Principal examiner reports for teachers

Principal examiner reports for teachers summarise what candidates did well and what candidates needed to improve for this examination series only.

This report is to be used in conjunction with the question paper and mark scheme.

For guidance on teaching and learning we provide resources for many of our syllabuses.

Resource	Where to find it
Grade descriptions – Grade descriptions describe the level of performance typically demonstrated by candidates achieving the different grades awarded for a qualification.	School support hub Select: Subject > Resource finder > Syllabus and specimen materials
Schemes of work – Schemes of work are designed to support you in your teaching and lesson planning.	School support hub Select: Subject > Resource finder > Teaching and learning
Lesson planning – Guidance on how to plan a lesson.	Lesson planning
Resource plus – There may be additional resources such as teaching packs containing lesson plans, resources and worksheets and videos for aspects of your syllabus.	School support hub Select: Subject > Resource finder > Teaching and learning
Teaching tools	Teaching Tools
Exemplar candidate responses	School support hub Select: Subject > Resource finder > Teaching and learning
Learner guide – A guide for students to help them understand what the course involves.	School support hub Select: Subject > Resource finder > Teaching and learning
Community forums – Do you have a question or something to share? Our online forums are great way to keep up to date with your subject and the global Cambridge community.	Community forum on the school support hub
Access to scripts for this series.	Access to scripts service
Results analysis is available for some syllabuses.	Results analysis
Test maker is available for some subjects.	Test maker

Other services from Cambridge International Education

- **Digital mocks service**
- **Insight assessments**
- **Professional development**
  - Focus on assessment
  - Online marking workshops

ACCOUNTING

Paper 0452/12
Multiple Choice

Key messages

Candidates performed well on **Questions 1**, **2**, **4**, **6**, **7**, **9**, **14**, **19**, **21**, **22**, **23**, **24**, **25**, **27**, **29**, **30**, **31**, **32**, **34**, **35**.

Candidates performed less well on **Questions 3**, **5**, **8**, **10**, **11**, **12**, **13**, **15**, **16**, **17**, **18**, **20**, **26**, **28**, **33**.

Candidates performed less well where the style or wording of the question was less familiar to them.

Comments on specific questions

Question 3

- Option **B** was a common incorrect answer.
- The discount received account is kept in the general ledger.
- Only the accounts for credit suppliers are kept in the purchases ledger.

Question 5

- Option **B** was a common incorrect answer.
- The opening balance is the full amount owing at the start of the month.

Question 8

- Option **B** was a common incorrect answer.
- A trial balance includes opening inventory and excludes closing inventory.
- A trial balance is not part of the double-entry system. It is a list of the balances on the ledger accounts at a certain date.

Question 10

- Options **B** and **C** were common incorrect answers.
- The carriage inwards needs to be deducted from both the gross profit and the profit for the year.

Question 11

- All options were popular.
- A bank reconciliation statement is not part of the double-entry system. It is used to check the entries in the cash book which is part of the double-entry system.
- A bank reconciliation statement is prepared by the trader not by the bank.

Question 12

- Options **B** and **C** were common incorrect answers.
- When the cash book is updated, the bank charges will be recorded both in the cash book and on the bank statement, so they will not cause any difference.
- The unpresented cheque should be deducted from the bank statement balance to arrive at the updated cash book balance.

Question 13

- Option **D** was a common incorrect answer.
- A sales ledger control account shows total credit sales. It does not show cash sales.
- A sales ledger control account makes fraud more difficult because it should be prepared by someone who has not been involved in making entries in the sales ledger accounts.

Question 15

- Options **B** and **C** were common incorrect answers.
- Capital expenditure incorrectly treated as revenue expenditure would mean that expenses are overstated, and profit for the year is understated.
- Capital expenditure incorrectly treated as revenue expenditure would mean that non-current assets would be understated.

Question 16

- Option **C** was a common incorrect answer.
- The depreciation charge for year 2 is (2000 – [2000 × 45%]) × 45% = $495.
- The depreciation is debited to the income statement and credited to the provision for depreciation of equipment.

Question 17

- All options were popular.
- Rent was owed to the trader, so entries are required in the rent receivable account.
- The amount owed to the trader is an asset, and so it should be shown as a balance brought down on the debit side of the rent receivable account.

Question 18

- Option **B** was a common incorrect answer.
- The balance on the provision for doubtful debts account is carried down on the debit side and brought down on the credit side.
- The increase in the provision for doubtful debts is debited to the income statement and credited to the provision for doubtful debts account.

