Candidates had to state called up capital and paid up capital from the definitions provided. This proved difficult for some candidates. Many candidates omitted the word capital both times even though they did know the term. Candidates should be precise and complete with such questions.

(c) A statement of changes in equity was required and produced a whole range of answers. Most candidates correctly identified the opening balances and then there were many different combinations where items were placed in the wrong column or used incorrectly.

(d) Candidates were provided with a list of balances and were asked to prepare a statement of financial position. Many candidates provided good responses to this part. There were two missing figures in the form of trade payables and non-current assets.

The capital and reserves section needed to be taken from (c) and own figure was rewarded here. If (c) was incorrect then candidates could still achieve full marks. In the capital and reserves section it is important to use correction descriptions. For example, “transfer to general reserve” is not acceptable in lieu of “general reserve”. The long term loan should not be shown within the capital and reserves section.

Candidates need to ensure subheadings are not abbreviated and that they label trade receivables in full and not just as receivables.
(e) Candidates found this part challenging. Several candidates read ‘taken out’ to mean removed rather than acquired. A frequent incorrect response was to “increase capital”.

(f) Candidates were required to state and calculate a ratio that would assess the liquidity position of the company. This was generally well answered. Candidates need to check how many decimal places are required; in this case it was two.

(g) Commenting on the liquidity position was not always easy for candidates and was generally not answered well. Some candidates discussed profitability instead. The question did not ask candidates to solve the liquidity problems which some attempted to do. Candidates needed to make clear which ratio was being discussed as some made general points which could not be rewarded.

Question 6

(a) The closing balance of the receipts and payments account had to be calculated and was well done by the majority of candidates. Common error was the inclusion of extraneous items or not including the opening balance.

(b) Candidates were required to prepare a subscriptions account. A thorough knowledge and understanding of double entry was required. Common errors were; including extraneous items such as assets, liabilities and expenses. Incorrect descriptions such as “b/d” or “accrued” for “balance b/d”, “income statement” for “income and expenditure account” and “subscriptions” for “bank”. There was also omission of dates or incorrect use of dates.

(c) Candidates were required to calculate the shop profit from the information provided. Quality of answers varied and the better candidates presented their workings as a trading account although this was not needed. Again, extraneous items were included and some candidates could not make adjustments for the amounts due at the start and end to suppliers.

(d) The income and expenditure account of a club had to be prepared. This question was generally well-attempted. Some candidates included extraneous items such as purchase of equipment or receipts from the shop. Some candidates used subscriptions received rather than their own figure from part (b).

(e) Two ways in which to increase shop profit were needed here and this proved difficult to the majority of candidates. Many said “increase sales” and “reduce expenses”. It is the value which is important in this instance and not the volume.
ACCOUNTING

Key messages

Overall, the paper was well attempted by a number of candidates. There were some good scripts where candidates presented well laid out legible answers. Candidates should note that where a question asks for an account to be provided, they should show debit and credit sides of the account along with dates, details and amounts, together with the balances carried down and brought down.

Most candidates provided supporting calculations where appropriate. This ensured that they were able to achieve some of the available marks, even though the final answer was incorrect.

It is important that financial statements are presented in an acceptable format. Candidates should avoid using abbreviations.

The spaces 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 provide another answer elsewhere. It is important that the candidate indicates to Examiners that this has been done. A note “please see page ...” would ensure that this additional work is not overlooked.

General comments

All the questions on the paper were compulsory and covered various topics on the syllabus.

It is important to read through a question carefully before attempting an answer.

Comments on specific questions

Question 1

Generally (b), (c), (d), (e), (f), (g) and (j) were well answered. Candidates found (a), (h) and (i) more challenging so these are discussed here.

(a) It is the opening capital which needs subtracting and not the closing capital which is option A.

(h) Inventory should be valued at the lower of cost or net realisable value. In this case the only option available is cost so, answer A.

(i) There were several stages here to obtaining the correct answer of D. Benjamin’s salary needed to be deducted from the profit first and then the remainder split which gave Benjamin $21\,000. However, the question asks for total allocation so then his salary needs adding on to his share of profit giving $31\,000.

Question 2

(a) This was very well answered and the most common answer was “capital = assets – liabilities” but some candidates also gave the alternative of “capital + liabilities = assets” which was accepted. The most common error was to mix up the plus and minus signs. Abbreviations were not accepted.

