

ACCOUNTING

Paper 9706/11
Multiple Choice

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

Key messages

As a general comment, candidates must always read the question. There are certain syllabus areas where candidates need more clarity. For example, candidates must understand the relationship between margin and mark-up and should be able to use it to calculate the selling price and cost price of goods.

General comments

The mean mark on the paper was 14.

While candidates found some questions such as **Question 18** and **21** easy, there are a number of questions which are worth considering. These are discussed here.

Comments on specific questions

Question 9

Candidates found this question challenging. Candidates were required to work out the cost price of the sales and returns. The goods sold cost \$4000 and the returns cost \$800. Thus the net inventory of Brian would have decreased by \$3200, the key **C**.

Question 10

The answer required a comparison of the selling price and the net realisable value of inventory. In this case the net realisable value was the selling price, \$21 000 minus the cost of repairs, \$3750 making its net realisable value \$17 250, the key **B**. This is lower than the cost price and must be used.

Question 13

The profit on revaluation of non-current assets only belongs to the existing partners. Thus any adjustment in respect of it must be credited to their capital accounts in their profit sharing ratios. The key was, therefore **C**. A significant number of candidates opted for **D**, which incorrectly included an entry in the capital account of the new partner, Z.

Question 19

The calculation for return on capital employed (ROCE) is the profit from operations divided by the capital employed. This meant that candidates had to add back the finance costs of \$120 000 to the profit for the year \$245 000 to arrive at the profit from operations to use in the calculation. This gave the key, **C**. More candidates incorrectly opted to divide the profit for the year by the capital employed.

ACCOUNTING

Paper 9706/12
Multiple Choice

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

Key messages

The items affecting the reconciliation of sales (or purchases) ledger control accounts with the total of the balances of the individual sales (or purchases) ledger need to be considered. Some only affect one of the two sets of data, whilst others affect both.

Adjusting for goodwill in the case of a change in the partnership. The rule is: credit the **old** partners in the **old** profit sharing ratios, debit the **new** partners in the **new** profit sharing ratios.

General comments

More than 60 per cent candidates achieved a score of 15 or more. A significant number of questions appeared relatively straightforward; **7, 10, 14, 18, 19, 21, 22, 23, 24, 26,** and **29**, where more than 70 per cent of candidates identified the correct option. There were however some questions which candidates found challenging and these are discussed here.

Comments on specific questions

Question 2

The usual causes of depreciation of non-current assets are wear and tear, obsolescence, passage of time, changes in technology and using up in the case of, say a mine or quarry. Of these, only technology was mentioned in the question, thus the key was **D**.

Question 6

Candidates found this question challenging. At the first glance all the options seemed to be able to account for the \$2400 difference between the two sets of figures. However, **B** would have reduced the total of the balances of the sales ledger, thus increasing the difference. **C** and **D** only required adjusting once. The key was, therefore **A**, where the \$1200 needed to be doubled.

Question 13

Adjusting partners' capital accounts for goodwill often causes issues for candidates. However, setting out workings in rough as shown below, should quickly identify the correct answer, which was **D**.

	Capital L	Capital M	Capital P
	\$	\$	\$
Old profit sharing ratios - credit	24 000	24 000	Nil
New profit sharing ratios - debit	(16 000)	(16 000)	(16 000)
Difference	<u>8000 Cr</u>	<u>8000 Cr</u>	<u>16 000 Dr</u>

Question 25

The difference in reported profit when using marginal rather than absorption profit is something which requires careful thought. In this case the quantity produced was less than the quantity sold. This meant that some of the opening inventory was included in the cost of sales. As this contained an amount of fixed overheads brought forward the cost of sales would be higher using absorption costing rather than marginal costing, so the profit would be lower as identified by the key **C**.

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

Key messages

Candidates need more clarity on recalculating the annual depreciation charge when an asset is revalued (either upwards or downwards) and also calculation of the net realisable value of an item when valuing inventory.

General comments

Overall this paper was well attempted.

Many candidates correctly answered questions **8, 9, 12, 17, 20, 23, 25, 27** and **28**. However, there were three questions that the candidates found challenging. These are discussed here.

