

ACCOUNTING

Paper 9706/11
Multiple Choice

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

General comments

This paper was taken by 1340 candidates. The mean score was 13.4 with a standard deviation of 4.9.

The intended facility of the items was 0.25 to 0.80. Five items proved to be too difficult. These were items 3, 14, 18, 19 and 22. However one item proved to be too easy. This was item 13.

There were five items where discrimination was below the design limit of 0.25. These were 6, 22, 25, 27 and 28. Other questions where a distracter was more popular than the key were 3, 7, 18, 19 and 30.

Areas of weakness in candidates' understanding were in inventory valuation under marginal and absorption costing and the application of ratios.

Comments on individual questions

Candidates found **Item 3** to be challenging with over two thirds of candidates selecting one or other of the cash payments rather than splitting them to get the charge for the year.

In **Items 6 and 7** more candidates chose one of the distracters than the key. In 6 they thought that a company would never be allowed to change a policy and in 7 failed to grasp from option C that the PLCA formed part of the double entry.

Item 13 was done exceptionally well although in **Item 19** the majority of candidates thought that an increase in sales meant that the gross profit ratio would increase.

Item 17 was done very well although in **Item 18** the majority of candidates selected the par value, having not understood that the value of a share represents a share of the net assets.

In **Item 22** two thirds of candidates used closing trade receivables rather than average.

With **Items 25 and 27** candidates failed to understand the application of costing principles to inventory valuation.

In **Item 30** many candidates failed to take the under absorption into account.

ACCOUNTING

Paper 9706/12
Multiple Choice

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

General comments

This paper was taken by 6833 candidates. The mean score was 16.5 with a standard deviation of 5.3.

The intended facility of the items was 0.25 to 0.80. No items proved to be too difficult. However two items proved to be too easy. These were items 10 and 11.

There was one item where discrimination was below the design limit of 0.25. This was item 3.

No great areas of weakness in candidates' understanding were highlighted from the results (although items 14 and 17 below should be noted).

Comments on individual questions

Item 3 was done very badly, with results indicating guessing.

Items 10 and 11 were both done very well, with candidates calculating correctly in accordance with accounting rules and definitions.

In **Item 14** more candidates chose B than the key, not understanding which subscriptions would be included in an income and expenditure account.

In **Item 17** more candidates thought the purpose of depreciation is to show the market value of an asset than chose the correct answer.

In **Item 18** more candidates thought that reducing credit to customers (hence reducing debtors) would increase working capital than realised that an increase in selling price would increase debtors and thereby increase working capital.

ACCOUNTING

Paper 9706/13
Multiple Choice

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

General comments

This paper was taken by 306 candidates. The mean score was 16.4 with a standard deviation of 5.0.

The intended facility of the items was 0.25 to 0.80. Five items proved to be too easy. These were items 4, 9, 12, 22 and 30. However one item proved to be too difficult. This was item 17.

There were seven items where discrimination was below the design limit of 0.25. These were items 4, 5, 12, 17, 20, 21 and 27.

No specific areas of weakness in candidates' understanding were shown.

Comments on individual questions

Item 4 was done very well, with most candidates understanding the effect of changes on the true and fair view.

In **Item 5** almost twice as many candidates chose D as selected the key, as they did not think a company would be able to change a policy.

Items 9, 12, 22 and 30 were done very well with accurate calculations according to accounting rules.

In **Item 10** the majority of candidates selected A as they thought interest on partners' loans was an appropriation.

Item 17 was done very badly with most candidates selecting the par value, having not understood that the value of a share is represented by its share of the net assets.

In **Item 21** most candidates used closing trade receivables rather than average as required.