(b) This required the candidates to state the posting of cash being taken out of the business by the owner. This was well answered. A common error was to write bank instead of cash. In all questions
it is important to read if the bank account was used or the cash account. Some candidates used the word Saeed instead of drawings showing a lack of understanding of the double entry process.

(c) Candidates had to choose from whether the transaction increased or decreased the owner’s capital and most correctly chose decreased.

(d) Drawings by the owner were asked for here (other than in cash or from the bank) and most candidates gave inventory or goods for own use or purchases. A common incorrect answer was loan which was not awarded as this would be in the form of cash or bank which it states in the question is not acceptable.

(e) Candidates were required to state how capital employed is calculated. This was not well answered. A common error was for candidates to write the formula for return on capital employed which shows the importance of reading the question carefully. Common alternatives to the mark scheme which were accepted were “non-current assets + net current assets”.

(f) Candidates needed to state what is meant by the term book-keeping. Many candidates wrote about recording transactions but the word financial was needed or a link to source documents, books of account or recording accounting information.

(g) One advantage of maintaining books of prime entry was required and some candidates gave the incorrect answers of checking or finding errors or avoiding fraud.

(h) Candidates needed to identify source documents. Only some candidates were able to identify all four source documents correctly. Some answers were partially correct i.e. invoice but then they did not specify sales or purchase.

(i) This part was not answered well. Some answers were insufficient or vague, for example sale or purchase of non-current assets needed to be on credit or just drawings was too vague as drawings of goods were needed. The most common correct answers was depreciation or bad debts.

(j) The accounting principle applied when double entry is used needed to be stated and was well answered with most candidates stating duality.

Question 3

(a) A definition of an income statement was required. The two key areas needed in the answer involved the revenues and expenses and then a specific period i.e. for the financial year. A definition was required rather than why it is prepared.

(b) The reason why a business owner prepares an income statement was well answered.

(c) This was well answered. Owner was not allowed as it was stated in the question and shareholders were also not allowed as they are the owners of a limited company. Some candidates could not provide a relevant reason. The most common users were banks and the government.

(d) Why a book-keeper prepares a trial balance was poorly answered. Although arithmetical accuracy was often given as the reason, candidates often then omitted to state “of the double entry”. Again, discovering errors was used incorrectly.

(e) Candidates had to tick whether the account would appear on the debit or credit side of a trial balance. This was very well answered.

(f) (i)(ii) Following on from part (e) candidates then needed to categorise the accounts into assets or liabilities. The main error here was that some candidates felt all entries from (e) needed to be classified as either debit or credit.

(g) This was very well answered with the majority of candidates able to identify the suspense account.

(h) Two errors which would not affect the balancing of the trial balance was well answered with a minority of candidates unaware of the errors. Some explanations were vague such as for error of principle “wrong account”, when “wrong class of account” was needed. Examples on their own were not acceptable but some candidates used them well to demonstrate their understanding.
Question 4

(a) Candidates were required to calculate depreciation for two years using the reducing (diminishing) balance method and then add these together. Answers varied with some calculating the two correct answers but then not adding them together and others getting one correct and then one wrong. It is important to read carefully the depreciation policy, for example, here there was no charge in the year of disposal.

(b) Candidates were required to prepare three ledger accounts, motor vehicles, provision for depreciation and disposal accounts. There were many errors regarding the labelling of entries and including extraneous figures. A common one was to include the amount of cash the disposal achieved in the motor vehicle account. Some candidates found preparation of both the motor vehicle and depreciation accounts challenging but then managed to get the disposal account completely correct. There was often an incorrect balance brought down on the provision for depreciation even if it had been correctly calculated in (a).

(c) This was a straightforward question where provision for depreciation had to be placed in the correct financial statement and section. The majority of candidates incorrectly chose the income statement, mixing up depreciation and provision for depreciation. Some candidates who did identify statement of financial position then chose the incorrect section mainly current liabilities.

(d) Candidates had to state how providing depreciation is an application of the principle of accruals. This was not answered well with most giving a general definition of accruals with no real link to depreciation.

(e) Many candidates correctly identified prudence as another principle applied when depreciation is provided.