Comments on specific questions

Question 3

The building was revalued upwards to \$480 000 and, in theory had a further 32 years to be depreciated. The annual depreciation charge should, therefore have been \$15 000. Most candidates divided \$480 000 by 40 years, and used a depreciation figure of \$12 000. Using this figure would mean that the building would not have been fully depreciated by year 40. The key was **B**, $\$480\,000 - (2 \cdot \$15\,000) = \$450\,000$.

Question 11

Even though the item had been produced rather than purchased, the solution still depended on a comparison of the (production) cost and the net realisable value. In this case the net realisable value was the expected selling price (\$102 000) minus the delivery cost (\$1000) and the expected selling cost (\$500), making it \$100 500, the key **A**.

Question 30

This required consideration of budgeting. The key was **D**. The majority of candidates opted for **C**. However, it is not necessarily true that a budget is always prepared for a period of one year ahead. Consider, for instance, a possible cash budget required by the bank manager for the next six months.

ACCOUNTING

<p>Paper 9706/21 Structured Questions</p>

Key messages

It is increasingly important for candidates to show workings for computational questions. This ensures that some credit may be earned even though the final answer may be incorrect. In written questions, candidates should make sure that they provide sufficient development to their answers. A few words answers will seldom suffice. Candidates must develop greater analytical skills and learn to extract information from scenarios to make their answers relevant.

General comments

There were some strong responses from the well-prepared candidates on both computational questions and those requiring written answers. Unfortunately, less well-prepared candidates struggled in particular with the discursive questions.

Many candidates demonstrated good evaluative skills. Unfortunately, presentation of the financial statements was not satisfactory.

Comments on specific questions

Question 1

- (a) Responses to three advantages to a business of using a double entry system of bookkeeping were not satisfactory. Whilst well-prepared candidates were able to state ease of preparing financial statements and reduction of the possibility of errors, many candidates were not able to provide any valid responses.
- (b) Part (i) required candidates to calculate the profit or loss on the disposal of the motor vehicle. As the command word was 'calculate', those candidates who attempted to produce the disposals account tended to provide confused answers. Part (ii) required calculation of the total depreciation charge for the year. Less well-prepared candidates again gave very confused answers with misleading workings and could often get no credit.
- (c) Preparation of the income statement produced some very good answers though presentation and workings was not satisfactory in case of some candidates.
- (d) Many candidates correctly identified the application of the prudence concept, but very few added any development to their response in order to gain any further marks.
- (e) The final task, requiring advise as to whether the brother of one of the partners should make a loan to the business or invest the same amount and become an equal partner. Responses were very mixed and whilst most candidates did make a recommendation, development of their reasoning was often very vague. Few candidates were able to gain more than a maximum three of the available seven marks.

Question 2

- (a) (i) The first task required candidates to prepare a corrected purchases ledger control account following the discovery of various errors. Well-prepared candidates performed well on this question although treatment of the contra entry that had been entered twice was the most common mistake.
- (ii) Candidates then had to prepare a corrected sales ledger control account. This proved to be more challenging than the previous account, with a number of candidates not being able to correctly account for the irrecoverable debt and the dishonoured cheque.
- (b) This was not particularly well answered. Whilst it was apparent that a number of candidates were unfamiliar with the term, few gave a sufficiently complete response to gain the second available mark.
- (c) Candidates were required to state the effect on a business of not updating (i) customers' accounts in the sales ledger and (ii) Suppliers accounts in the purchases ledger. A similar situation was apparent to the previous task. Whilst a number of candidates were able to score one mark in each case for identification, very few gained the second mark for development of their answer.

Question 3

- (a) The first task required candidates to adjust the profit from operations for finance costs paid. Whilst most candidates were aware that the profit from operations had to be reduced by four months' interest charge, many did not calculate the correct figure of \$2000.
- (b) Candidates had to complete the statement of changes in equity. The transactions were straightforward – a rights issue, bonus issue, interim dividend paid and a revaluation. There were few correct responses as the majority of candidates did not seem to have any idea of either the purpose or structure of a statement of changes in equity.
- (c) This question was not answered well by many candidates.