ACCOUNTING

Paper 9706/21
Structured Questions

Key messages:

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

General comments:

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

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

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

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Comments on specific questions

Question 1

- (a) Candidates were required to prepare the income statement for the year from a list of data. The majority of candidates responded well to this task and scored full marks but a lot of candidates were careless when adjusting the figures and some lacked even a basic understanding of the structure of the income statement and erroneously included assets and liabilities. Candidates need to be reminded that additional income such as discount received should be added to the gross profit and not added on to the bottom of the statement. Candidates should also be reminded that adjustments to the overheads, if shown separately, should be adjacent to the overhead, for example, to gain the mark for rent the three figures must be shown as follows:

Rent	6000	
Add rent prepaid (1/4/10)	400	
Less rent prepaid (31/3/11)	<u>600</u>	5800

Alternatively candidates may show the working separately as a note to the statements or in brackets adjacent to the overhead, for example:

$$\text{Rent (6000 + 400 – 600)} \quad 5800$$

Common errors in part (a) included the incorrect calculation of the total sales and total purchases and the miscalculation of various overhead expenses. It must be emphasised that candidates must show their working. Too many arrived at a sales figure or a purchases figure which was incorrect. With 4 adjustments to be made to calculate the sales figure and 4 adjustments required to calculate the purchases figure it can be difficult to establish just how the candidate arrived at their answer and how many marks, if any, should be awarded. Candidates often incorrectly added the \$300 of motor expenses and the \$200 rates owing at the beginning of the year and incorrectly charged a

full year's interest on the loan of \$1400 instead of six months at \$700. The doubtful debts provision also caused some problems with some candidates calculating it as \$2550, i.e. 3% of sales of \$85 000. Some, otherwise good candidates, omitted depreciation entirely and several wrongly including drawings in the income statement.

- (b) Candidates were asked to prepare a statement of financial position. Overall this was well answered by most candidates who demonstrated a good understanding of the correct layout. Weaker candidates often confused the closing and opening inventory figures and failed to adjust the trade receivables for the change in the provision for doubtful debts. Many used an incorrect bank figure and did not calculate the revised capital figure but assumed it would be the balancing figure. Many also omitted 'goods for own use' from their calculation of drawings.

Question 2

This proved to be the most challenging question for a large number of candidates.

- (a) This section was done better than the rest of the question. This was a straightforward calculation of the provision for doubtful debts from given data. Whilst some candidates gained full marks the majority did not read the question properly and failed to adjust for 'Debbie's' bankruptcy thereby ignoring the bad debt adjustment of \$700 and calculating the provision as \$213 rather than \$192.

- (b) This section was poorly done even by candidates who scored well in part (a).

In part (i) reversals of entry were common with some candidates mixing up bad debts and doubtful debts. In (ii) reversals were very common and few seemed to realise that the balance went to the income statement rather than being carried down. Of the three bad debts Harvey's was the one that caused most difficulty. In (iii) there were still a few reversed entries but many scored good marks here. It should be emphasised that candidates should use the correct narrative in the accounts. For example in (iii) 'sales' was often used for 'balance' and 'Klix' for 'Bank'.

- (c) Not many candidates began with \$37 100 but many gained an own figure mark for their own provision. There were some candidates who provided an odd figure with no working shown.

- (d)(i) Few correct answers but many candidates gained marks through the application of the own figure rule.

- (ii) For those candidates who had produced some figures most were able to correctly state the effects on the financial statements.

- (iii) This section was poorly done. Many correctly mentioned prudence and consistency but very few connected these concepts to the business in question.

- (e) The question asked for three factors considered by directors in the preparation of the provision for doubtful debts. This was well answered by the majority of candidates.

Question 3

- (a) Candidates were required to prepare an overhead absorption table and deal correctly with the reapportionment of the maintenance department and the canteen.

In general this was well answered but a number of candidates showed far more information than was required and often added the hours and the costs together to obtain an incorrect figure for total overheads for machining and assembly. This indicates that candidates were not confident in answering this type of question and perhaps more practice of this style of question should be undertaken.

- (b) This required the calculation of the overhead absorption rates for each of the two production departments. From the information provided it was clear that machining was biased towards direct machine hours and assembly towards direct labour hours. Some provided the correct bases for apportionment but others chose to ignore the question and calculate **both** bases of apportionment for **both** departments. Combined with their responses in the next section it was quite clear that some candidates were not confident in this topic area. Another common mistake was for candidates to revert to the \$143 500 and the \$154 700 overheads in the numerator of their calculations even though they had answered part (a) correctly.
- (c) The candidates were required to calculate the full cost per unit. The majority managed to state the material and labour costs correctly. Many simply added these together and made no attempt to calculate the overheads even though they had calculated the overhead absorption rates correctly in part (b).
- (d) Most candidates correctly applied the correct mark up to the total cost they had calculated in part (c) but for some reason some applied a 20% mark up rather than the 25% requested in the question. With the application of own figure rule most candidates scored well in this section.
- (e) While most of the candidates were clearly aware of the correct formula to calculate the break-even point in units a surprising number were unable to insert the correct figures in the formula. Many used per unit fixed costs and many used price per unit or cost per unit rather than the contribution per unit in their calculation.
- (f) This required the candidate to state two limitations to break-even analysis. Candidates showed a good understanding of this and many gained full marks for this section.

