

ACCOUNTING

Paper 0452/12
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	B	13	C	25	B
2	A	14	B	26	D
3	A	15	B	27	B
4	C	16	C	28	C
5	A	17	C	29	B
6	D	18	D	30	D
7	D	19	A	31	A
8	B	20	A	32	C
9	D	21	B	33	D
10	A	22	A	34	B
11	B	23	D	35	C
12	C	24	C		

General comments

Candidates should be familiar with all the topics on the syllabus and have a thorough understanding of accounting.

It is important that candidates read each question very carefully to ensure as much as they can that they have a clear understanding of what is required by the question before selecting an option on the answer sheet.

Those candidates who possessed a good understanding of double entry bookkeeping were able to select the correct key to many questions on the paper. In many questions, drafting a 'T' account could have assisted candidates to calculate the correct key.

Comments on specific questions

Below are some comments and observations on some specific questions that appeared in the question paper.

Question 10

This question was generally answered well even though it covers entries in a suspense account. This is an area that some candidates can find slightly challenging at times. Out of the distractors, B and C were the two

most commonly chosen by those candidates who did not manage to answer correctly. The correct answer was option A.

Question 25

This question was generally answered well. Out of the distractors, the most common one chosen by those candidates who did not manage to answer the question correctly was C. Option 'C' is the double entry which would be required if the interest had not been paid. However, this is not what is asked here. The correct answer was option B.

Question 27

Although many candidates answered this well, others found it challenging and some candidates chose one of the distractors instead of the correct option. The correct answer to question 27 was option B.

Question 28

This question seemed to be quite challenging for a lot of candidates. Many candidates chose option B instead of the correct answer. It seems that some candidates may have incorrectly assumed that they needed to adjust for the amounts not paid and for the amounts that were paid in advance. The correct answer was option C.

Question 30

This question was generally answered well although some candidates chose option C. Although option C is a likely distractor, it is incorrect, nonetheless. And in fact, the correct answer to question 30 was option D.

Question 33

Although this question was generally answered well, some candidates chose option C instead of the correct answer. This may have been because on seeing the word 'reduce' in the question they opted for the rate of inventory turnover having decreased. Other candidates seemed to have understood the more challenging part of the question, for example, the effect on rate of inventory turnover, but then related a reduction in storage costs to a decrease in profit. The correct answer to question 33 was in fact option D.

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

It is important that candidates read through each question carefully before attempting an answer. This will ensure that an important piece of data is not overlooked and that instructions can be followed precisely.

Calculations should be shown where appropriate. This enables some of the available marks to be awarded even if the final answer is incorrect.

The space provided on the question paper should be adequate for candidates' answers. Where additional space was required, most candidates correctly indicated that part or all of the answer was provided elsewhere on the question paper. A note 'Please refer to Page...' or 'Continued on Page...' ensures that this additional page is not overlooked when the script is being marked.

It is important that candidates pay attention to their handwriting to ensure that all the words and figures are legible.

General comments

All the questions on the paper were compulsory so it is essential that candidates are familiar with all the topics on the syllabus.

Double entry bookkeeping forms the basis of all day-to-day records of a business. This means that it is very important that candidates have a thorough understanding of double entry and the ability to apply this to various scenarios. For each entry in a ledger account it is important to enter the date, details and amount.

Candidates should avoid the use of inappropriate abbreviations. For example, it is not acceptable to use 'COGS' for 'cost of goods sold', 'S of P' for 'share of profit' and 'b/d' for 'Balance'.

The syllabus requires the inclusion of questions in which candidates need to discuss a given scenario and recommend a course of action. Candidates are advised to think carefully before attempting to these questions and make a list of points they want to include. This should assist candidates to provide a coherent response. Strong answers set out the advantages, the disadvantages and then provided a clear recommendation.

Comments on specific questions

Question 1

- (a) (i) This question asked candidates to prepare an opening journal entry for a new business. Some candidates did not seem to be familiar with this topic. Strong responses listed the assets owned by the business (shown in the debit column), the liabilities owed by the business (shown in the credit column) and the capital of the business (also shown in the credit column). The entry needed to be supported by an appropriate narrative.
- (ii) There was a mixed response to this question. Many candidates correctly suggested the correction of errors and writing off irrecoverable debts. Incorrect answers included '*to record items not entered in the sales and purchases ledgers*' and '*to record non-current assets*'.
- (b) (i) This question asked candidates to prepare a petty cash book using the information provided. Many candidates answered this question well.

Common errors were:

- Opening balance omitted or included with incorrect wording in details column
- Incorrect wording in the details column, e.g. 'payment for...'
- Omission of balance carried down a month end
- Omission of restoration of imprest

(ii) Candidates needed to state one advantage of the imprest system of petty cash. Correct answers included the reduction of fraud and the control of small cash expenditure. Some candidates incorrectly provided an advantage of petty cash books in general.

