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

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ACCOUNTING

Paper 9706/12
AS Level Multiple Choice

Key messages

Candidates performed well on **Questions 1**, **2**, **4**, **5**, **6**, **7**, **8, 12**, **13**, **14**, **15**, **17**, **18**, **19**, **20**, **21**, **24**, **26**, **27**, **28** and **30**.

Candidates performed less well on **Questions 3**, **6**, **9**, **10**, **11**, **16**, **22**, **23**, **25** and **29**.

Candidates should take care to read the question details carefully. Some options are only partially correct. Additionally, candidates should ensure they understand the difference between mark-up and margin and be able to apply this in a variety of ways.

Comments on specific questions

Question 3

- Option **C** was a common incorrect answer.
- Most candidates correctly identified that the entry in the cash book would be for discount received. Those who selected Option **C** mistakenly calculated the discount as 5% of the amount received rather than 5% of the gross amount.

Question 6

- Option **D** was the most common incorrect answer.
- This suggests that candidates did not read the question information fully and hence selected only a description of straight-line depreciation. A fully depreciated asset will not have any further depreciation charged, even if it continues to be used.

Question 9

- Options **A** and **B** were common incorrect answers.
- This question tested understanding of the nature of common account balances and the required direction and amount of adjustments to correct errors using a suspense account. Candidates confused the nature of a bank overdraft and hence credited the suspense account balance with either $200 or $400.

Question 10

- Option **B** was the most common incorrect answer.
- Each of the items is a reason for preparing a bank reconciliation statement. This can help to identify fraud (although would not prevent fraud).

Question 11

- Option **D** was the most common incorrect answer.
- Candidates did not recognise that the balance per the cash book is to be reflected in the financial statements, not the balance per the bank statement. The reconciliation statement reflected the differences between the balances. The cashbook balance did not require adjusting for these.

Question 16

- Option **B** was the most common incorrect answer.
- Goods taken for own use by the owner will decrease cost of sales and hence increase profit.

Question 22

- Option **A** was the most common incorrect answer.
- Candidates were unable to consider the implications of a decrease in inventory on the calculation of cost of sales and hence incorrectly deducted the decrease from the purchases figure and applied mark-up rather than margin when calculating gross profit.

Question 23

- Option **D** was the most common incorrect answer.
- Many candidates could not correctly interpret the diagram illustrating cost behaviour. Candidates who selected option **D** did not recognise that total variable costs will be zero when the level of activity is zero.

Question 25

- Option **C** was the most common incorrect answer.
- Candidates who selected Option **C** correctly calculated the unit cost, although confused mark-up and margin when calculating the required selling price.

Question 29

- Option **C** was the most common incorrect answer.
- Candidates were able to work out the sales revenue required to break-even. The break-even revenue figure must then be applied as being 60% (100% – 40%) of the revenue which would be necessary to achieve the stated margin of safety.

ACCOUNTING

Paper 9706/22
AS Fundamentals of Accounting

Key messages

What candidates did well

- Candidates did well with the written questions, particularly concerning computerised accounting systems.
- Statements of changes in equity was well answered with accurate calculations and labels.
- Marginal costing statements were well laid out with appropriate labels highlighting the contribution and then profit amounts.

What candidates needed to improve

- Financial statements need to use the latest accounting terminology and show supported workings where adjustments have taken place.
- Candidates need to improve their understanding of general reserves.
- Improvement is needed with ledger accounts and the labels must correlate to the other account entry.

Comments on specific questions

Question 1

(a) **Comprehensive responses**

- Responses demonstrated understanding of the technique used to calculate credit purchases. In these responses, the correct data was selected from the information provided and either added or subtracted as appropriate.

Limited responses

- Candidates omitted relevant information or included data that was not required such as opening and closing inventories. Frequently data was subtracted which should have been added such as the discounts received.

(b) **Comprehensive responses**

- Candidates provided well-presented statements of profit or loss in which entries were correctly described, and the use of abbreviations was avoided in this formal financial statement. The information required was carefully selected with detailed calculations provided to support entries.

Limited responses

- Some responses demonstrated a limited understanding of how to calculate the correct amounts to be entered for certain expenses where multiple adjustments were required for amounts prepaid or accrued at both the beginning and end of the year. Some candidates were confused about what should be included, and extraneous items such as drawings occasionally appeared in the statement. Rent payable was sometimes incorrectly entered as income, and the total proceeds from the disposal of equipment were included rather than the disposal profit.