(f) Most candidates identified non-current assets as being suitable for the revaluation method of depreciation and many went on to identify loose tools or similar. Some candidates incorrectly thought inventory used this method.

Question 5

(a) This question related to limited companies and the first part asked for three reasons why a sole trader might wish to convert into a limited company. Some candidates gave very general answers which could apply to any sort of business organisation, for example, growth. Many candidates achieved at least two of the three reasons with the most common being to have limited liability and to raise capital by selling shares.

(b) Candidates had to state called up capital and paid up capital from the definitions provided. This proved difficult for some candidates. Many candidates omitted the word capital both times even though they did know the term. Candidates should be precise and complete with such questions.

(c) A statement of changes in equity was required and produced a whole range of answers. Most candidates correctly identified the opening balances and then there were many different combinations where items were placed in the wrong column or used incorrectly.

(d) Candidates were provided with a list of balances and were asked to prepare a statement of financial position. Many candidates provided good responses to this part. There were two missing figures in the form of trade payables and non-current assets.

The capital and reserves section needed to be taken from (c) and own figure was rewarded here. If (c) was incorrect then candidates could still achieve full marks. In the capital and reserves section it is important to use correction descriptions. For example, “transfer to general reserve” is not acceptable in lieu of “general reserve”. The long term loan should not be shown within the capital and reserves section.

Candidates need to ensure subheadings are not abbreviated and that they label trade receivables in full and not just as receivables.
(e) Candidates found this part challenging. Several candidates read ‘taken out’ to mean removed rather than acquired. A frequent incorrect response was to “increase capital”.

(f) Candidates were required to state and calculate a ratio that would assess the liquidity position of the company. This was generally well answered. Candidates need to check how many decimal places are required; in this case it was two.

(g) Commenting on the liquidity position was not always easy for candidates and was generally not answered well. Some candidates discussed profitability instead. The question did not ask candidates to solve the liquidity problems which some attempted to do. Candidates needed to make clear which ratio was being discussed as some made general points which could not be rewarded.

Question 6

(a) The closing balance of the receipts and payments account had to be calculated and was well done by the majority of candidates. Common error was the inclusion of extraneous items or not including the opening balance.

(b) Candidates were required to prepare a subscriptions account. A thorough knowledge and understanding of double entry was required. Common errors were; including extraneous items such as assets, liabilities and expenses. Incorrect descriptions such as “b/d” or “accrued” for “balance b/d”, “income statement” for “income and expenditure account” and “subscriptions” for “bank”. There was also omission of dates or incorrect use of dates.

(c) Candidates were required to calculate the shop profit from the information provided. Quality of answers varied and the better candidates presented their workings as a trading account although this was not needed. Again, extraneous items were included and some candidates could not make adjustments for the amounts due at the start and end to suppliers.

(d) The income and expenditure account of a club had to be prepared. This question was generally well-attempted. Some candidates included extraneous items such as purchase of equipment or receipts from the shop. Some candidates used subscriptions received rather than their own figure from part (b).

(e) Two ways in which to increase shop profit were needed here and this proved difficult to the majority of candidates. Many said “increase sales” and “reduce expenses”. It is the value which is important in this instance and not the volume.
ACCOUNTING

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement which is not the answer to the question being asked cannot be awarded credit. For example, a statement defining rate of turnover was not an acceptable answer to a question asking for a way in which the rate could be improved.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that at least some credit may be earned even though the final answer may be incorrect.

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 provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note “Please refer to Page …” or “Continued on Page …..” would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid use of inappropriate abbreviations such as “bbd” for “balance” in ledger accounts or “TR” for “trade receivables” and “PDD” for “provision for doubtful debts in financial statements.

Candidates are expected to be familiar with International Accounting Terminology and avoid use of old terminology such as “stock”, “debtors” and “net profit” etc.

General comments

All the questions on this paper were compulsory and covered a wide range of syllabus topics.

It is important that candidates present accounting statements in the correct format and that appropriate descriptions are use in both financial statements and in ledger accounts. The written answers produced in some narrative questions were very vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day-to-day records of a business are based on double entry book-keeping. Candidates must have a good knowledge of double entry and must be able to apply this to various scenarios. In addition to the actual entries in the accounts, attention must be paid to the words entered in the details column and to the dates.
Comments on specific questions

Question 1

(a) Using information provided, candidates were required to prepare accounts for stationery, stationery supplier, and commission receivable. Only those candidates who had a thorough knowledge of the principles of double entry were able to earn the available marks.