ACCOUNTING

Paper 9706/22
Structured Questions

Key messages:

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General comments:

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

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

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

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Comments on Specific Questions

Question 1

- (a) There were a few very good solutions, but many lost marks through carelessness, e.g. by stating “sales less returns” then adding the returns figure. Purchases returns were at times treated similarly. The figure of \$1800 for goods drawn for personal consumption was often added to rather than subtracted from purchases, showing a lack of understanding of the process. Very few candidates correctly calculated the provision for doubtful debts though provided they avoided the trial balance figure of \$520 then at least one mark was awarded out of a possible three. The cheque for \$800 in note 3 often appeared in the income section. In the expenses section loan repayment occurred and loan interest was miscalculated. Motor vehicle depreciation was sometimes calculated on a straight-line basis and the equipment depreciation appeared to bear little resemblance to the correct figure.
- (b) The figures for insurance prepaid, commission receivable and electricity owing were often placed in the wrong section and very few candidates realised that the loan was partly a current liability as half of it was to be repaid during the following year.
- (c) A disappointing number of candidates were unable to calculate the cost figure and included, for example, the maintenance cost.
- (d) Provided the candidate deducted \$4000 at some point in their calculation then at least one mark was awarded.
- (e) Although most seemed to have some idea of how to attempt the disposal account, many lost marks through wrong labelling of items and a small number showed it as a vertical list of figures, which is not an account and gained no marks.

Question 2A

- (a) There were very few completely correct answers to this relatively straightforward question. Those who had a good grasp of double-entry principles scored good marks here and most candidates gained some marks.
- (b) Again, very few correct answers appeared, and although most candidates gained a mark or perhaps two, most had little idea about adding or subtracting the relevant figures. Although the opening figure for trade receivables was given in the question, only about half used it, preferring to begin with their own closing balances from (a). This approach was acceptable, provided that the candidates reversed the + and – functions of the corrections of errors.
- (c) This is a standard question and consequently most candidates gained good marks.

Question 2B

- (a) The majority of candidates calculated this correctly, though a small number calculated only the gross profit.
- (b)(i) Most candidates calculated this correctly and gained full marks even though they used their own figure wrongly calculated in (a).
- (ii) Overall most candidates were able to calculate the correct answer, though a few forgot to divide the total of opening and closing inventories by 2.
- (iii) This was well answered by the majority of candidates.
- (c) Most understood the figures but not the significance of Paradis having a high return on capital employed and a very high current ratio. Recommendations were made but the poorer candidates merely re-stated the question by confirming that ROCE and current ratio were higher in the books of Paradis whilst liquid ratio was higher in the books of Jones.

Question 3

- (a)(i) Few problems encountered here, though some candidates attempted it using total figures and failed to divide their answers by 25 000.
- (ii) The majority of candidates gained full marks here confirming that the formula is well taught by most Centres.
- (iii) This was well answered by the majority of candidates.
- (b) Not as well answered as expected – various classes of fixed asset were given; also general terms such as “fixed overheads”.
- (c) This topic seemed to be known by very few candidates – it was often taken to mean variable costs or even sunk costs. Those who knew of it tended to answer by showing a picture of a stairway, but were unable to describe what it meant.
- (d) The break-even chart was rarely fully completed, with candidates using their answer to (a)(ii) instead of calculating the new break-even point. Labels were often omitted; total sales figure did not begin at the origin and total cost figure did not begin at the same point as the fixed cost line.
- (e) The question stated that selling price and variable costs were to remain unchanged, but around thirty per cent of candidates stated that unit contribution would rise as a result of unit variable costs rising. Change in break-even point and margin of safety were rarely discussed and it appeared that few candidates understood what was being asked of them. Marks were awarded generously provided sensible mention was made of changes (or otherwise) in break-even, margin of safety, contribution, profits, investment/interest rates etc.

