

PRINCIPLES OF ACCOUNTS

Paper 7110/11
Paper 11

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

Key messages

A thorough knowledge of the syllabus is essential as a multiple choice item can be asked on any area of the syllabus. An understanding of double entry and financial statements is required.

It is important to read each item thought very carefully before attempting an answer. This ensures that an important word, phrase or figure is not overlooked

General comments

Candidates found some questions more challenging than others.

Comments on specific questions

Item 1

A book-keeper would not prepare financial statements. A significant number of candidates incorrectly believed that the book-keeper would not be involved with posting cash receipts.

Item 5

A bank error would not be corrected by an entry in the cash book but would appear in the reconciliation statement. Dividend received by the bank would need to be entered into the cash book. It was expected that candidates would select the key B.

Item 6

Candidates are also expected to be able to explain and interpret ledger accounts prepared using the running balance format. The account was in the books of Amina who was selling goods to a credit customer Syed. A debit balance on a personal account indicates that this is an amount owing to the trader, so option A was incorrect. An entry for bank on the credit side of a personal account indicates that the money is coming from that person, so options C and D were incorrect. The key was B.

Item 8

Some candidates were unsure how the errors would affect the trial balance. Error A was an error of commission, error B was an error of reversal, and error C was an error of principle. Error D would result in the totals of the trial balance not balancing.

Item 9

The vast majority of candidates selected Options B and C as they understood that a debit balance and a credit balance on income accounts would not represent the same thing. A debit balance on an income account indicates that there is accrued income and a credit balance represented prepaid income. The key was B.

Item 11

Those candidates with a good understanding of double entry appreciated that Lee's account had to be credited to correct the error. This meant that the suspense account had to be debited.

Item 13

Capital employed is the total funds the business is using. This can be calculated by deducting the current liabilities from the total assets. A significant number of candidates incorrectly deducted the total liabilities from the total assets.

Item 15

Preparing a "T" account may have assisted candidates in selecting the key to this item. The majority of candidates understood that a closing prepayment is deducted from the amount received. An opening accrual should be deducted from the amount received as this means that money received this year related to the previous year not the current year.

Item 18

Income and expenditure contains revenue receipts and revenue expenditure. A significant number of candidates incorrectly selected option C. The purchase of new sports equipment is capital expenditure and would not be included in the income and expenditure account.

Item 19

As Item 15, this required knowledge of how to treat year-end adjustments. Some of the money received during the current year related to the previous year so should have been deducted. The closing accrual should have been added as it related to the current year, even though not actually received.

Item 22

The amount of the share capital and the general reserve will not be affected by the dividend policy of a limited company. Only the retained earnings will be directly affected.

Item 23

This item also concerned dividends paid to shareholders of a limited company. The profit remaining after transfer to reserve and interim dividend paid was \$4000, so the final dividend would be 8%. Candidates selecting options C and D did not take into consideration that the profit would be reduced by the interim dividend and the transfer to reserve respectively.

Item 27

Each week the business would debit the wages account with the total gross pay, credit the cash book with the amount actually paid to employees and credit the accounts of any organisations to whom the business must pass on various deductions from wages. One such account is the income tax account as the business is liable to pass on the tax deducted from the wages of employees. The key was C.

Item 29

It was expected that candidates would appreciate that the offer of \$60 000 was only an offer not the receipt from a definite sale. The \$100 000 was not an official revaluation merely Omar's opinion. Applying the going concern and historical cost principles, the land would be recorded at \$25 000.

Item 30

The statements made in options A, B and D are correct. Statement C is not true as the application of international accounting standards has no effect on the time taken to prepare financial statements.

PRINCIPLES OF ACCOUNTS

Paper 7110/12
Paper 12

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

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Item 8

Some candidates were unsure how the errors would affect the trial balance. Error A was an error of commission, error B was an error of reversal, and error C was an error of principle. Error D would result in the totals of the trial balance not balancing.

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The vast majority of candidates selected Options B and C as they understood that a debit balance and a credit balance on income accounts would not represent the same thing. A debit balance on an income account indicates that there is accrued income and a credit balance represented prepaid income. The key was B.

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PRINCIPLES OF ACCOUNTS

Paper 7110/21
Paper 21

Key message

Candidates are advised to read the question carefully before attempting to answer it.

Where appropriate, candidates should provide supporting calculations. This ensures that at least some of the available marks may be earned even though the final answer may be incorrect.

General comments

There is a clear emphasis required to be placed upon accuracy, both in terms of the calculation of figures and in the way that accounting information is presented. A specific example would be the presentation of ledger accounts, candidates need to be able to calculate closing balances and bring them forward accurately, using correct terminology and in good presentational style.

Comments on specific comments

Question 1

- (a) This was generally well answered with assets and liabilities being listed separately and capital being arrived at by difference using the balance sheet equation.
- (b), (c) & (d) These questions required candidates to write up transactions in ledger accounts. Trade discount needed to be deducted before entering detail into the accounts. This question needed a sound knowledge of book-keeping using correct account names. Accounts such as 'paid' and 'for the year' do not exist and similarly an entry for 'electricity' cannot be made within the electricity account.
- (e) & (f) These questions were generally well answered. Common errors were 'prudence' instead of matching / accrual concept and quoting paying-in slip (which is a banking document) rather than a 'pay-slip'. Few candidates were able to calculate the effect upon capital correctly and indicate the ability to visualise and demonstrate understanding of the final outcome of the transaction upon capital.

Question 2

- (a), (b) & (c)(i) These were generally very well answered. (c)(ii) proved challenging to many candidates and frequently seen incorrect answers were \$7900, \$8900 and \$12 900.
- (d) Many candidates did not realise that the disposal of \$7000 had to be recorded in the provision for depreciation account.
- (e) Journal entries are the basic data entries for non-standard transactions in manual and computerised accounting systems.
- (f), (g) & (h) These questions were well answered except for the omission of relevant dates within the provision for doubtful debts account.

Question 3

- (a), (b) & (c) These questions relied on the knowledge of applying control accounts or a logic calculation to determine the sales and purchases figures for the final accounts. Many candidates used the opening and closing inventory figures of \$12 000 and \$11 500 arriving at an incorrect cost of sales of \$500 and frequently included interest receivable, or included the purchase of equipment in the purchases account this being an error in principle.

Question 4

- (a) & (b) This style of question is a well established format that required the calculation of key performance indicators. The gross profit figure needed to be reconstructed followed by standard calculations and high marks were readily achieved.

Interpretative comments were linked to the answers from (a) and some strong answers were seen on this important topic.

Good candidates showed their workings and the resulting totals for the calculations before the final computation of the key ratio.

Question 5

- (a) This part of the question was answered very well. Areas of difficulty for candidates related to the calculation of the prepayment for advertising, the omission of the bad debt and the resulting treatments in the statement of financial position.
- (b) Accrued commission of \$1400 was often shown in current liabilities instead of current assets and the 6% bank loan (repayable 30 June 2016) was, in the majority of scripts, shown incorrectly as a long-term liability. The date for repayment of any loans is the deciding factor for its location in the correct category of liabilities.

PRINCIPLES OF ACCOUNTS

Paper 7110/22
Paper 22

Key message

Candidates are advised to read the question carefully before attempting to answer it.

Where appropriate, candidates should provide supporting calculations. This ensures that at least some of the available marks may be earned even though the final answer may be incorrect.

General comments

There is a clear emphasis required to be placed upon accuracy, both in terms of the calculation of figures and in the way that accounting information is presented. A specific example would be the presentation of ledger accounts, candidates need to be able to calculate closing balances and bring them forward accurately, using correct terminology and in good presentational style.

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