Question 20

- Options **B** and **C** were common incorrect answers.
- The valuation of work in progress affects cost of production, and therefore also affects cost of sales.
- The valuation of finished goods affects cost of sales only.
- If work in progress has been understated, then cost of production and cost of sales have been overstated.
- If the inventory of finished goods has been overstated, then cost of sales has been understated.

Question 26

- All options were popular.
- The items in the table should be added together to arrive at the figure for equity at the start of the year. The profit for the year needs to be added and the dividends need to be deducted to arrive at the equity at the end of the year.

Question 28

- Options **B** and **C** were common incorrect answers.
- The cost of sales of the refreshments is (50 + 490 – 75 =) $465. The profit on the sale of refreshments is (980 – 465 =) $515.
- The most common incorrect option was option **C**. For this option, the costs of printing the tickets for the dramatic performances were deducted to arrive at an incorrect profit figure.

Question 33

- Option **D** was a common incorrect answer.
- If the amount of inventory decreases, then this leads to inventory being turned over faster.
- If the selling price of the goods increased, this would not lead to the goods being sold faster.

ACCOUNTING

Paper 0452/22
Structured

Key messages

What candidates did well

- Some candidates correctly related their knowledge of the subject to the scenarios in written questions and provided good arguments for and against the proposed course of action.
- Many candidates exhibited a good understanding of double entry bookkeeping and the preparation of financial statement.

What candidates needed to improve

- In written questions, many candidates provided general statements which were not related to the scenario given.
- A thorough understanding of basic principles is essential.
- Candidates could improve by ensuring their presentation is clear.

Comments on specific questions

Question 1

(a) **Comprehensive responses**

- Most candidates understood the principles of maintaining a three-column cash book.
- The entries were correctly dated with suitable details.
- The balances were brought down.

Limited responses

- Irrelevant items such as purchase and sale of goods on credit were included.
- Cash discount was calculated incorrectly.
- The contra item was either omitted or incorrectly treated.
- Some candidates did not recognise that cash cannot have a credit balance.

(b) **Comprehensive responses**

- Goods bought for resale (cash and credit) were correctly recorded on the debit of the purchases account.

Limited responses

- Some candidates demonstrated minimal understanding of double entry principles resulting in incomplete entries, inaccurate details and inclusion of irrelevant items.
- Some candidates attempted to transfer the difference on the account to the income statement instead of following the instruction to balance the account.

(c) **Comprehensive responses**

- The total discount received for the month was correctly credited to the account.
- The instruction to balance the account and bring down the balance was followed.

Limited responses

- Many candidates did not appreciate that the monthly total of discount received is transferred from the cash book to the credit of the discount account.
- Some candidates entered individual amounts rather than the total for the month.
- Those candidates who did not have a thorough understanding of double entry principles reversed the account.

(d) (i) **Comprehensive responses**

- Many candidates were able to provide one advantage to a trader of maintaining control accounts.
- Many candidates correctly suggested the location of errors and reduction in fraud.

Limited responses

- Some answers demonstrated that candidates did not fully appreciate why control accounts are prepared.
- Common incorrect responses included correcting errors, preventing fraud and keeping track of credit sales.

(ii) **Comprehensive responses**

- Candidates correctly related the question to the scenario described and appreciated that this trader had very few credit sales so the preparation of a control account would not be worthwhile.

Limited responses

- Many candidates did not relate the question to the scenario described and provided a generic disadvantage of preparing control accounts.
- Common incorrect answers included 'time consuming' and 'cost of additional staff'.

(e) **Comprehensive responses**

- The principle of duality was clearly stated.
- Candidates understood that control accounts are not part of the double entry system and so duality principle does not apply.

Limited responses

- Candidates inadequately defined duality, stating only that everything is entered twice without further explanation.
- Candidates did not fully appreciate the role of control accounts in acting as a checking device and provided incorrect examples of double entries to and from a control account.

Question 2

(a) **Comprehensive responses**

- A thorough knowledge of double entry enabled candidates to correctly prepare an asset account.
- The motor vehicles account was correctly displayed with the opening balance on the debit, the transfer to disposal of the cost of the vehicle disposed of on the credit and a balance carried and brought down.

Limited responses

- Some candidates did not have a thorough understanding of double entry principles to be able to relate these to the preparation of an asset account.
- Irrelevant items such as provision for depreciation and proceeds of sale were often included.