Question 4

- (a) Parts (i) – (iv) required candidates to read data from a break-even chart to identify break-even point, allocated fixed costs, margin of safety and profit. Most candidates were able to answer this question reasonably well.
- (b) The business proposed various changes to the budgeted data and candidates were required to calculate the effect that the changes would have on the budgeted total profit. The quality of responses was very mixed. Well-prepared candidates were able to perform well on this question, but it was clear that some candidates had little idea of how to undertake the task. It is essential that a very structured approach is taken in questions of this nature, but many candidates did not even attempt an answer.
- (c) The follow up question required candidates to calculate the effect of the changes on the budgeted break-even point and once again, the candidates referred to above did not demonstrate the necessary knowledge and understanding to answer the question.
- (d) Candidates were then required to calculate the effect of the changes on the margin of safety, and exactly the same comments apply.
- (e) Based on the calculations undertaken, candidates were required to advise whether or not the business should go ahead with the proposed changes. Most candidates were able to gain at least two of the available five marks though once again, valid development of identified points was, however, lacking in many cases.
- (f) The final task required candidates to state four advantages to a business of planning for the future and whilst many candidates clearly recounted textbook answers, many either left the question blank or stated inappropriate advantages such as reduces fraud.

ACCOUNTING

<p>Paper 9706/22 Structured Questions</p>

Key messages

It is increasingly important for candidates to show workings for computational questions. This ensures that some credit may be earned even though the final answer may be incorrect. In written questions, candidates should make sure that they provide sufficient development to their answers. A few words answers will seldom suffice. Candidates must develop greater analytical skills and learn to extract information from scenarios to make their answers relevant.

General comments

There were some strong responses from the well-prepared candidates on both computational questions and those requiring written answers. Unfortunately, less well-prepared candidates struggled in particular with the discursive questions.

Many candidates demonstrated good evaluative skills. Unfortunately, presentation of the financial statements was not satisfactory.

We would like to emphasise that when required to 'advise' directors or management on a particular issue, candidates should endeavour to discuss both positive and negative aspects of their advice – this is often lacking.

Comments on specific questions

Question 1

- (a) The question required candidates to prepare the income statement for the year taking account of various adjustments. Whilst the majority of candidates were able to correctly make adjustment for the most routine issues very few candidates were able to correctly account for the adjustment to closing inventory as a result of the goods on sale or return. In the expenses section, the main errors related to calculation of the decrease in the provision for doubtful debts and calculation of the charge for depreciation.
- (b) In part (i), most candidates were able to get an own figure mark for inventory and also an own figure mark for the total current assets. Part (ii), the current liabilities proved more challenging for many candidates. Few candidates included the current liability part of the loan and even fewer were able to correctly calculate either trade payables or other payables.
- (c) This part of the question required candidates to state two benefits and two drawbacks of operating as a sole trader. This produced much better responses from almost all candidates. The most common drawback cited was 'lack of sufficient capital'. This was not allowed as it is most certainly not always the case.

- (d) The final part of the question required candidates to advise the trader whether he should form a limited company or form a partnership. Responses were not satisfactory in that many candidates did not make use of the data provided to calculate potential dividend costs and interest costs. Many candidates repeated answers from task (c) and were not rewarded.

Question 2

- (a) Candidates were required to state the journal entry to write off an irrecoverable debt. Candidates who did not identify which part of the entry was debit and which was credit were not rewarded marks. Many answers were in sentence format – that is not a journal entry.
- (b) Very few candidates were able to correctly calculate the amount of the provision. A number of answers included the opening balance of the provision of \$1100.
- (c) Despite the fact that the question clearly stated that dates were required, very few took any notice of the instruction and were not rewarded marks even for correct numerical answers.
- (d) Most candidates were able to identify prudence or matching as the two accounting concepts applied when making a provision for doubtful debts.
- (e) Only the very well-prepared candidates were able to answer this part of the question correctly. Some candidates ignored the instruction ‘*Support your answer with relevant calculations*’. A significant number of responses were purely descriptive and gained a maximum of two marks.