ACCOUNTING

Paper 9706/23
Structured Questions

Key messages:

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

General comments:

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

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

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

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Comments on Specific Questions

Question 1

- (a) Candidates responded well to this task with several gaining full marks. When calculating revenue and purchases, many gained full marks but several treated the balances on trade receivables and trade payables wrongly or omitted them altogether. Rent receivable was also correct in around half of the scripts but candidates seemed unsure whether to add or deduct the two amounts of \$500. Depreciation on motor vehicles was usually correct but on equipment, which required some calculation, weaker candidates struggled to provide a correct response.
- (b) Most candidates gained full marks however a minority of candidates did not understand the term 'columnar format'.

Question 2 (A)

- (a) (i) The motor vehicle account was generally correct, though some wrong labels were used. This applied throughout part (a), where the name of the account which contained the double entry, to gain marks. For example, if the correct amount of \$9200 was entered on the debit of the disposal account, but the word "cost" was used instead of "motor vehicle", then that mark was lost.
- (ii) A wrong amount was often entered against disposal on the debit side of the provision account – it should have been \$8280 – and the profit and loss amount was often wrong but at least two marks would have been awarded as the balance carried down was an own figure.
- (iii) Many gained full marks as their own provision for depreciation figure was accepted.
- (b) Usually correct, as once more the candidates' own figures from (a)(i) and (ii) were accepted.

- (c) The question asked why businesses provide for depreciation but almost all candidates gave methods rather than reasons.

Question 2 (B)

This part question was reasonably well attempted with most candidates achieving good marks. Weaker candidates entered the inventory of stationery in the non-current assets section whilst subscriptions and loan interest were often omitted. The correct solution to the final section is:

Accumulated fund at 31 March 2010	\$9 380 (1 mark)
Deficit for the year	\$1 745 (1 own figure mark)
	<u>\$7 635</u>

Question 3

- (a) A large number of candidates did not demonstrate their knowledge of the preparation of statements using both marginal and absorption costing. Candidates should note that there is no contribution in absorption costing; instead the fixed costs are included in the closing inventory calculation. This means that the opening inventory for the following year's absorption costing is different from that of the marginal costing. It follows that the profit figure will also be different. For example in 2008, the following is correct:

	\$	\$
Marginal costing		
Sales (\$40 x 12 000 units)		480 000
Less		
Opening inventory (stock)	0	
Variable costs (\$27 x 15 000 units)	<u>405 000</u>	
	405 000	
Closing inventory (stock) (\$27 x 3 000 units)	<u>81 000</u>	<u>324 000</u>
Contribution		156 000
Fixed costs		<u>60 000</u>
Gross profit		<u>96 000</u>
Absorption costing		
Sales		480 000
Less		
Opening inventory	0	
Variable costs	405 000	
Fixed costs	<u>60 000</u>	
	465 000	
Closing inventory (\$31 x 3 000 units)	<u>93 000</u>	<u>372 000</u>
Gross profit		<u>108 000</u>

- (b) Having found part (a) difficult few candidates were able to prepare correctly the reconciliation statement. The key is how you treat the inventories. For example in 2009:

Profit per marginal costing		125 000
Less closing inventory (marginal)	60 000	
Add closing inventory (absorption)	<u>71 000</u>	<u>11 000</u>
		136 000
Add opening inventory (marginal)	81 000	
Less opening inventory (absorption)	<u>93 000</u>	<u>12 000</u>
Profit per absorption costing		124 000

In the last column, the 11 000 is the difference between the fixed costs in the closing inventories, and the 12 000 is the difference between the fixed costs in the opening inventories.

ACCOUNTING

Paper 9706/31
Multiple Choice (Supplement)

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

General comments

A total of 937 candidates took this paper. The results were in line with the previous session, where some 65% of those candidates sitting the paper achieved a score of 15, or less for the paper. On the positive side this does mean that 35% achieved better than half marks. The median score was 13, with the mean slightly higher.

Few questions proved easy to candidates, although **Questions 3, 9 and 22** earned high scores with candidates. **Question 3** was a straightforward impact on the balance sheet (statement of financial position) arising from share issues and is quite common to the paper. **Question 9** was a lead on from AS and even O level, with candidates expected to identify the total current liabilities and **Question 22** was a test of definitions. It would have been disappointing had they not been well answered. There did not appear to be any question where candidates generally guessed at the answer. This is encouraging, as it indicates that candidates are taking time to think about the answers.

