

# PRINCIPLES OF ACCOUNTS

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<b>Paper 7110/11</b> <b>Core Paper</b>
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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>D</b>	16	<b>B</b>
2	<b>D</b>	17	<b>B</b>
3	<b>B</b>	18	<b>A</b>
4	<b>B</b>	19	<b>D</b>
5	<b>D</b>	20	<b>B</b>
6	<b>C</b>	21	<b>D</b>
7	<b>C</b>	22	<b>B</b>
8	<b>D</b>	23	<b>D</b>
9	<b>A</b>	24	<b>C</b>
10	<b>A</b>	25	<b>A</b>
11	<b>B</b>	26	<b>D</b>
12	<b>A</b>	27	<b>A</b>
13	<b>A</b>	28	<b>C</b>
14	<b>C</b>	29	<b>A</b>
15	<b>A</b>	30	<b>B</b>

## **Key Messages**

A significant number of candidates had a good knowledge of the subject and were able to apply that knowledge to the situations described in the items. Some candidates did not possess the thorough knowledge of double entry book-keeping which is essential when sitting an examination of this standard.

Candidates are reminded that it is essential to read each item very carefully before attempting an answer. This ensures that any important word, phrase or figure within the stem is not overlooked

## **General Comments**

There were 67 candidates. The mean mark was 15.13 and the standard deviation was 5.35. All the items were within the scope of the syllabus.

## **Comments on Specific Questions**

### **Item 1**

The responses reveal an element of guesswork. It was expected that candidates would know that the purpose of a statement of financial position is to summarise the assets and liabilities (option D).

#### **Item 5**

Only 24% selected the key **(D)**. 64% understood that the transaction affected the purchases ledger and the sales ledger, but the majority of these candidates seem to need clarity on the basic principle of double entry for the purchase of goods on credit.

#### **Item 6**

Almost 50% candidates erroneously believed that an entry is made when a debit note is received. A debit note is simply a request from a credit customer for an invoice to be reduced. If this request is accepted then a credit note will be issued. This document is then recorded in the books of both parties.

#### **Item 10**

Only 37% candidates selected the key, A. Many candidates did not realise that incorrectly posting an item to the wrong column of a trial balance results in the totals differing by twice that amount.

#### **Item 11**

The majority of candidates understood that \$135 of the amount paid during the year related to the previous year and correctly deducted that amount. Candidates should also have understood that the amount owing at the end of the year should be added to the amount paid to arrive at the expense for the year.

#### **Item 16**

Those candidates who read the question carefully would know that the topic was purchases ledger control accounts. It would appear that many saw the word “contra entries” and immediately thought about a cash book. Contra entries in relation to control accounts are first recorded in the general journal.

#### **Item 20**

The vast majority of candidates understood that the drawings account had to be debited when the owner took goods for his own use. It was expected that most candidates would know that the credit entry is purchases account and not inventory account.

#### **Item 21**

Most candidates understood that the goodwill account would be debited. Any assets, including goodwill, are credited to the partner who introduced those assets to the new business. In this case, the capital account of X should have been credited with the amount of goodwill he/she introduced.

#### **Item 22**

The responses indicate a degree of guesswork among the candidates. It was expected that candidates would know that subscriptions outstanding would not appear in the receipts and payments account and so would select option B.

#### **Item 23**

The key was selected by 40%. Closing capital plus drawings minus the opening capital gives the profit for the year. A number of candidates seemed unsure of the correct treatment of drawings.

#### **Item 24**

Limited companies continue to be a topic which many candidates find challenging. The total of the reserves was \$17 000. This consisted of the general reserve of \$10 000 plus the retained profit for the year of \$7000 (profit for the year less dividend of \$4000 and less transfer to reserve of \$10 000).

**Item 29**

Inventory is always valued at the lower of cost and net realisable value. Non-current assets are always valued historical cost (less any depreciation where applicable) unless it is intended that the business will close in the foreseeable future.

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Paper 7110/12

Planning and Managing a Tourism Event

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

## Key Messages

Many candidates had a good knowledge of the subject and achieved good marks. A thorough knowledge of double entry book keeping is essential when sitting an examination of this standard. Candidates are reminded of the need to read through each item very carefully before selecting an answer. There is often a word, phrase or figure in the stem which will be of assistance when selecting the correct answer.