Question 3

- (a) The question required candidates to state three reasons why it might be difficult to compare financial ratios between businesses in the same industry. Many candidates gave three valid responses, frequently referring to the relative size of the businesses, window dressing and also non-monetary issues.
- (b) The second part of the question required candidates to calculate closing inventory, trade receivables and trade payables using ratios. Those candidates who demonstrated good numeracy skills performed well on this question.
- (i) Many candidates were able to correctly calculate the value of closing inventory. However, less well-prepared candidates chose to ignore the rate of inventory turnover and attempted to recreate a reading account and did not gain any marks.
- (ii) Many candidates correctly calculated the value of trade receivables.
- (iii) Again, many candidates correctly calculated the trade payables.
- (c) The question required candidates to prepare a summarised limited company income statement. There were few strong responses. Many weak responses demonstrated distinct lack of numeracy skills. Few candidates were able to go any further than the gross profit for the year.
- (d) Candidates were better able to cope with calculation of the proceeds of the rights issue. Most candidates correctly calculated the number of shares issued, though many then did not calculate the correct proceeds.

Question 4

- (a) Parts (i)–(iii) required candidates to calculate inventory valuations using a FIFO method of valuation. Candidates who were familiar with the operation of the method performed well.
- (b) Whilst several candidates were able to offer two good advantages of using a FIFO method of inventory valuation, several candidates did not appreciate that it is a method of valuation rather than a method of recording the physical movement of inventory. As such, a number of candidates referred to avoiding waste of perishable goods etc. which was clearly irrelevant.
- (c) The apportionment of budgeted overheads was very well answered by the majority of candidates.
- (d) Following on from the apportionment of budgeted overheads, most candidates continued to correctly calculate the overhead absorption rate, though some did not pay heed to the instruction that the rate had to be correct to two decimal places.
- (e) Responses were quite mixed in preparing a statement to show the total selling price. A number of candidates included four figures for overheads rather than selecting those appropriate to the particular department. Some candidate unnecessarily lost marks for poor presentation. Prepare a statement indicates that labels are required, not just figures.

Many candidates were able to correctly calculate the profit for the year if the expansion went ahead and continue the thread to calculate the profit per unit, though less well-prepared candidates appeared to be unfamiliar with the contribution to sales ratio.

- (f) The final task, requiring advise as to whether or not the offer should be accepted was generally well answered, with many candidates showing appropriate evaluative skills.

ACCOUNTING

<p>Paper 9706/23 Structured Questions</p>

Key messages

Marks are awarded for the correct entry, this being the value with correct terminology/narrative. This applies across different statements such as ledger accounts and final accounts. There were cases of values being presented with incorrect terminology/narrative and in some cases no terminology/narrative. In the case of ledger accounts some candidates used the account title as the narrative with the value, rather than the name of the account where the double entry would be completed.

General comments

It is increasingly important for candidates to show workings for computational questions. This ensures that some credit may be earned even though the final answer may be incorrect.

Some candidates did not show the net value of a specific calculation, for example, a value multiplied by a percentage should not be left without showing the net value.

Comments on specific questions

Question 1

- (a) There were very few completely correct income statements. Many candidates did use the calculation boxes and gained marks for using net values for their calculations in the income statement. Some did not get credit where specific calculations were not shown as a net value. Frequently candidates did not adjust the revenue for sale or return inventory. Few included the sale or return at cost value of \$32 000 in closing inventory. Many did correctly include the carriage inwards and deduct purchase returns in the cost of sales. The provision for doubtful debts was frequently incorrectly calculated at \$19 200, with the provision being applied against trade receivables before adjusting for the sale or return. Within distribution costs few candidates made the correct adjustment for the prepaid licences, with many entering the full amount of \$24 000 rather than deducting the \$6000 prepayment. Some candidates omitted the carriage outwards. The depreciation for property was often based on the initial buildings value of \$900 000 rather than adjusting for the revaluation.
- (b) Few candidates deducted the sale or return at cost from inventory and at sales price from trade receivables. The provision for doubtful debts was often omitted in the calculation for trade receivables. Many candidates omitted the other receivables of \$6000 relating to the prepayment for driving van licences. Some candidates did not use correct terminology in their statements and some presented an extract for non-current assets.
- (c) Many candidates correctly entered the share capital and share premium. Very few entered the correct value for the revaluation reserve and often omitted the depreciation of \$360 000 in their calculations. Some entered a final incorrect net value for retained earnings without showing any supporting calculations.
- (d) Some candidates repeated the information given in the question on the terms of each option and did not develop to calculate the actual finance costs of each one. Candidates frequently commented that security may be needed for the bank loan, whereas this would not be the case with the preference shares. Some candidates omitted to give advice on the option to choose.