Many candidates used incorrect wording in the details column such as “purchases” for “stationery”. A number of candidates also included extraneous items within each account such as including commission in the stationery account. Attention must be given to balancing ledger accounts. In calculating the balance or the transfer to income statement, some candidates ignored the opening balances. Ledger entries are really meaningless without dates so it is important that every entry is correctly dated with the correct year entered on each side of the account.

A significant number of candidates reversed the commission account, treating it as an expense account rather than an income account.

(b) Most candidates correctly identified the ledger in which the commission receivable account would appear.

(c) The majority of candidates correctly stated that the balance of the commission receivable account would be a current asset. However, very few could offer a valid reason for it being a current asset.

Question 2

(a) Definitions of the terms ‘cost’ and ‘net realisable value’ were required. Only a limited number of candidates provided full definitions. Many answers were limited to the cost price of goods (without mention of additional costs incurred in bringing the goods to their present condition and location) and the selling price of goods (without mention of deduction of costs of completion or selling).

(b) Many candidates were able to earn some credit with an explanation of why the trader valued inventory at net realisable value.

(c) A table had to be completed to indicate the effect of an over-valuation of opening inventory. There were many wholly correct responses.

(d) Candidates were required to state the formula for the calculation of rate of inventory turnover and then to calculate this ratio using the information provided. There were many wholly correct responses. A small number incorrectly added ‘x 100’ to the formula and to the calculation.

(e) A comparison of the rate of inventory turnover over two years was required. Most candidates recognised that the trader would not be satisfied as the rate had decreased.

(f) One way of improving the rate of inventory turnover was required. Many candidates were able to offer a suitable answer.

(g) This consisted of a series of short questions based on the cash book of a trader. There were many correct responses. Some candidates offered vague statements such as ‘it is the balance’ for Part (i) or ‘there was a mistake on it’ for Part (ii). A few candidates incorrectly calculated the percentage discount on the net figure rather than the gross amount of $600.

Question 3

(a) Using information provided, candidates had to prepare the income statement for a café of an athletics club. The calculation of the purchases proved challenging to some candidates, with many not making adjustments for the opening and closing balance on the suppliers’ account. A few introduced extraneous items such as subscriptions. “Café suppliers” was sometimes used instead of “purchases” and “surplus” instead of “profit”.

(b) A calculation of the subscriptions for the year was required. An arithmetic calculation or a subscriptions account were both acceptable. There were many correct responses. Inevitably a few candidates found the year-end adjustments somewhat difficult.
Candidates were required to prepare an income and expenditure account. This was often well done. A few candidates did not include the figures they had calculated in the previous sections for profit on café and subscriptions for the year. Some candidates introduced extraneous items such as the proceeds of sale of equipment and the cost of new equipment.

Question 4

(a) A calculation of the profit for the year after debenture interest was required. This should have been a relatively straightforward calculation. The company had 4% debentures totalling $80,000, so interest of $3200 should have been deducted from the figure of profit before debenture interest.

(b) (i) A calculation of the percentage final ordinary share dividend was required. Again this should have been a straightforward calculation. The final dividend for the year ended 28 February 2015 was $8000, which represented a dividend of 4% on the ordinary share capital at that date.

(ii) The percentage total ordinary share dividend for the year ended 29 February 2016 had to be calculated. An interim dividend of $6250 was paid and a final dividend of $5000 was proposed. The total dividend of $11,250 as a percentage of the total ordinary share capital was 4.5%.

(c) Using information provided, candidates were required to prepare a statement of changes in equity. Only some candidates provided good answers. However, some of these candidates did not get full credit as many items either had no label or had an incomplete label.

(d) (i) A calculation of the profit for the year (after debenture interest) as a percentage of revenue was required. Candidates should have used the figure calculated in Part (a) and expressed this as a percentage of the given figure of revenue.

(ii) Candidates were required to suggest two ways in which the profit as a percentage of revenue could be improved. Many correctly suggested increasing the gross profit, reducing expenses or increasing other income.

(e) (i) A calculation of the profit for the year (after debenture interest) as a percentage of equity and reserves was required. Candidates should have used the figure calculated in part (a) and expressed this as a percentage of the opening equity and reserves. A few incorrectly used the equity and reserves at the end of the year.