(c) **Comprehensive responses**

- Many candidates were able to identify the business entity concept and correctly refer to the treatment of drawings in the financial statements, for example, as a deduction from capital in the statement of financial position.

Limited responses

- Some candidates omitted to state the concept as required by the question or identified the wrong concept. A significant number of candidates did not mention how drawings should be treated in the financial statements.

(d) Comprehensive responses

- Almost every candidate was able to identify two reasons why the owner of the business had chosen not to keep full accounting records, often citing lack of skills or time or simply being content with the available information.

Limited responses

- Occasionally, candidates mentioned cost as a reason for not maintaining full accounting records. They needed to be more specific and identify what the cost might be.

(e) Comprehensive responses

- Most candidates gave full, well-balanced answers as to whether the owner of the business should use a computerised accounting system. Answers often referred to the speed, accuracy and fraud prevention as well as other benefits, and also pointed out the cost of equipment, software and training as well as the risks of hacking, etc.

Limited responses

- Some candidates did not reach a clear decision in their response, despite providing at least some advantages and disadvantages of using computerised accounting systems. Occasionally, points were quoted from the question information without any reference to their implications.

Question 2

(a) Comprehensive responses

- Accurate calculations which were clearly linked to the relevant vehicle and the carrying value for each was added to provide the total.

Limited responses

- Some did manage part of the depreciation calculations, although they were then unable to calculate the carrying values.

(b) Comprehensive responses

- The vehicle ledger account entries were made with all labels correct and accurate calculations. The account was balanced correctly, and the new balance was brought down on the debit side.

Limited responses

- Some candidates provided incorrect entries with wrong labels which needed to be the names of the other accounts involved and not a description of the transaction. The bank entry was sometimes incorrectly merged with the debit disposal amount.

(c) Comprehensive responses

- Items were all treated correctly in order to calculate the loss on the disposal of vehicle A and the amount was correctly labelled to show it was a loss. This could also be completed as a ledger account. The loss needed to be clearly labelled.

Limited responses

- Some could not calculate the correct carrying value and then treated the proceeds incorrectly and so a profit was gained rather than a loss.

(d) Comprehensive responses

- Many responses identified consistency, prudence, or matching/accruals, and provided explanations concerning the treatment of non-current assets being depreciated.

Limited responses

- Some stated methods of depreciation instead or gave incorrect concepts.

Question 3

(a) Comprehensive responses

- Many responses were accurate and used the correct descriptions of what was taking place. Candidates knew which accounts were to increase or decrease and used brackets to signify their negative amounts. Bonus issues and rights issues were calculated as was the dividend payout.

Limited responses

- Dates were used instead of the transaction taking place. Some used a running balance approach with the total column or missed out entries or treated them incorrectly. Some subtracted the full amount of the revaluation from the revaluation reserve even though this left a negative balance which is not allowed.

(b) Comprehensive responses

- Correct answers focused on the ownership control being maintained with a rights issue. The fact that the issue was more likely to be fully subscribed was also a popular correct answer. The cost and time elements of a new issue were also given and the need to issue a prospectus.

Limited responses

- Sometimes, the advantages given were to the shareholder rather than the company. Some confused 'shareholders' and 'customers.'

(c) Comprehensive responses

- Some knew that it was for future contingencies such as unexpected changes. Other candidates knew the role that a general reserve can play with dividend policy flexibility.

Limited responses

- Many thought that a general reserve represents cash which it does not necessarily.

Question 4

(a) (i) Comprehensive responses

- Most candidates identified that this needed to be related to the production of 1 extra or additional unit and explained it sufficiently.

Limited responses

- Some explained fixed costs, variable costs or contribution and the part those costs played in marginal costing.

(ii) Comprehensive responses

- Most candidates did bring 'output/range/production limit' relating to activity correctly into the definition.

Limited responses

- A few mentioned time or no specific production to increasing costs or did not link to production and defined fixed costs and variable costs in general.

(b) Comprehensive responses

- Most candidates showed understanding of what was needed by either calculating using the contribution approach or more commonly using a cost statement to arrive correctly at profit.

Limited responses

- A few candidates used a per unit calculation to begin with and then subtracted the total fixed costs.

(c) Comprehensive responses

- Many candidates successfully recalculated the new selling price. An omission here was not to continue to calculate the increase that was asked for and to stop at recalculating the selling price.

Limited responses
- Some candidates were unsure how to tackle this question and attempted profit calculations in an attempt to discover the new selling price. Some knew to add the fixed costs to the target profit, though they were unsure how to progress from there.