- (e) Many candidates correctly distinguished between bonus issues and rights issues. Responses frequently related to there being no cash involved in bonus issues, whilst rights issues did generate cash for the business.

Question 2

- (a) This was very well answered by many candidates. Frequent responses included retirement, insufficient profits and disagreements.
- (b) The assets from the statement of financial position were generally correctly entered on the debit side of the realisation account. However, the debit entry for the cost of dissolution frequently omitted a narrative for bank. Some candidates incorrectly included an entry for the bank overdraft. The credit entries often stated the correct values with incomplete narrative. Furniture and equipment, inventory and motor vehicles in some cases omitted a label for capital or the motor vehicle sale omitted a narrative for bank. Trade receivables were often shown as \$11 540, with no adjustments made for the irrecoverable debt and cash discount.
- (c) This part was well answered by many candidates. Some incorrectly added the current account balance and assets taken over, rather than deducting from John's capital opening balance of \$28 000.

Question 3

- (a) Candidates frequently gained marks for deterrent against fraud with an independent check. Some omitted the key words of 'arithmetical' with check on accuracy and 'total' with trade receivables and trade payables.
- (b) Many candidates entered correct values in the control accounts but with incorrect narrative. Credit note was often used for purchases returns, overdue for interest and cash for sales. Some omitted the entries for purchases returns and interest. There were also examples of entries being made in the control accounts for items which were not relevant such as the dishonoured cheque. Some candidates made a similar entry on either side of an account and in such cases even if one entry was correct, no mark would be awarded.
- (c) Frequently candidates did not provide a response for the amended totals. Many of those who did subtracted entries rather than adding. The correction for the dishonoured cheque was often entered as \$394, rather than doubling to \$788.

Question 4

- (a) Many candidates omitted the key term of 'units'. Frequently candidates repeated the wording in the question of piecework payments.
- (b) Frequently candidates referred to total production costs and few made reference to indirect costs that could not be traced directly to a unit of production.
- (c) There were few completely correct responses. In the calculation for total budgeted fixed selling expenses many candidates included fixed production overheads and excluded advertising. For the total budgeted variable selling expenses most candidates applied the 3.5% against all costs rather than sales revenue. Many calculated the total budgeted contribution as sales revenue less material and labour costs and excluded variable selling expenses. In the calculation for total budgeted profit, frequently candidates did not include all fixed costs and often excluded the basic salary of \$51 000.
- (d) Candidates who focussed on the additional order frequently gained high marks. Some candidates incorrectly presented calculations based on the combination of the existing order and the additional order. Many did not split calculations for the 10 000 spare capacity and then the 5000 additional capacity separately. Some candidates incorrectly included the original fixed overheads and advertising in their calculations. Many presentations were not to good accounting format.
- (e) Most candidates made a valid judgement based on their calculations. Many correctly referred to contribution and profit, although few made reference to the increase in sales revenue. Non-financial factors such as impact on existing workforce and on other customers were frequently mentioned.

- (f) Candidates frequently gained one mark for benefits with reference to breakeven point and projected profit. Few responded with the benefit for short-term decision making. For limitations many candidates did not refer to 'per unit' when relating to sales price and variable costs and likewise did not refer to 'total' for fixed costs. Some candidates did correctly comment on the difficulty in classifying some costs as fixed or variable.

ACCOUNTING

<p>Paper 9706/31 Structured Questions</p>

General comments

Overall performance was good with all of the questions being answered to an acceptable standard. The responses to the written questions were also reasonably well attempted.

Comments on specific questions

Question 1

- (a) Although most candidates correctly identified the accruals concept for **item 1** considerably fewer identified the prudence concept for **item 2**.
- (b) The profit statement was generally well prepared with a number of fully correct statements. A common error was the incorrect inclusion of the inventory valuation and to a lesser extent the land revaluation.
- (c) This was well answered with a high number of fully correct calculations and no common errors.
- (d) The statement of financial position was well prepared by nearly all candidates. Presentation was generally very good. The most common error was the incorrect treatment of retained earnings with some candidates not accounting for the revised profit which had been calculated.