Specific questions

Question 14

This proved tricky for candidates. They were expected to consider two sets of data and relate it to a third situation. Looking at the worst situation was the key. If the inventory was \$60 000 and a current ratio of 2:1 was allowed then current liabilities could only be \$30 000. If trade payables made up \$17 000 of this figure, that left \$ 13 000 for the overdraft. This option was ignored by most candidates.

Question 18

The main problem area was the costing section of the paper. **Question 18** is typical of this. It was a test of candidate's knowledge of unit costs. If the cost **per unit** is identical at different levels of output this is an example of a variable cost and not a fixed cost which most candidates assumed and answered.

Question 21

Similarly looking at unit costs was the key to this question. From the given data the variable cost per unit was \$ 150. This remained unchanged, but candidates wrongly assumed that as the selling price per unit changed so did the variable cost per unit. By working backwards from the required profit of \$140 000 plus the increased fixed overheads of \$ 176 000 gave a required contribution of \$316 000. The contribution per unit increased to \$ 165 (\$315 - \$ 150). Dividing this into \$316 000 would have given the required answer.

Question 24

This was a process costing question. The answer was relatively simple in that 6000 divided by 90% was the solution.

Areas for improvement

Costing is a real area where improvement would yield high returns for candidates. It may be that it is an area which is left to the end of the teaching and consequently not enough time is given to it. It is, though an area where in comparison to financial accounting there is less to learn. A thorough knowledge of the four main topic areas: marginal costing, standard costing, process costing and investment appraisal. In particular, an improvement in marginal costing and the impact of changes in fixed and variable costs and their impact on profit would benefit candidates greatly.

ACCOUNTING

Paper 9706/32
Multiple Choice (Supplement)

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

General comments

A total of 5713 candidates took this paper. The results were disappointing with 72% of candidates achieving a score of 15 or less. The median score was 12, with the mean slightly higher. Overall, this was a drop of 3 marks from the previous sitting.

The low scoring was reflected in the fact that no particular questions appeared to prove easy for candidates. Indeed, **Questions 4, 8, 16, and 22** were the only ones where 65% of candidates calculated the correct answer. The first three of these are typical of questions set previously. **Question 22** was something that should have been covered at AS and so all should have gained high marks. There did not appear to be any question where candidates generally guessed at the answer. This is encouraging, as it indicates that candidates are taking time to think about the answers.

Specific questions

Question 9

This was a question which should not have been difficult, but proved to be. Of the four options given only option 3 was not true. No amount of accounting standards will prevent frauds and errors being committed. Thus, the option which excluded this was the correct answer.

Question 11

This was a question which covered IAS36, which reflects the old FRS. It was first necessary to calculate the depreciation for the year (\$5000) and deduct this from the opening value given of \$20 000. The resulting \$ 15 000 was lower than the other two values given thus the correct value to be shown for the asset in the financial statements was \$15 000 (option A), the asset's carrying value and **not** \$16 000 the most popular option B.

Question 29

With this question candidates seemed to go for the answer which reflected the term 'net present value' in the question, without considering the capital rationing aspect. In times of capital rationing the profitability index of the projects needs to be considered (option D).

Areas for improvement

With the results of this paper, it is difficult to give specific areas which proved difficult and thus should be looked at for improvement. What was pleasing is that the costing questions seemed to achieve better scores than both in previous papers and the financial questions on this paper. It is hoped that teachers are not spending too much time on costing, taking into account previous examiner comments, but balancing their teaching by covering all areas thoroughly.

ACCOUNTING

Paper 9706/33
Multiple Choice (Supplement)

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

General comments

A total of 137 candidates took this paper. The results were good, with only 31% of candidates achieving a score of less than 15 out of 30. The mean and median score were 18. This is a marginal improvement on the June paper.

Questions 1, 2, 5, 6, 8, 11, 15, 25, 26, and 27 earned very high scores with candidates. This is encouraging as the spread of good marks is across all areas of the syllabus and not just related to one or two topics. Only **Question 23** appeared to have been guessed at by most candidates. This will be referred to later.