(ii) Candidates were required to suggest two ways in which the profit as a percentage of equity and reserves could be improved. A few managed to state the obvious like increasing profit and reducing the equity or reserves but many candidates were not able to provide acceptable responses.

(f) This required an understanding of how ordinary shareholders may be affected if additional preference shares are issued. Many were able to explain that there would be a prior claim on the profits and a prior claim on the assets in the event of a winding-up. Some answers were far too vague to merit any credit.
Question 5

(a) Using information provided a provision for doubtful debts account had to be prepared. There were some very good answers. A few reversed the account, some omitted dates and others included extraneous items such as trade receivables.

(b) An extract from a statement of financial position was required to show the trade receivables. There were many correct responses. Some candidates incorrectly presented the information in a columnar format as may be used in a statement of financial position for the non-current assets.

(c) Candidates were required to state the difference between a bad debt and a provision for doubtful debts. It would seem that some candidates were not able to express their thoughts clearly and some answers were a little vague.

(d) An explanation was required of how a provision for doubtful debts applies to the principle of prudence. There were some good responses.

(e) Candidates were required to name one other accounting principle applied when a provision for doubtful debts is maintained. Most candidates provided a correct answer.

(f) Two ways of reducing the risk of bad debts were required. Many candidates were able to earn the available marks. Once again some candidates provided vague answers.

(g) A journal entry to record a bad debt recovered was required. There were some wholly correct answers. A few made entries to write off a bad debt rather than to record a bad debt recovered.

Question 6

(a) Candidates were provided with a list of errors and were asked to prepare correcting entries in a suspense account. A significant number of candidates included extraneous items which would not have affected the trial balance. To correct the error involving the discount the suspense account should have been credited with two amounts of $250, one for discount allowed and one for discount received.

(b) Journal entries had to be prepared to correct two of the three errors which did not require an entry in the suspense account. A few did not appreciate that to correct the error of reversal (purchase of fixtures on credit) the entry would be for $4400 rather than $2200. Some narratives repeated the original error rather than stating that the entry was to correct an error. A few candidates did not follow the instruction and attempted journal entries correcting all the errors.

(c) This required candidates to name of the type of error made in Error 2. There were many wholly correct responses.

(d) Candidates were required to complete a table indicating how the profit for the year would be affected by each error. Many candidates earned full credit.
Key messages

Candidates should read through each question very carefully before attempting an answer. Answers should follow the specific requirements of the question. For example, candidates should ensure that their answers comply with number of decimal places if these are specified.

Many candidates provided supporting calculations where appropriate. This ensured that they were able to get some credit, even though the final answer was incorrect.

The spaces provided in 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 provide another answer elsewhere on the question paper. It is important that candidates indicate 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.

Candidates should avoid use of inappropriate abbreviations such as ‘bbd’ for ‘balance brought down’ and ‘RM’ for ‘Raw materials’. It is important to use correct wording in ledger accounts. For example ‘owing’ is not an appropriate description of the balance of an account. Similarly, in financial statements, it is important to include appropriate wording such as ‘prime cost’ and ‘cost of production’.

It is expected that candidates will be familiar with International Accounting Terminology and not use ‘old’ terminology such as ‘stock’, ‘creditors’, etc.

General comments

The six questions on this paper were compulsory and covered a variety of topics on the syllabus. It was expected that the candidates would be able to answer all the questions.

Questions can be set on any area of the syllabus and so a thorough knowledge of all sections of the syllabus is required.

Comments on specific questions

Question 1

(a) Two reasons for maintaining a petty cash book were required. Candidates should be aware that it is not sufficient to repeat the wording used in the question. For example, ‘to record petty cash transactions’ was not an appropriate answer.

(b)(i) Candidates were required to prepare a petty cash book. Most candidates correctly analysed the petty cash payments. However, some candidate did not restore the petty cash imprest at the start and incorrectly totalled and balanced the petty cash book. The details column should give an indication of what the money was used for.

(ii) Candidates were required to prepare the three column cash book. Common errors included incorrect calculation of cash discount, incorrect calculation of the transfer from cash to bank, and omission of the amount drawn from the bank to restore the petty cash imprest.
Question 2

(a) Candidates were required to select the appropriate figures from the data provided and calculate the credit sales. There were some very good answers. However, some candidates subtracted some of the relevant figures instead of adding them. Some candidates included extraneous items such as the closing bank balance. Answers in the form of arithmetic calculations or total trade receivables accounts were equally acceptable.