(b) **Comprehensive responses**

- A thorough knowledge of double entry enabled candidates to prepare a provision for depreciation account.
- Candidates appreciated that the depreciation of the assets disposed of must be eliminated from this account and transferred to the disposal account.
- Candidates correctly used the data provided to correctly calculate the depreciation on the vehicle disposed of.

Limited responses

- Some candidates did not have a sufficient understanding of double entry principles and could not relate these to the preparation of a provision for depreciation account.
- Candidates did not appreciate that the depreciation on the vehicle sold must be removed from the asset account.
- Irrelevant items such as cost of vehicles, net book value and proceeds of sale were included.

(c) **Comprehensive responses**

- Many candidates understood the purpose of a disposal account and correctly entered the cost, the depreciation to date and the proceeds of sale and transferred the difference on the account to the income statement.

Limited responses

- Candidates who did not understand the purpose of this account provided incorrect presentations.
- Incorrect and irrelevant entries were made, and the account was often reversed.

(d) **Comprehensive responses**

- An understanding of the difference between capital and revenue expenditure enabled candidates to respond accurately.

Limited responses

- Not having a thorough understanding of the difference between capital and revenue expenditure resulted in some of the items being incorrectly classified (especially delivery cost and insurance).

(e) **Comprehensive responses**

- The application of knowledge and understanding of accounting principles to the situations described ensured that the correct answers were provided.

Limited responses

- Some candidates were not able to name the accounting principles being applied.
- Many candidates confused the principles of realisation and historic cost and the principles of prudence and money measurement.

(f) **Comprehensive responses**

- The advantages and disadvantages to the trader of purchasing new shop fittings were discussed in a logical manner.
- There was a clear statement advising the trader on what action he should take.

Limited responses

- Candidates did not make use of all the information provided such as the life expectancy of the original fittings and the fact that the trader had recently spent a considerable sum on a new vehicle.
- Candidates confused capital and revenue items and regarded the cost as an expense.
- Many candidates did not appreciate that the depreciation charge would be higher.
- Some discussed purchasing factory machinery rather than shop fittings.
- Some candidates were unable to provide a clear recommendation.

Question 3

(a) **Comprehensive responses**

- The income statement was presented in an acceptable format.
- Items such as cost of sales, gross profit and profit for the year were correctly labelled.
- Items of income were correctly added to the gross profit before the deduction of the expenses.

Limited responses

- Adjustments to income and expense items were incorrectly calculated.
- Depreciation for the year was incorrectly calculated.
- Irrelevant items such as drawings cost of non-current asset and opening provision for depreciation were included.
- Labels were omitted or unacceptable labels such as ‘GP’ and ‘C of S’ were used.

(b) Comprehensive responses

- Candidates correctly applied double entry principles to the preparation of a capital account.
- Candidates understood that profit increases capital and drawings reduce capital.

Limited responses

- Some candidates did not have a thorough understanding of double entry principles and were unable to relate these to the preparation of a capital account.
- Many candidates completely omitted the profit for the year.
- Irrelevant items such as non-current assets and bank balance were included.

(c) Comprehensive responses

- Candidates applied the correct formula to calculate the gross margin.
- The instruction to state the answer to two decimal places was followed.
- A percentage sign was correctly displayed after the answer.

Limited responses

- Candidates often incorrectly used the gross sales rather than the net sales for the denominator.
- Irrelevant items such as average inventory were included.
- The instruction to state the answer to two decimal places was not followed.
- A percentage sign was not displayed after the answer.

(d) Comprehensive responses

- The advantages and disadvantages to the trader of manufacturing goods rather than purchasing them were discussed in a logical manner.
- There was a clear statement advising the trader on what action he should take.

Limited responses

- Candidates made generic statements and did not relate them to the given scenario. For example, 'costs will increase' is too vague.
- Many candidates understood that the trader would not be purchasing finished goods, yet were unable to appreciate that raw materials would be purchased instead.
- Some candidates did not use the information provided and incorrectly discussed renting or purchasing a factory rather than the loss of rental income.
- Some candidates were unable to provide a clear recommendation.

Question 4

(a) Comprehensive responses

- Candidates who had a good understanding of double entry were able to provide journal entries to correct the errors which had been made in the accounting records.
- Candidates appreciated that correcting some errors involved doubling the amount of the original error.
- The journal entries clearly indicated the name of the account in which the entry was to be made.

Limited responses

- Some candidates did not have a good understanding of double entry principles which meant they were not always able to determine the entries required to correct an error.
- This limited understanding of double entry often resulted in incorrect amounts being posted.
- Candidates often used incorrect account names such as 'cash drawings' and 'cash sales'.