Question 2

- (a) The revaluation was generally treated correctly and consequently the capital accounts were correctly prepared although a significant number of candidates did omit the cash and cash equivalents.
- (b) Most candidates were able to calculate correctly the amounts of additional cash introduced by each partner.
- (c) The statement of financial position was prepared to a high standard with a high proportion of candidates being awarded full marks with no identified common errors.
- (d) Most candidates were able to calculate Jenny's share of profit from the given information and also state an advantage and disadvantage to Jenny of forming the partnership.
- (e) Candidates were aware of the advantages and disadvantages of a computerised accounting system. Very few candidates received less than three marks.

Question 3

- (a) Although many candidates correctly calculated the transfer value a significant number treated the margin of 20% incorrectly as a mark-up of 20%.
- (b) (i) The bank account was prepared to a high standard.
(ii) The consignment account was also well prepared with those candidates who had made an error in the calculation of the transfer price being rewarded for correct application of their own figures. The most common errors related to the incorrect calculation of the customs duty and/or commission.

- (iii) There were some fully correct accounts but also a limited number of reversals. The bank entry was often incorrect or totally omitted.
- (c) Most candidates appropriately advised Ahmed and provided a reasonable justification. However, many did not support their answer with any relevant calculations as was requested in the question which limited the availability of marks.

Question 4

- (a) Most candidates were able to calculate the market price correctly. A limited number did not submit their answer as a monetary value.
- (b) Most candidates were able to calculate all three ratios correctly. A limited number did not provide their answer in the correct format (e.g. omitting 'times' for dividend cover).
- (c) Many candidates did not gain marks as they stated that a ratio was higher or lower which can be seen by looking at the data. An analysis of the performance requires a statement such as better or worse in order to receive marks. Consequently, with some exceptions the most candidates demonstrated a poor performance on this question.
- (d) The required analysis of further ratios was generally answered in the same way as **part (c)** so overall marks were again lower than expected.
- (e) Performance on this question was much better than in **parts (c)** and **(d)** with most candidates providing the required advice along with appropriate justification.

Question 5

- (a) Many candidates did not correctly calculate the fixed overheads but nearly all prepared a statement containing the correct values for direct materials and direct labour and therefore received three of the four available marks.
- (b) Although the material and labour variances were calculated correctly by many candidates, relatively few were able to correctly calculate the fixed overhead variances.
- (c) Few candidates were able to provide an acceptable explanation as to how a fixed overhead capacity variance may arise.
- (d) The reconciliation was prepared to an acceptable standard by most candidates with credit being given for using their own variances where errors had been made in their calculation. A few candidates did treat the variances in the incorrect direction.
- (e) Most candidates did suggest an appropriate way to minimise the effect of the increase but few developed their answer sufficiently to be awarded the second mark.

Question 6

- (a) Many candidates were able to calculate the accounting rate of return correctly. A common error was the failure to account for depreciation when calculating the average annual profit.
- (b) Nearly all calculated the payback period correctly.
- (c) Although most were able to provide two disadvantages relatively few were aware of the advantages of the method.
- (d) This was very well answered with many fully correct solutions and no common errors.
- (e) Nearly all candidates were aware that they had to use two discount rates but some then applied the formula incorrectly. However, there were some fully correct answers and overall performance on the question was good.
- (f) Responses were generally good with most providing the required advice and then justifying their answer with appropriate reasons.

ACCOUNTING

<p>Paper 9706/32 Structured Questions</p>

General comments

Overall performance was acceptable. It is increasingly important for candidates to show workings to support answers for computational questions. This ensures that some credit may be earned even though the final answer may be incorrect. Candidates should read the questions carefully before writing their answers.

Comments on specific questions

Question 1

- (a) Although most candidates clearly understood what is meant by prime cost and work in progress very few were able to fully explain both terms.
- (b) The manufacturing account was prepared to a high standard by nearly all candidates with a significant number being awarded full marks. The most common error was the miscalculation of depreciation. Few candidates incorrectly deducted the indirect costs from the prime cost and lost marks.
- (c) Responses were variable with some strong answers but also some which demonstrated a lack of understanding. Despite the question asking for reference to accounting concepts and calculations some candidates did not provide these.