(b) The amount paid to credit suppliers had to be calculated. Again some items were incorrectly treated, i.e. added instead of subtracted. Some candidates included extraneous items such as capital introduced and loan. Answers in the form of arithmetic calculations or total trade payables accounts were equally acceptable.

(c) A bank account had to be prepared in order to calculate the expenses paid. Only candidates with a good understanding of double entry achieved a high mark. Common errors included placing items on the wrong side of the account, using inappropriate details, (e.g. ‘sales’ instead of ‘trade receivables’), and including extraneous items such as bad debts written off.

Question 3

(a) One advantage of being a partner was required. There were many correct answers provided by candidates.

(b) One disadvantage of being a partner was required. There were many correct answers provided by candidates.

(c) Candidates were asked to state one reason why a partner may wish to make a loan to the business rather than investing further capital. Some candidates did not recognise that both a loan and capital normally attract interest. Others answered from the point of view of the partner taking out a loan because he did not have any capital to invest.

(d) It was expected that candidates would have sufficient understanding of what working capital is to explain why working capital is important. There were many good answers. It is important that candidates understand that working capital is required to finance the day-to-day activities of the business and to take advantage of business opportunities as they arise.

(e) A statement of financial position for the partnership was required. There were some good answers. However, often candidates erroneously included the loan from Abid in current liabilities. The standard of preparation of the partners’ current accounts varied considerably. Some candidates incorrectly attempted an appropriation account instead of current accounts. Some candidates produced all or part of their current accounts in both the space provided for workings and in the statement of financial position.

(f) Candidates were then required to use their figure for capital employed from (e) to calculate the return on capital employed. Many candidates used the total of the partners’ accounts as capital employed, ignoring the long term loan.

(g) The standard of answer varied considerably here. Many candidates showed that they understood what the figure they had calculated in (f) actually meant. However, some candidates were not able to explain what the calculation actually showed. For example, some candidates referred to amounts earned by each employee.

Question 4

(a) A list of balances was provided, together with additional information. Candidates were required to prepare a manufacturing account. There were many good answers. The correct presentation of a manufacturing account must be followed. The items which make up the prime cost should be shown first and then the overheads added to this figure. Work in progress should be adjusted on the total of the prime cost and the overheads rather than on the overheads alone. Some candidates incorrectly included some extraneous items such as depreciation of office furniture and equipment. A few candidates added, rather than deducted, the figure for closing work in progress. Candidates should be aware that it is incorrect to include revenue in the manufacturing account.
Candidates were required to calculate the cost of sales. This should have consisted of the cost of production from part (a), plus the purchases of finished goods and minus the closing inventory. A common error was to include some of the individual figures from the manufacturing account, e.g. purchases of raw materials.

Candidates were required to calculate gross profit. This involved deducting the cost of sales calculated in part (b)(i) from the revenue. This calculation was generally well-attempted.

A calculation of the percentage of gross profit to revenue was required. This was generally well-attempted. However, some candidates did not multiply by 100 to arrive at a percentage.

Candidates were asked to suggest two ways in which the gross profit percentage could be improved. It is important that candidates understand that increasing the amount of gross profit, for example by increasing sales through advertising, will not necessarily improve the gross profit percentage.

Question 5

Candidates were required to state one reason for dividing the ledger into three stated sections. This question was generally well-attempted.

Three accounts were named and candidates were asked to name which ledger each of these accounts would appear in. There were some excellent answers. However, a number of candidates incorrectly stated that the sales returns account and the discount allowed account would appear in the sales ledger.

Candidates were required to complete the account for rent and rates. The standard of answer varied widely. Only those candidates with a good understanding of double entry achieved a high mark. Common errors included using inappropriate details and placing items on the wrong side of the account. Also, incorrect amounts were often transferred to the income statement. Candidates should be aware that the balances brought down should be named as either ‘rent’ or ‘rates’.

An understanding of the valuation of inventory was required. This question was generally well-attempted.