(c) This question asked candidates to complete a table to indicate the business document in which certain items would be recorded. There was a mixed response to Items 2 and 3. A purchase returns will appear on both a credit note and a month-end statement of account. Trade discount appears on an invoice and may also appear on a credit note if those goods returned.

Question 2

(a) Using the information provided, candidates were required to prepare a sales ledger control account. Many candidates answered this very well. Weaker responses included extraneous items such as cash sales and discount received and sometimes recorded items on the wrong side of the account.

(b) This question was answered well. Many candidates correctly named the prudence as the accounting principle applied when irrecoverable debts are written off.

(c) (i) Candidates were required to explain why a bank manager would be interested in the level of a trader's trade receivables. Weak responses were generic statements about a bank manager needing to consider whether the trader could repay a loan/overdraft and the security available. Candidates needed to link the decision about granting a loan or overdraft with the level of the trade receivables.

(ii) In general, question was not answered well. Candidates were required to explain why trade payables would be interested in the level of a trader's trade receivables. Answers tended to be generic and concentrated on the criteria to be fulfilled before goods are supplied on credit. There was often no attempt to link the decision regarding supplying goods on credit to the level of the trade receivables.

(d) Advice was required on whether or not a trader should employ a credit controller. Correct answers included a discussion of a reduction in irrecoverable debts and the payment of a salary. Stronger responses expanded on these statements and considered the effect on the relationship with customers and the fact that the credit controller may not necessarily be successful in collecting all the debts. Some answers did not include a recommendation.

Question 3

(a) Using the information provided, candidates were asked to prepare a manufacturing account. Many candidates answered this question well.

Common errors were:

- Including extraneous items such as revenue, accumulated depreciation, expenses relating to the office and the cost of non-current assets
- Not labelling the cost of materials used, the prime cost and the cost of production
- Including items in an incorrect section such as indirect wages in the prime cost section, and work in progress in the overheads section
- Deducting the overheads from the prime cost instead of adding

- (b) Candidates were required to prepare the trading section of an income statement. Many candidates answered this question well.
Common errors were:
- Including extraneous items such as raw material (inventories and purchases), factory costs and office costs
 - Omitting the cost of production (calculated in **part (a)**)
 - Not labelling the cost of sales and the gross profit
- (c) Using the gross profit calculated in **part (b)**, candidates were required to calculate the gross margin. Many candidates earned both available marks. Some candidates achieved only one mark as they did not express the answer correct to two decimal places or did not indicate that the answer represented a percentage.
- (d) This question asked candidates to provide advice on whether a manufacturer should continue to make goods or whether they should purchase finished goods from another manufacturer. Many candidates made converse statements such as '*it is cheaper to make*' and '*it is cheaper to buy*' but needed to substantiate these statements. Some candidates produced a logical statement incorporating factors other than just the cost difference. Some answers did not include a recommendation.

Question 4

- (a) Candidates were required to prepare a corrected trial balance. This task was generally answered well. Candidates needed to recognise that the figures for purchases, trade payables and inventory were in incorrect columns.
- The petty cash balance had been omitted from the trial balance. This should have been included as an additional item within the corrected trial balance. Some did not include this item or incorrectly added it to the cash at bank figure.
- The calculation of the amount of the opening inventory to include in the trial balance caused some problems. The closing inventory was included in the trial balance and candidates were informed that the inventory valuation had increased by 20 per cent since the start of the year. The inventory in the trial balance therefore represented 120 per cent of the opening inventory so the inventory to include in the trial balance should have been \$8000.
- (b) Candidates were required to calculate the bank statement balance, indicating whether it was a debit or credit balance. The majority of candidates answered this question well. Some candidates did not recognise that the bank statement balance would be a credit balance.
- (c) A table had to be completed to indicate the entries required to correct five errors. Many candidates answered this very well.
- (d) Candidates had to identify the type of error made in Errors 2 and 4. Many candidates did not recognise Error 2 as an error of commission and incorrectly identified it as an error of principle. Most candidates correctly identified Error 4 as an error of original entry.

Question 5

- (a) This question required candidates to prepare the appropriation account of a partnership business using the information provided. Many candidates prepared a wholly correct account and achieved six marks. Common errors included:
- Omission of the profit for the year
 - Deducting interest on drawings from the profit for the year
 - Not indicating the names of partners in connection with the interest, salary and profit shares
- (b) This question asked candidates to prepare the current account of a partner. This question was generally answered well. Some candidates incorrectly included extraneous items such as the capital account balance and items relating to the other partner.
- (c) Candidates were required to suggest three reasons why one of the partners would not be satisfied with his total profit share. Many candidates answered this question well. Some candidates made

general comments such as '*his profit share is small*', which were not regarded as adequate as there was no element of comparison with the other partner's total profit share.

- (d) Advice was required on whether partners should convert their business into a limited company. This question was generally answered very well. Some answers concentrated on either the disadvantages of a partnership business or on the advantages of a limited company and needed to provide a balanced approach. Some answers did not include a recommendation.