(d) (i) (ii) Comprehensive responses
- Most did prepare a marginal costing statement with correct headings and correct total figures. The total method was more common with the contribution clearly shown and the final figure clearly labelled as profit.

Limited responses
- Some candidates used the label selling price instead of revenue and gave an incorrect calculation of direct material. Sometimes labels were missing which are important for a marginal costing statement.

(e) Comprehensive responses
- Candidates understood what was expected of them and made a reasoned decision based on their discussion points. Many understood the question and gave advantages and disadvantages for just in time and the potential change of supplier.

Limited responses
- A few candidates repeated what was in the question without expanding further. Some thought that the new supplier was overseas which was not in the additional information. Some did not complete this question suggesting they may have run out of time.

ACCOUNTING

Paper 9706/32
A Level Financial Accounting

Key messages

What candidates did well

- Many candidates demonstrated their knowledge and understanding of a wide range of the syllabus.
- The production of the accounts was generally very good with most candidates producing their answers neatly in the correct format.

What candidates needed to improve

- Candidates should consider the scenario when answering the written questions. It is important that all aspects are considered to support the decision.
- Many candidates were unable to demonstrate their understanding of the provision for unrealised profit.

Comments on specific questions

Question 1

(a) Comprehensive responses

- Comprehensive responses completed all double entry correctly.
- Such responses also calculated and posted the realisation entry to the capital account.

Limited responses

- Some candidates entered the opening balance.
- They also attempted to close the capital account.

(b) Comprehensive responses

- Comprehensive responses calculated the goodwill for both Gustav and Vera.
- They also explained the reasons why Vera's goodwill was higher.
- Such responses identified two justification points for an even holding of the shares.

Limited responses

- Some candidates attempted the goodwill calculations.
- Some gave general goodwill explanations not related to the scenario.
- Some were unable to address the split of the shares.

(c) Comprehensive responses

- Comprehensive responses provided a statement of financial position with all elements posted correctly.

Limited responses

- Some candidates produced the statement in good format though they omitted goodwill.

(d) Comprehensive responses

- Some responses provided a statement of financial position which accounted for the amortisation of goodwill and dealt correctly with the extension accident.
- Such responses posted the equity and liabilities correctly.

Limited responses

- While some candidates produced the statement in a good format with correct current assets, inaccuracies were evident in the treatment of the equity and liabilities section.

- Some candidates posted the bank loan incorrectly and/or did not account for the change in retained earnings.

(e) **Comprehensive responses**

- Comprehensive responses identified IAS37/contingent asset and explained the difference in accounting treatment.

Limited responses

- Some candidates identified IAS37/contingent asset though the explanation of the resulting change in accounting treatment was not developed.

Question 2

(a) **Comprehensive responses**

- Comprehensive responses provided a statement of profit or loss in the correct format.
- Such responses also accounted correctly for all expenses.

Limited responses

- Some candidates omitted depreciation.

(b) **Comprehensive responses**

- Comprehensive responses provided an income and expenditure account in the correct format and included the café profit and subscriptions.
- These responses also accounted correctly for all expenditure.

Limited responses

- Some candidates produced an income and expenditure account without including all income items.
- They also accounted for some items of expenditure, though not all were included.

(c) **Comprehensive responses**

- Comprehensive responses calculated the closing accumulated fund accounting for all items correctly.

Limited responses

- Some candidates included many of the required elements, with some elements missing.
- Some candidates omitted the bank overdraft.

(d) **Comprehensive responses**

- Comprehensive responses identified two valid points for both options.
- Such responses also provided a decision which was supported by the points given.

Limited responses

- Some candidates identified a valid point for each option, though a justifiable decision was not always given.

(e) **Comprehensive responses**

- Comprehensive responses identified three or four consequences.

Limited responses

- Some candidates identified only one or two consequences.

Question 3

(a) **Comprehensive responses**

- Most candidates were able to make all the calculations correctly.

Limited responses

- Some candidates did not deduct the factory profit from the transfer price to deduce the production cost of goods completed.

(b) **Comprehensive responses**

- Most candidates calculated the work in progress correctly.

Limited responses

- A few candidates omitted supervisors' salaries.

(c) **Comprehensive responses**

- Comprehensive responses produced the unrealised profit account with all elements posted correctly.

Limited responses

- Some candidates accounted for the opening balance and the posting to the statement of profit or loss, though the closing balance was not posted correctly.