## General Comments

There were 5302 candidates. The mean mark was 19.77 and the standard deviation was 6.38. No items were too difficult. All the items were within the scope of the syllabus.

## Comments on Specific Questions

### Item 4

74% correctly identified the transaction as sales returns. 52% correctly selected option D as the key. Some candidates did not understand that the trade discount must be deducted from the list price of the goods returned.

**Item 6**

The key was selected by 46%. Some candidate responses indicate a degree of guesswork. It was expected that candidates would appreciate that the difference of \$200 between the two balances would result in the bank statement showing a smaller bank overdraft than that shown in the cash book.

**Item 10**

Candidates could have selected the correct answer by using the information on the first line and multiplying the monthly rent by 12. A large number of candidates adjusted the amount received for the opening accrual but did not make any adjustment for the closing prepayment. Some candidates made an adjustment for the closing prepayment but no adjustment for the opening accrual.

**Item 14**

Interest charged would increase the amount owed to suppliers, so would be credited in the purchases ledger control account. A contra entry to the sales ledger would reduce the amount owed to suppliers so would be debited.

**Item 16**

49% correctly selected A as the key. It was expected that candidates would appreciate that cash discount increases the expenses. In the current assets, the cash would increase but the amount owed by debtors would decrease by a larger amount resulting in an overall decrease.

**Item 21**

As item 10, this item involved making adjustments for accruals and prepayments. Once again, there was some confusion in the treatment of the opening accrual and the closing prepayment. The income for the year should have been \$6360 (being \$7500 received minus the \$900 opening accrual and minus the closing prepayment of \$240.)

**Item 25**

96% candidates understood that the cost of production would be affected by \$800 (the difference in the opening and closing work in progress). 54% correctly calculated that the cost of production would increase as the opening work in progress was larger than that at the end of the year.

**Item 26**

The key was correctly selected by 48%. It was expected that the majority of candidates would recognise income tax and social security as statutory deductions and so be able to calculate that the voluntary deductions totalled \$22.

# PRINCIPLES OF ACCOUNTS

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Paper 7110/021

International Business and Leisure Travel Services

## General

It appeared that candidates were not sufficiently well prepared for the examination. It is essential to cover the syllabus in full and give due consolidation to activities undertaken to perform well in the examination.

### Question 1

- (a) Many candidates did not include all the required items. A few omitted the dates and did not bring down the balance to the commencement of the next month.
- (b) Many candidates did not prepare the bank reconciliation statement correctly. Often where figures were entered appropriate narrative detail was omitted.
- (c) The answer, standing order, was only seen in very few responses.
- (d) A minimal appreciation of double entry was evident. Dates were ignored and narratives were not appropriate. In some instances candidates reversed the accounts perspective, that is, entries indicated a creditor's viewpoint, not a debtor's viewpoint.
- (e) Most candidates performed well on this question.
- (f) Most candidates provided good answers and identified appropriate reasons.

### Question 2

- (a) The comment above regarding a minimal appreciation of the requirements of double entry was also evident here. Very few candidates provided the required entries in the accounts.
- (b) A weakness in double entry appreciation detracted from candidates responses with regard to the required journal entries.
- (c) Candidates provided reasonable responses with regard to items 3 and 4. However, in the case of item 1 many candidates stated, "transposition". This is not appropriate as original entry is the correct name for this error.

### Question 3

- (a) Performance of candidates varied on this part. They need more clarity on calculation of wages.
- (b) and (c) In both parts only a minimal number of marks were awarded. The comment above with regard to clarity in this syllabus area is again pertinent.

### Question 4

- (a) (i) Most candidates provided a good response to this part and correctly calculated the required cost of goods sold figure.  
(ii) Performance of candidates varied on this part. The requirements of working from the figure calculated in (i) to determine the opening inventory was ignored by many candidates.
- (b) Most candidates provided good responses to this part of the question and identified at least one effect, that is, risk of theft.

- (c) (i) and (ii) Performance of candidates again varied on these parts. Most candidates identified one component of the required figures to calculate the ratios. Some candidates calculated the ratios correctly but did not give appropriate descriptor, that is, in (i) showing 1.1 is not adequate, 1.1:1 is required.
- (d) Many candidates made general comments which did not relate specifically to the ratios.
- (e) Candidates lacked clarity on calculation of working capital.