Specific questions

Question 13

This proved tricky for candidates. They were expected to consider two sets of data and relate it to a third situation. Looking at the worst situation was the key. If the inventory was \$60 000 and a current ratio of 2:1 was allowed then current liabilities could only be \$30 000. If trade payables made up \$17 000 of this figure, that left \$13 000 for the overdraft. This option was ignored by most candidates.

Question 17

This was a test of candidate's knowledge of unit costs. If the cost **per unit** is identical at different levels of output this is an example of a variable cost and not a fixed cost or stepped fixed cost which most candidates assumed and answered, the latter presumably because two levels of output were given.

Question 22

This question also achieved a varied response. As the sequence of creating a budget is to start with the sales budget (assuming no limiting factor), then the correct response was C.

Question 23

The solution was simply to divide the 6000 litres by 90% to achieve the answer.

Areas for improvement

As stated earlier, the results of this paper were an improvement on the previous sitting, with good responses to questions in all areas. It indicates a good approach by tutors who seem to spend time covering the whole syllabus evenly, rather than to concentrate on specific areas. It also seems to show that candidates are taking time to work out possible alternatives rather than taking sometimes inaccurate guesses at the answer.

ACCOUNTING

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

Key messages:

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Comments on specific questions

Question 1

- (a) Candidates were generally able to produce reasonable capital accounts but marks were often lost due to a range of errors when calculating the goodwill and revaluation adjustments. Many candidates lost marks due to failing to bring down their closing balances.
- (b) Many candidates failed to split the profits into two periods and were penalised accordingly. Those candidates who did make the split often made careless errors and there were very few fully correct appropriation accounts.
- (c) Candidates performed well on the current accounts and many who had answered part (b) poorly were able to redeem themselves. Again, a large number of candidates failed to bring down their closing balances.
- (d) Most candidates were able to correctly identify appropriate advantages and disadvantages.

Question 2

- (a) Most candidates made a reasonable attempt at calculating the entries and then produced acceptable income statements. Several candidates failed to use the figures from their workings in the statement and it was necessary that the figures are placed into the account in order to receive the marks. Very few candidates used the income gearing percentage.
- (b) Candidate performance was variable with a wide range of marks. The percentage was often omitted from the dividend yield.

- (c) The written part of the question was generally well answered and pleasingly showed a significant improvement from previous sessions.

Question 3

- (a) Very well answered with a high number of candidates scoring full marks.
- (b) Also well answered although many candidates showed the profit for each chair but failed to compute the total budgeted profit.
- (c) Very few candidates understood the requirement of this part of the question and consequently the marks were low. Limiting factors should be studied as they are included in the specification.
- (d) Likewise, disappointingly few candidates were able to answer this part of the question.

ACCOUNTING

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

Key messages:

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

General comments:

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

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

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

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Comments on Specific Questions

Question 1

Part (a) was mixed in its standard of response. Many candidates did not know what a dissolution account was and did calculations instead. Common errors were to include the bank balance within the account or to include the amount of discounts as well as the trade receivables and trade payables. Candidates should also remember to break the profit/loss on dissolution down between the partners.

Part (b) was quite well answered. The question clearly stated that the current accounts had been closed down and the balances transferred to the capital accounts yet several candidates still drew up current accounts as well as capital accounts. Some candidates also calculated their answers instead of producing accounts in columnar format.

Part (c) was well answered. Most candidates were able to produce a correct bank account using their own figures. The main error was to include all the assets disposed of.

Part (d) (i) was well answered by the majority of candidates, although some candidates calculated the percentage return on the shares rather than the annual income.

Part (d) (ii) was well answered. Most candidates could describe the differences between the two options but a few forgot to give final advice to Anton.

Question 2

Part (a) was well answered but a common error was to omit the profit from operations in the income statement. Many candidates also included interest paid of \$80 000 within the expenses and again the amount of interest for the year of \$160 000 after profit from operations. The correct labels must be used for gross profit and profit for the year.

Part **(b)** was well answered. The answer was correctly presented in good format by the majority of the candidates. The main areas of difficulty included the revaluation and depreciation on the land and buildings, as well as stating the correct amount of interest owing. Candidates must remember to state the amount of ordinary shares as well as the nominal value of a share. The prepaid expenses were often confused with the accrued expenses. A common error was to record the debentures amongst the entries within the equity section rather than as non-current liabilities.