(d) **Comprehensive responses**

- Comprehensive responses produced a statement of profit or loss in good format.
- Such responses accounted correctly for the factory profit and the provision for unrealised profit.

Limited responses

- Some candidates produced the statement in a good format, with opening and closing inventories correctly presented, though the transfer price was not treated correctly.
- Some candidates omitted the factory profit.

(e) **Comprehensive responses**

- Comprehensive responses identified two appropriate reasons both to change and not to change the rate.
- Such responses also provided a justifiable decision.

Limited responses

- Some candidates identified one appropriate reason both to change and not to change the rate.

(f) **Comprehensive responses**

- Comprehensive responses identified four or five valid reasons.

Limited responses

- Some candidates identified two or three valid reasons. The candidates should have provided more valid reasons.

(g) **Comprehensive responses**

- Comprehensive responses provided an appropriate reason.

Limited responses

- Some candidates were unable to provide a relevant ethic.

Accounting

Paper 9706/42
A Level Cost and Management Accounting

Key messages

What candidates did well

- Some candidates showed a good knowledge and understanding of a wide range of the syllabus.
- The practical aspects of activity-based costing, budget production and standard costing were well understood.

What candidates needed to improve

- The written questions require answers which relate to the given scenario. Responses to evaluative questions should present a balanced argument and provide the required decision.

Comments on specific questions

Question 1

(a) **Comprehensive responses**

- Comprehensive responses prepared a fully labelled costing statement.
- Such responses calculated fixed overheads and applied the mark-up to show the unit selling price for both products.

Limited responses

- Some candidates accounted for the direct materials and labour and derived the total cost of both products.
- These candidates generally applied the mark-up to show the selling prices, though the fixed overheads were not dealt with correctly.

(b) **Comprehensive responses**

- Comprehensive responses made a clear and concise assessment of the fixed overhead allocation.

Limited responses

- Some candidates considered fixed overhead allocation without a conclusion of the suitability of the use of direct labour hours.

(c) **Comprehensive responses**

- Comprehensive responses gave a clear definition of the required term.

Limited responses

- Some candidates demonstrated knowledge of the term, though their responses were unclear.

(d) **Comprehensive responses**

- Comprehensive responses clearly defined the term with development of its use.

Limited responses

- While some candidates defined the term, they were unable to develop the methodology of the costing.

(e) Comprehensive responses

- Comprehensive responses used all the cost drivers to calculate the total fixed overheads for each product.
- These responses converted the total cost to the correct fixed overheads per unit for both products.

Limited responses

- Some responses calculated the total fixed overheads apportionment for some of the costs.
- Some candidates did not convert the total overheads to overheads per unit.

(f) Comprehensive responses

- Many candidates brought forward the overhead cost, added the direct costs and the mark-up.

Limited responses

- Some candidates failed to include the direct costs and/or the markup; as a result, they were unable to derive the selling price of the products.

(g) Comprehensive responses

- Comprehensive responses provided a balanced argument for the use of activity-based costing (ABC).
- Such candidates then applied this to the scenario.
- These responses contained a justified decision.

Limited responses

- Some candidates attempted to explain why ABC should be used.
- Such responses gave a decision without full consideration of the given data. The scenario should have been addressed in more detail.

Question 2

(a) Comprehensive responses

- Comprehensive responses explained the final components and their associated derivation.

Limited responses

- Some candidates demonstrated knowledge of the term though were unable to give sufficient development.

(b) (i) Comprehensive responses

- Many candidates produced a fully labelled production budget for all months.
- Such responses accounted correctly for sales, opening and closing inventories and derived the production units for each month.

Limited responses

- Some responses reversed the treatment of the inventories.

(ii) Comprehensive responses

- Comprehensive responses produced a fully labelled purchases budget for all months.
- Such candidates also calculated all inventories and converted the budget to both kilos and dollars.

Limited responses

- Some candidates calculated some of the monthly opening and closing inventories and only converted to a monetary value.

(c) Comprehensive responses

- Comprehensive responses calculated the three variances fully correctly.

Limited responses
- Some candidates calculated some of the variances correctly.
- Although some candidates gave the correct numerical answer, they did not state whether it was favourable or adverse.

(d) Comprehensive responses
- Comprehensive responses provided two calculations relevant to the scenario.
- A few candidates made three or four relevant points regarding the two options.
- These responses also gave a justifiable decision.

Limited responses
- Some candidates provided a calculation appropriate to the situation.
- Some candidates made a relevant point for each option.
- While these responses provided a decision, further development with more relevant points would have strengthened them.