### Question 5

As in previous examinations the majority of candidates provided good answers to the final accounts question.

- (a) The common errors were as follows:

The adjustment of wages and salaries figure was rarely seen, i.e. \$80,000 - \$5,000.  
The provision for doubtful debts was incorrectly calculated.  
The depreciation figure for fixtures and fittings was incorrectly calculated.  
The entries in the appropriation section showed a minimal understanding by some candidates.

- (b) In general, candidates provided good responses. The main error was failure to credit the salary drawn by Fong.

- (c) Common errors were:

The provision for doubtful debts figure was not adjusted, i.e. the original figure was given.  
The bank figure was not adjusted, by the \$2,000.  
Other payables were not shown in full, i.e. the \$7,000 was often omitted.  
The loan was not fully described, i.e. the 8% was not given.

# PRINCIPLES OF ACCOUNTS

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**Paper 7110/22**  
**Specialised Tourism**

## General

Overall candidates seemed to find the paper accessible. All questions were answered and no question seemed to cause major difficulties for the majority of candidates.

### Question 1

- (a) (i) This section was generally well answered. Candidates could describe and differentiate between book-keeping and accounting.
- (ii) Most of the candidates were able to define the term business entity.
- (b) Although the ledger account was presented in a better manner than in the previous examinations, there were still some shortcomings. Some candidates treated sales as purchases or did not deduct the trade discount from returns inwards or did not bring down the balance.
- (c) Overall this part was well-attempted except for the transaction on 30 April where many students gave bank statement and statement of affairs as the answer instead of statement of account.
- (d) The key word in this section was, ledger, often omitted and sales only, sales account or sales control account was incorrectly given.
- (e) Generally well done, although in many instances the provision for depreciation was shown on the debit side of the trial balance.

### Question 2

- (a) This was answered reasonably well. Common errors were:  
The refund, \$750, was recorded on the wrong side of the account.  
Cash sales were either ignored or recorded on the wrong side of the account.  
The minority balance, \$180, was not recorded.
- (b) Candidate provided reasonable answers to this part. Common errors were:  
D Kay and D May were transposed.  
Suspense account was incorrectly given, instead of G Fallen.  
The term purchase journal was given instead of purchases.
- (c) The majority of candidates could identify the reversal and principle errors, but, described the original entry error incorrectly as transposition.
- (d) Most candidates were able to state that the purpose of suspense figure was to balance the trial balance. Many candidates were unable to identify a second purpose, e.g. to assist in the correction of errors.



### Question 3

- (a) (i) The specific point that direct costs relate to a product or unit of production or service was only identified by a minority of candidates.
- (ii) This part of the question was answered well.
- (b) The manufacturing account was prepared well overall by most candidates. Common errors included:
- The cost of raw materials, although correctly calculated, was not given a narrative.
- The management salaries were given as a prime cost or the factory wages as an overhead.
- (c) and (d) Both parts of this section were correctly calculated by most candidates. However, it was evident that some candidates had not prepared this part of the syllabus sufficiently well. A few candidates even omitted this part of the question.

### Question 4

- (a) Many candidates obtained full marks. Answers were set out well with full working and correct descriptors.
- (b) This section was not answered well. Comments did not correctly address the question. In some instances, candidates confused the years given, or, did not fully appreciate the implication of the results calculated.
- (c) Many candidates did not completely address the question requirement. An increase in sales or a decrease in purchases was often recognised, but the implication of an increase in sale price or a decrease in purchase cost was not identified.
- (e) Well answered, only proposal 4 caused problems for candidates.

### Question 5

Very good answers were presented by the majority of candidates. Although previous report comments on an over reliance on a final accounts question with a weaker response to other questions was again in evidence.

- (a) The common errors in this section were:
- Incorrect calculation of depreciation on computer equipment  
Treating the profit on disposal as an expense  
Omitting the loan interest and bad debts  
Use of abbreviations, e.g. COS, GP and NP
- (b) Common errors were:
- Incorrect treatment of the provision for doubtful debts  
Incorrect bank figure  
Incorrect description of the 8% bank loan, i.e. loan only is not adequate  
Computer equipment cost being incorrectly stated, i.e. \$78,000 not \$70,000