Part **(c)** was not answered well as most candidates did not know what the difference between adjusting and non-adjusting events is. It is not enough to state that adjusting event are adjusted and non-adjusted events are not!

Part **(d)** was also not answered well. Although many candidates stated that the flood was a non-adjusting event they did not know why.

Question 3

Surprisingly this question was not answered well. The important thing in a question on budgets is to lay the answer out clearly distinguishing between receipts and payments and then calculating a balance for each month and carrying it forward.

Part **(a)** was either answered correctly or was presented in a format unrecognisable as a cash budget. Clear workings were vital to this question but candidates must also put the answers from their workings within the final cash budget identifying the receipts, payments and balances. Most candidates correctly calculated the cash sales and purchases, as well as the general expenses and storage system. The main areas of difficulty were the credit sales and purchases. The main error was to include depreciation as an expense. An unusual error was to bring the opening and closing inventory into the bank section.

Part **(b)** was better attempted. Most candidates were able to correctly calculate the gross profit but many forgot both of the discounts.

ACCOUNTING

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

Key messages:

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

General comments:

The performance of candidates was varied and reflected the approach centres had adopted to the coverage of the syllabus. All the questions were compulsory and covered various topics on the syllabus. It was expected that all candidates should be able to attempt the structured questions on this examination paper.

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

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

Candidates are reminded that an incorrect figure without supporting calculations will lose marks, but if calculations are provided some of the available marks may be awarded even if the final figure is incorrect.

Candidates were able to complete the paper within the time allowed and the vast majority of candidates answered each question well. There were very few candidates with gaps in their knowledge and most produced reasonable answers to each question with some excellent scripts.

Comments on Specific Questions

Question 1

This question was well answered with the majority of candidates presenting their answers in good format and showing all workings.

Part **(a)** This task was well answered. Candidates are recommended to show workings either under the answer with clear referencing or within the body of the answer within brackets, e.g. for the calculation of goodwill, the bank balance, the share premium account and the debentures. Few candidates identified the amount of ordinary shares within the equity section on the statement.

Part **(b)** This task was again well answered although a common error was to omit the identification of both profit from operations and the finance charge (interest).

Part **(c)** The earnings per share for both years were correctly calculated by the majority of candidates.

Question 2

This question was well answered although it was surprising how many candidates still did not use the format under IAS7 although some credit was given if the FRS1 format was used.

Part **(a)** was quite well answered with several different layouts used. Operating profit, cash from operations and net cash from operating activities must be identified. Although a few candidates confused the direction

of the increases in the working capital elements, the most common error was stating the incorrect figures for both interest paid and taxation paid.

Part **(b)** was satisfactorily answered. Candidates must remember to use the subheadings for the statement of cash flows and to include the cash and cash equivalents section at the end of the statement. It is also recommended that all workings are shown especially for the calculations of the dividends paid, the receipts from the sale of non-current assets and the payments for non-current assets. A common error was to refer to net cash flow from operating activities as profit.

Part **(c)** was well answered with the majority of candidates being able to correctly calculate the majority of the ratios. The most common errors included calculating the trade receivables and payables turnover as percentages instead of days. Again care must be taken when rounding the answers.

Part **(d)** was well answered although any candidates forgot to state whether a loan would be granted or not. An evaluation of the meaning of ratios was required rather than just a description of the answers.

Question 3

The most important considerations with this type of question, is that all workings must be shown and a clear format, usually a table, used to present the calculations of the net present value. If a mistake is made and there are no workings or the format of the answer cannot be followed, then very few marks will be given as it will be unclear where the figures have come from.

Part **(a)** was predominantly calculated correctly. Many candidates forgot to state whether the project was feasible or not and give a reason for their decision.

Part **(b)** was well answered by the majority of candidates although many did not show their workings clearly. Answers were accepted in months, weeks and part of a year.

Part **(c)** had mixed responses. Many candidates simply described net present value without knowing exactly what the internal rate of return was.

Part **(d)** was well answered with regards to the net present value, although some candidates struggled to remember the calculation of the IRR.

Part **(e)** again had mixed responses with many candidates just listing out the methods of net present value.