Question 2

- (a) A significant number of candidates did correctly calculate the profit and were awarded three marks. Some, however, completed partial calculations and submitted answers of \$1 080 000 or \$54 000.
- (b) Performance varied with many candidates producing correct statements and being awarded twelve or more marks. However, some candidates prepared poor statements with incorrect figures often not supported by workings. The trade and other receivables figure was usually calculated correctly as was the cost of sales. Errors often occurred with the subsequent derivation of the closing inventory and/or trade and other payables. Marks were often lost for the retained earnings figure and invariably the workings were not shown so candidates could not be given any credit for an incorrect final figure.
- (c) Many candidates calculated the ratio correctly but some incorrectly provided their answer as a monetary value.
- (d) This part was not well answered. Many stated that the ratios were 'higher' or 'lower' but did not develop their answer as to whether this was better or worse for the company and some stated that a higher inventory turnover measured in days was beneficial.

Question 3

- (a) Most candidates were able to identify a benefit of auditing but few were able to explain the benefit sufficiently to be awarded the second mark.
- (b) Most candidates correctly identified the required IAS for items 1 and 2 but relatively few could identify the required IAS for item 3. Explanations for items 1 and 2 were generally good with most

being able to explain the impairment loss and the non-adjusting event satisfactorily. However, explanations for item 3, with few exceptions, were not worthy of credit.

- (c) Few candidates calculated the revised retained earnings fully correctly but most made the majority of adjustments correctly. The most common errors were the incorrect treatment of the deposit and the goods sent to a customer on a sale or return basis.
- (d) This was not well answered and very few candidates included the cash and cash equivalents in the total assets figure.
- (e) Most candidates scored the available mark for providing the advice. Candidates generally attempted a justification but the explanations were lacking in substance and relatively few were awarded more than three of the five available marks.

Question 4

- (a) Although most candidates identified the introduction of cash few made reference to the capital.
- (b) There were relatively few correct explanations with some believing that the transactions were at the cessation of the joint venture.
- (c) There were some correct solutions with common errors being the omission of the sale of the fixtures and/or the inclusion of the drawings.
- (d) There were very few fully correct ledger accounts with a range of errors including reversal of the entries and inclusion of total sales.
- (e) The mark for advice was generally awarded but then responses tended to be generic rather than scenario based.
- (f) Most candidates were awarded two marks for the profit/not for profit difference and some did develop their answer and were rewarded accordingly.

Question 5

- (a) (i) Some candidates were able to correctly calculate the net cash flow for each year. Where the flows were not correct the error was usually as a result of miscalculating the cost of sales.
- (ii) Most candidates were able to correctly calculate the payback period. Full credit was given for a correct calculation based on the candidate's own figure where the cash flows were not correct. A limited number of candidates did not round up correctly.
- (iii) This was well answered with many fully correct answers. Marks were often lost for the incorrect treatment of depreciation and the failure to submit the answer to two decimal places as was clearly requested in the question paper.
- (b) This was generally well answered with most candidates were able to state two disadvantages and a few were able to state the required advantages.
- (c) This was very well answered with nearly all candidates able to calculate the net present value using either the correct figures or the candidate's own figures.
- (d) Responses were acceptable with nearly all candidates gaining the available marks for the decision and for commenting on the net present value. Few gained the marks for comments on the payback period and accounting rate of return.

Question 6

- (a) Most candidates gave acceptable responses and were awarded two marks.
- (b) Most candidates were awarded five marks but few were able to deal correctly with the semi-variable overheads and consequently the other three marks were lost. A limited number of candidates produced two budgets with one being based on 1 000 units and the other on 3 000 units.
- (c) Most candidates made a reasonable attempt at the reconciliation. The most common errors were the incorrect calculation of the semi-variable overheads variance and the fixed costs variance.
- (d) Responses were generally satisfactory with most providing appropriate suggestions.
- (e) Most candidates were able to score three of the available five marks as they provided advice along with two advantages. Only a limited number of candidates provided any disadvantages but those that did were rewarded accordingly.