A table had to be completed to indicate the effect of an overvaluation of inventory. The standard of answer varied widely. It is important that candidates understand the effect of any overvaluation or undervaluation of inventory, on profit and on current assets.

Question six

Using data provided, candidates were required to calculate the percentage of profit for the year to revenue. This calculation was generally well-attempted.

Candidates were required to suggest two reasons why the percentage of profit for the year to revenue was lower than the previous year. Candidates should understand that it is not sufficient to state that profit for the year has decreased. A reason for this decrease is required. Comments are required to specifically explain the decrease, i.e. to compare the two years rather than just commenting on one year.

Journal entries to correct two errors were required. Some candidates prepared journal entries for all the errors listed. Candidates should be aware that the narrative required for each journal entry should explain the entry, i.e. that the error is now being corrected. Some candidates did not state the name of the account to which the entry would be posted. For example, some candidates prepared a journal entry crediting the sales journal instead of the sales account.

Candidates were required to prepare a statement of corrected profit. Only those candidates with a good understanding of double entry achieved a high mark. Other candidates did not recognise that where, for example, an amount of $300 has been incorrectly credited in an income account instead of being debited to an expense account, the effect of correcting this will be to decrease profit by $600.
ACCOUNTING

Key messages

Candidates should read through each question very carefully before attempting an answer. Answers should follow the specific requirements of the question. For example, candidates should ensure that their answers comply with number of decimal places if these are specified.

Many candidates provided supporting calculations where appropriate. This ensured that they were able to get some credit, even though the final answer was incorrect.

The spaces provided in 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 provide another answer elsewhere on the question paper. It is important that candidates indicate 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.

Candidates should avoid use of inappropriate abbreviations such as ‘bbd’ for ‘balance brought down’ and ‘RM’ for ‘Raw materials’. It is important to use correct wording in ledger accounts. For example ‘owing’ is not an appropriate description of the balance of an account. Similarly, in financial statements, it is important to include appropriate wording such as ‘prime cost’ and ‘cost of production’.

It is expected that candidates will be familiar with International Accounting Terminology and not use ‘old’ terminology such as ‘stock’, ‘creditors’, etc.

General comments

The six questions on this paper were compulsory and covered a variety of topics on the syllabus. It was expected that the candidates would be able to answer all the questions.

Questions can be set on any area of the syllabus and so a thorough knowledge of all sections of the syllabus is required.

Comments on specific questions

Question 1

(a) Two reasons for maintaining a petty cash book were required. Candidates should be aware that it is not sufficient to repeat the wording used in the question. For example, ‘to record petty cash transactions’ was not an appropriate answer.

(b) (i) Candidates were required to prepare a petty cash book. Most candidates correctly analysed the petty cash payments. However, some candidate did not restore the petty cash imprest at the start and incorrectly totalled and balanced the petty cash book. The details column should give an indication of what the money was used for.

(ii) Candidates were required to prepare the three column cash book. Common errors included incorrect calculation of cash discount, incorrect calculation of the transfer from cash to bank, and omission of the amount drawn from the bank to restore the petty cash imprest.
Question 2

(a) Candidates were required to select the appropriate figures from the data provided and calculate the credit sales. There were some very good answers. However, some candidates subtracted some of the relevant figures instead of adding them. Some candidates included extraneous items such as the closing bank balance. Answers in the form of arithmetic calculations or total trade receivables accounts were equally acceptable.

(b) The amount paid to credit suppliers had to be calculated. Again some items were incorrectly treated, i.e. added instead of subtracted. Some candidates included extraneous items such as capital introduced and loan. Answers in the form of arithmetic calculations or total trade payables accounts were equally acceptable.

(c) A bank account had to be prepared in order to calculate the expenses paid. Only candidates with a good understanding of double entry achieved a high mark. Common errors included placing items on the wrong side of the account, using inappropriate details, (e.g. ‘sales’ instead of ‘trade receivables’), and including extraneous items such as bad debts written off.

Question 3

(a) One advantage of being a partner was required. There were many correct answers provided by candidates.

(b) One disadvantage of being a partner was required. There were many correct answers provided by candidates.

(c) Candidates were asked to state one reason why a partner may wish to make a loan to the business rather than investing further capital. Some candidates did not recognise that both a loan and capital normally attract interest. Others answered from the point of view of the partner taking out a loan because he did not have any capital to invest.