(b) Comprehensive responses

- Candidates with a thorough knowledge of the calculation of profit for the year were able to apply that knowledge to the statement of profit correction.
- These candidates understood that entries should not be made for those items such as drawings which do not affect profit.
- Either the error number or a short description of the error was included the details column.
- A figure was inserted to show the corrected profit.

Limited responses

- Candidates who had a limited understanding of the calculation of profit were unable to complete the statement of profit correction.
- Items which do not affect the profit, such as drawings and money received from a customer, were included in the statement.
- Candidates often used incorrect amounts.
- Some candidates did not attempt to calculate the corrected profit.

(c) **Comprehensive responses**

- The candidates who had a good understanding of double entry were able to apply that knowledge and calculate the correct bank balance.
- These candidates understood that only corrections affecting the bank should be included.
- Either the error number or a short description of the error was included the details column.
- A figure was inserted for the corrected bank balance.

Limited responses

- Candidates who had a limited understanding of the effect of monetary items on the bank balance were unable to complete the statement to calculate the corrected bank balance.
- Items which do not affect the bank balance, such as sales returns and the corrected profit for the year, were included in the statement.
- Some candidates used incorrect amounts.
- Some candidates did not attempt to calculate the corrected bank balance.

(d) **Comprehensive responses**

- Candidates correctly calculated the balance on the bank statement by adding the unpresented cheque to the corrected bank balance form in part **(c)**.

Limited responses

- Candidates often incorrectly included the original bank balance in their calculation instead of the figure calculated in part **(c)**.
- Candidates incorrectly deducted the unpresented cheque.

Question 5

(a) **Comprehensive responses**

- Candidates who understood the purpose of a statement of changes in equity were able to apply that knowledge and complete the statement.
- Candidates completed the details correctly and inserted the figures in the relevant columns
- All the columns were totalled.

Limited responses

- Some candidates were not very familiar with a statement of changes and were unsure how it should be completed.
- The wording in the details column was often incomplete. For example, ‘dividend’ instead of ‘dividend paid’ and ‘shares’ instead of ‘share issue’.
- Candidates were unsure of how the three items should be recorded in the statement.

(b) **Comprehensive responses**

- The statement of financial position was presented in an acceptable format.
- The assets and liabilities were displayed in their appropriate sections with suitable side headings and sub-totals.
- The details of the equity and reserves were itemised and the figures obtained from the total of the statement of changes prepared in part **(a)**.

Limited responses

- Some candidates did not appreciate that the assets and liabilities should each be divided into non-current and current.
- The provision for irrecoverable debts was sometimes added to the current assets, or deducted from the total of these assets, instead of being deducted from the trade receivables.
- The details of the equity and reserves were often omitted.
- Irrelevant items such as profit for the year were included.

(c) **Comprehensive responses**

- The liquid (acid test) ratio was correctly calculated using the total of the current assets (less inventory) and the current liabilities from the statement of financial position prepared in part **(b)**.
- The instruction to state the answer to two decimal places was followed.
- The ratio was correctly presented in ratio format.

Limited responses

- Many candidates incorrectly deducted the inventory from the total of the trade receivables and other receivables rather than from the total current assets.
- Irrelevant items such as non-current assets were included.
- The instruction to state the answer to two decimal places was not followed.
- The ratio was not presented correctly in ratio format and the ':1' was omitted.

(d) **Comprehensive responses**

- The advantages and disadvantages to the company providing cash discounts to its credit customers for a limited period were discussed in a logical manner.
- There was a clear statement advising the trader on what action the company should take.

Limited responses

- Candidates made generic statements and did not relate them to the given scenario. For example, 'profit will change' is too vague.
- Many candidates incorrectly discussed the advantages and disadvantages of offering trade discount.
- Some candidates did not use the information provided and incorrectly assumed that the discount would apply to future credit sales.
- Candidates who did not have a clear understanding of profit calculation assumed that revenue would decrease if cash discount was offered.
- Some candidates were unable to provide a clear recommendation.

(e) **Comprehensive responses**

- Many candidates correctly identified that the bank manager would be interested in whether the business could repay the existing loan and overdraft, and also if it would be able to pay the interest on these amounts.

Limited responses

- Candidates made generic statements and did not relate them to the given scenario. For example, they discussed whether the bank should offer a loan instead of referring to the possibility of offering an additional loan.
- Irrelevant factors were often introduced such as improving profitability and increasing salary.