ACCOUNTING

<p>Paper 9706/33 Structured Questions</p>

General comments

Overall performance was good with all of the questions being answered to an acceptable standard. The responses to the written questions were also reasonably well attempted.

Comments on specific questions

Question 1

- (a) Although most candidates correctly identified the accruals concept for **item 1** considerably fewer identified the prudence concept for **item 2**.
- (b) The profit statement was generally well prepared with a number of fully correct statements. A common error was the incorrect inclusion of the inventory valuation and to a lesser extent the land revaluation.
- (c) This was well answered with a high number of fully correct calculations and no common errors.
- (d) The statement of financial position was well prepared by nearly all candidates. Presentation was generally very good. The most common error was the incorrect treatment of retained earnings with some candidates not accounting for the revised profit which had been calculated.

Question 2

- (a) The revaluation was generally treated correctly and consequently the capital accounts were correctly prepared although a significant number of candidates did omit the cash and cash equivalents.
- (b) Most candidates were able to calculate correctly the amounts of additional cash introduced by each partner.
- (c) The statement of financial position was prepared to a high standard with a high proportion of candidates being awarded full marks with no identified common errors.
- (d) Most candidates were able to calculate Jenny's share of profit from the given information and also state an advantage and disadvantage to Jenny of forming the partnership.
- (e) Candidates were aware of the advantages and disadvantages of a computerised accounting system. Very few candidates received less than three marks.

Question 3

- (a) Although many candidates correctly calculated the transfer value a significant number treated the margin of 20% incorrectly as a mark-up of 20%.
- (b) (i) The bank account was prepared to a high standard.
(ii) The consignment account was also well prepared with those candidates who had made an error in the calculation of the transfer price being rewarded for correct application of their own figures. The most common errors related to the incorrect calculation of the customs duty and/or commission.

- (iii) There were some fully correct accounts but also a limited number of reversals. The bank entry was often incorrect or totally omitted.
- (c) Most candidates appropriately advised Ahmed and provided a reasonable justification. However, many did not support their answer with any relevant calculations as was requested in the question which limited the availability of marks.

Question 4

- (a) Most candidates were able to calculate the market price correctly. A limited number did not submit their answer as a monetary value.
- (b) Most candidates were able to calculate all three ratios correctly. A limited number did not provide their answer in the correct format (e.g. omitting 'times' for dividend cover).
- (c) Many candidates did not gain marks as they stated that a ratio was higher or lower which can be seen by looking at the data. An analysis of the performance requires a statement such as better or worse in order to receive marks. Consequently, with some exceptions the most candidates demonstrated a poor performance on this question.
- (d) The required analysis of further ratios was generally answered in the same way as **part (c)** so overall marks were again lower than expected.
- (e) Performance on this question was much better than in **parts (c)** and **(d)** with most candidates providing the required advice along with appropriate justification.

Question 5

- (a) Many candidates did not correctly calculate the fixed overheads but nearly all prepared a statement containing the correct values for direct materials and direct labour and therefore received three of the four available marks.
- (b) Although the material and labour variances were calculated correctly by many candidates, relatively few were able to correctly calculate the fixed overhead variances.
- (c) Few candidates were able to provide an acceptable explanation as to how a fixed overhead capacity variance may arise.
- (d) The reconciliation was prepared to an acceptable standard by most candidates with credit being given for using their own variances where errors had been made in their calculation. A few candidates did treat the variances in the incorrect direction.
- (e) Most candidates did suggest an appropriate way to minimise the effect of the increase but few developed their answer sufficiently to be awarded the second mark.

Question 6

- (a) Many candidates were able to calculate the accounting rate of return correctly. A common error was the failure to account for depreciation when calculating the average annual profit.
- (b) Nearly all calculated the payback period correctly.
- (c) Although most were able to provide two disadvantages relatively few were aware of the advantages of the method.
- (d) This was very well answered with many fully correct solutions and no common errors.
- (e) Nearly all candidates were aware that they had to use two discount rates but some then applied the formula incorrectly. However, there were some fully correct answers and overall performance on the question was good.
- (f) Responses were generally good with most providing the required advice and then justifying their answer with appropriate reasons.