(d) It was expected that candidates would have sufficient understanding of what working capital is to explain why working capital is important. There were many good answers. It is important that candidates understand that working capital is required to finance the day-to-day activities of the business and to take advantage of business opportunities as they arise.

(e) A statement of financial position for the partnership was required. There were some good answers. However, often candidates erroneously included the loan from Abid in current liabilities. The standard of preparation of the partners' current accounts varied considerably. Some candidates incorrectly attempted an appropriation account instead of current accounts. Some candidates produced all or part of their current accounts in both the space provided for workings and in the statement of financial position.

(f) Candidates were then required to use their figure for capital employed from (e) to calculate the return on capital employed. Many candidates used the total of the partners' accounts as capital employed, ignoring the long term loan.

(g) The standard of answer varied considerably here. Many candidates showed that they understood what the figure they had calculated in (f) actually meant. However, some candidates were not able to explain what the calculation actually showed. For example, some candidates referred to amounts earned by each employee.

Question 4

(a) A list of balances was provided, together with additional information. Candidates were required to prepare a manufacturing account. There were many good answers. The correct presentation of a manufacturing account must be followed. The items which make up the prime cost should be shown first and then the overheads added to this figure. Work in progress should be adjusted on the total of the prime cost and the overheads rather than on the overheads alone. Some candidates incorrectly included some extraneous items such as depreciation of office furniture and equipment. A few candidates added, rather than deducted, the figure for closing work in progress. Candidates should be aware that it is incorrect to include revenue in the manufacturing account.
(b) (i) Candidates were required to calculate the cost of sales. This should have consisted of the cost of production from part (a), plus the purchases of finished goods and minus the closing inventory. A common error was to include some of the individual figures from the manufacturing account, e.g. purchases of raw materials.

(ii) Candidates were required to calculate gross profit. This involved deducting the cost of sales calculated in part (b)(i) from the revenue. This calculation was generally well-attempted.

(c) (i) A calculation of the percentage of gross profit to revenue was required. This was generally well-attempted. However, some candidates did not multiply by 100 to arrive at a percentage.

(ii) Candidates were asked to suggest two ways in which the gross profit percentage could be improved. It is important that candidates understand that increasing the amount of gross profit, for example by increasing sales through advertising, will not necessarily improve the gross profit percentage.

Question 5

(a) Candidates were required to state one reason for dividing the ledger into three stated sections. This question was generally well-attempted.

(b) Three accounts were named and candidates were asked to name which ledger each of these accounts would appear in. There were some excellent answers. However, a number of candidates incorrectly stated that the sales returns account and the discount allowed account would appear in the sales ledger.

(c) Candidates were required to complete the account for rent and rates. The standard of answer varied widely. Only those candidates with a good understanding of double entry achieved a high mark. Common errors included using inappropriate details and placing items on the wrong side of the account. Also, incorrect amounts were often transferred to the income statement. Candidates should be aware that the balances brought down should be named as either ‘rent’ or ‘rates’.

(d) An understanding of the valuation of inventory was required. This question was generally well-attempted.

(e) A table had to be completed to indicate the effect of an overvaluation of inventory. The standard of answer varied widely. It is important that candidates understand the effect of any overvaluation or undervaluation of inventory, on profit and on current assets.

Question six

(a) (i) Using data provided, candidates were required to calculate the percentage of profit for the year to revenue. This calculation was generally well-attempted.

(ii) Candidates were required to suggest two reasons why the percentage of profit for the year to revenue was lower than the previous year. Candidates should understand that it is not sufficient to state that profit for the year has decreased. A reason for this decrease is required. Comments are required to specifically explain the decrease, i.e. to compare the two years rather than just commenting on one year.

(b) Journal entries to correct two errors were required. Some candidates prepared journal entries for all the errors listed. Candidates should be aware that the narrative required for each journal entry should explain the entry, i.e. that the error is now being corrected. Some candidates did not state the name of the account to which the entry would be posted. For example, some candidates prepared a journal entry crediting the sales journal instead of the sales account.

(c) Candidates were required to prepare a statement of corrected profit. Only those candidates with a good understanding of double entry achieved a high mark. Other candidates did not recognise that where, for example, an amount of $300 has been incorrectly credited in an income account instead of being debited to an expense account, the effect of correcting this will be to decrease profit by $600.